

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



2022 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

- Revenue increased 49.0% to approximately HK\$890.6 million (for the six months ended 30 June 2021: approximately HK\$597.6 million).
- Gross profit increased 75.9% to approximately HK\$198.4 million (for the six months ended 30 June 2021: approximately HK\$112.8 million).
- Gross profit margin increased 3.4 percentage points to 22.3% (for the six months ended 30 June 2021: 18.9%).
- Operating profit was approximately HK\$39.1 million (for the six months ended 30 June 2021: operating loss was approximately HK\$47.4 million).
- Profit attributable to owners of the Company was approximately HK\$28.1 million (for the six months ended 30 June 2021: loss attributable to owners of the Company was approximately HK\$46.9 million).
- An interim dividend for the six months ended 30 June 2022 of HK1.0 cent per share of the Company (the “Share”) was declared and no interim dividend for the six months ended 30 June 2021 was declared.

* *For identification purpose only*

The board of directors (the “Board”) of Ming Fai International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Six months ended 30 June	
	Note	2022 HK\$'000	2021 HK\$'000
Revenue	3	890,552	597,582
Cost of sales	4	<u>(692,159)</u>	<u>(484,759)</u>
Gross profit		198,393	112,823
Other income	5	7,854	3,782
Distribution costs	4	(106,781)	(86,868)
Administrative expenses	4	(55,441)	(50,440)
Net impairment losses on financial assets	4	(4,885)	<u>(26,679)</u>
Operating profit/(loss)		39,140	(47,382)
Finance income	6	168	741
Finance costs	6	(1,679)	(1,280)
Share of profit/(loss) of an associated company		55	(154)
Share of loss of a joint venture		(19)	<u>(64)</u>
Profit/(loss) before income tax		37,665	(48,139)
Income tax expenses	7	(11,600)	<u>(1,315)</u>
Profit/(loss) for the period		26,065	(49,454)
Other comprehensive (loss)/income			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(11,839)	4,573
Total comprehensive income/(loss) for the period		14,226	<u>(44,881)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		28,066	(46,927)
Non-controlling interests		(2,001)	<u>(2,527)</u>
		26,065	<u>(49,454)</u>
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		14,331	(42,273)
Non-controlling interests		(105)	<u>(2,608)</u>
		14,226	<u>(44,881)</u>
Earnings/(loss) per Share attributable to owners of the Company (expressed in HK cents)			
Basic	15(a)	3.9	(6.4)
Diluted	15(b)	3.9	<u>(6.4)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Goodwill		5,424	5,390
Property, plant and equipment		425,924	445,126
Right-of-use assets		107,910	106,235
Investment property		15,220	15,911
Intangible assets		806	369
Deferred income tax assets		3,650	3,771
Other non-current assets		9,597	11,510
Investment in an associated company		5,033	5,221
Investments in joint ventures		304	323
Other financial assets at amortised cost		919	132
		574,787	593,988
Total non-current assets		574,787	593,988
Current assets			
Inventories		244,304	266,284
Other current assets		58,928	56,686
Tax recoverable		372	11,952
Other financial assets at amortised cost		10,298	15,750
Amounts due from joint ventures		482	455
Amount due from an associated company	9	2,029	2,338
Trade and bills receivables	8	525,226	528,418
Pledged bank deposit	10	11,808	11,689
Cash and cash equivalents	11	241,724	251,164
		1,095,171	1,144,736
Total current assets		1,095,171	1,144,736
Total assets		1,669,958	1,738,724
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	7,343	7,343
Reserves		1,138,102	1,133,259
Interim dividend proposed	16	7,343	–
		1,152,788	1,140,602
Non-controlling interests		(46,261)	(46,156)
Total equity		1,106,527	1,094,446

		(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		5,370	5,608
Other non-current payables		10,593	11,829
Borrowings	13	2,232	2,742
Lease liabilities		6,339	2,395
		<hr/>	<hr/>
Total non-current liabilities		24,534	22,574
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	12	130,103	178,432
Accruals and other payables		256,559	276,050
Current income tax liabilities		2,452	7,580
Borrowings	13	126,726	138,606
Lease liabilities		5,680	3,483
Loans from non-controlling interests		17,193	17,369
Dividends payable		184	184
		<hr/>	<hr/>
Total current liabilities		538,897	621,704
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		563,431	644,278
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total equity and liabilities		1,669,958	1,738,724
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The condensed consolidated interim financial information is for the Group consisting of the Company and its subsidiaries. This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below. Income tax expenses for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period and they did not have material impacts on the Group. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Impact of new and amended standards issued but not yet applied by the Group

Certain new and amended standards have been issued but are not mandatory for application in the current reporting period. The Group did not early adopt these new and amended standards in the current reporting period and they are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reports in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The Group is principally engaged in manufacturing and trading of hospitality supplies products ("Hospitality Supplies Business"), trading of operating supplies and equipment ("OS&E Business"), and manufacturing and trading of health care and hygienic products ("Health Care and Hygienic Products Business"). From a geographical perspective, the Board assesses the performance based on the Group's revenue by geographical location in which the customer is located. There are three reporting segments for the Group: (i) Hospitality Supplies Business; (ii) OS&E Business; and (iii) Health Care and Hygienic Products Business.

The Board assesses the performance of the operating segments based on a measure of segment profit/(loss) before income tax, share of profit/(loss) of an associated company and share of loss of a joint venture.

Information provided to the Board is measured in a manner consistent with that of the condensed consolidated interim financial information.

Sales between segments are carried out at normal commercial terms. Depreciation and amortisation charges are apportioned with reference to respective segment revenue from external customers. Assets and liabilities of the Group are allocated by reference to the principal markets in which the Group operates.

Geographical

	Hospitality Supplies Business				OS&E Business				Health Care and Hygienic Products Business				Others				
	North America HK\$'000	Europe HK\$'000	The People's Republic of China (the "PRC") (Note (i)) HK\$'000	Special Administrative Region of the PRC ("Hong Kong") HK\$'000	Australia HK\$'000	Other Asia Pacific regions (Note (ii)) HK\$'000	Others (Note (iii)) HK\$'000	Sub-total HK\$'000	The PRC (Note (i)) HK\$'000	Others (Note (iv)) HK\$'000	Sub-total HK\$'000	North America HK\$'000		Hong Kong HK\$'000	Others (Note (v)) HK\$'000	Sub-total HK\$'000	Total HK\$'000
Six months ended 30 June 2022 (Unaudited)																	
Segment revenue	91,605	111,763	143,439	91,629	87,018	130,227	1,478	657,159	50,353	20,281	70,634	72,930	72,039	20,727	165,696	893,489	
Inter-segment revenue	-	-	(2,635)	(300)	-	-	-	(2,935)	-	-	-	-	-	(2)	(2)	(2,937)	
Revenue from external customers	91,605	111,763	140,804	91,329	87,018	130,227	1,478	654,224	50,353	20,281	70,634	72,930	72,039	20,725	165,694	890,552	
Segment profit/(loss) before income tax	10,288	3,219	(2,885)	13,314	8,027	6,228	363	38,554	(9,370)	2,383	(6,987)	111	7,525	(2,270)	5,366	37,629	
Share of profit of an associated company																	55
Share of loss of a joint venture																	(19)
Income tax expenses																	(11,600)
Profit for the period																	26,065

	Hospitality Supplies Business					OS&E Business			Health Care and Hygienic Products Business			Others				
	North America HK\$'000	Europe HK\$'000	The PRC (Note (i)) HK\$'000	Hong Kong HK\$'000	Australia HK\$'000	Other Asia Pacific regions (Note (ii)) HK\$'000	Others (Note (iii)) HK\$'000	Sub-total HK\$'000	The PRC (Note (i)) HK\$'000	Others (Note (iv)) HK\$'000	Sub-total HK\$'000	North America HK\$'000	Hong Kong HK\$'000	Others (Note (v)) HK\$'000	Sub-total HK\$'000	Total HK\$'000
Six months ended 30 June 2021 (Unaudited)																
Segment revenue	47,508	22,792	235,263	76,838	9,547	57,879	646	450,473	62,209	10,465	72,674	40,802	17,932	18,465	77,199	600,346
Inter-segment revenue	-	-	(2,495)	(243)	-	-	-	(2,738)	-	-	-	-	-	(26)	(26)	(2,764)
Revenue from external customers	47,508	22,792	232,768	76,595	9,547	57,879	646	447,735	62,209	10,465	72,674	40,802	17,932	18,439	77,173	597,582
Segment (loss)/profit before income tax	(2,972)	(1,816)	(16,048)	(6,089)	(502)	(7,397)	53	(34,771)	(2,218)	(583)	(2,801)	(5,623)	(4,653)	(583)	(10,859)	(47,921)
Share of loss of an associated company																(154)
Share of loss of a joint venture																(64)
Income tax expenses																(1,315)
Loss for the period																(49,454)

	Hospitality Supplies Business				OS&E Business				Health Care and Hygienic Products Business				Others				
	The PRC		Kingdom of Cambodia		The PRC		Other locations		The PRC		Other locations		Sub-total		Inter-segment elimination		
	(Note (i))	Hong Kong	Australia ("Cambodia")	Other locations	(Note (i))	Hong Kong	(Note (vi))	(Note (vi))	(Note (i))	Hong Kong	(Note (vii))	(Note (vii))	Hong Kong	Hong Kong	Sub-total	Hong Kong	Total
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
As at 30 June 2022 (Unaudited)	722,531	572,806	1,709	344,170	51,676	1,692,892	149,828	37,322	390	187,540	19,165	64,691	657	84,513	40,571	(335,558)	1,669,958
Total assets																	
As at 31 December 2021 (Audited)	833,042	547,323	1,812	338,798	48,677	1,769,652	121,485	33,807	544	155,836	20,954	54,040	340	75,334	44,579	(306,677)	1,738,724
Total assets																	

Notes:

- (i) For the purpose of this segment information disclosure, the PRC excludes Hong Kong, the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan (2021:same).
- (ii) Other Asia Pacific regions mainly include Singapore, Macau, Qatar, India, United Arab Emirates and Cambodia (for the six months ended 30 June 2021: mainly include Macau, Japan, United Arab Emirates, Saudi Arabia, Cambodia, Malaysia, Singapore and India).
- (iii) Others mainly include Ivory Coast, Morocco and Democratic Republic of the Congo (for the six months ended 30 June 2021: mainly include Algeria and Republic of Seychelles).
- (iv) Others mainly include Hong Kong, Qatar and Macau (for the six months ended 30 June 2021: mainly include Hong Kong and Macau).
- (v) Others mainly include the PRC (note (i)), Cambodia and Germany (for the six months ended 30 June 2021: mainly include the PRC (note (i)), Japan and Cambodia).
- (vi) Other locations mainly include Macau and Singapore (as at 31 December 2021: mainly include Macau and India).
- (vii) Other locations mainly include Cambodia (as at 31 December 2021: mainly include Macau and Japan).

4 EXPENSES BY NATURE

The following expenses/(gains) are included in cost of sales, distribution costs, administrative expenses and net impairment losses on financial assets:

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	493,375	321,717
Auditor's remuneration	1,250	1,150
Depreciation of property, plant and equipment	28,095	27,602
Depreciation of right-of-use assets	4,595	4,363
Amortisation of intangible assets	365	434
Other lease expenses*	2,885	2,656
(Reversal of provision)/provision for obsolete inventories	(7,816)	2,747
Direct written off of obsolete inventories	802	672
Net impairment losses on financial assets	4,885	26,679
Employee benefit expenses	207,106	164,874
Transportation expenses	42,685	27,275
Exchange loss, net	1,993	1,595
Advertising costs	9,319	6,533
(Gain)/loss on disposal of property, plant and equipment	(292)	118
	<u>493,375</u>	<u>321,717</u>

Notes:

- * These expenses relate to short-term leases. They are directly charged as expenses and are not included in the measurement of lease liabilities under HKFRS 16.

5 OTHER INCOME

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	139	166
Income from sales of scrap materials	253	224
Government grants (<i>Note (i)</i>)	5,768	1,946
Others	1,694	1,446
	<u>7,854</u>	<u>3,782</u>

Note:

- (i) For the six months ended 30 June 2022, government grants represented subsidies from the PRC Government in relation to certain capital investments of the Group and subsidies from the Hong Kong Government under the Anti-epidemic Fund (for the six months ended 30 June 2021: government grants represented subsidies from the PRC Government in relation to certain capital investments of the Group). There were no unfulfilled conditions and other contingencies attached to the receipts of those grants.

6 FINANCE INCOME AND FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest expenses on borrowings	(1,393)	(1,037)
Interest expenses on lease liabilities	(286)	(243)
	<hr/>	<hr/>
Finance costs	(1,679)	(1,280)
Finance income	168	741
	<hr/>	<hr/>
Finance costs, net	(1,511)	(539)
	<hr/> <hr/>	<hr/> <hr/>

7 INCOME TAX EXPENSES

The amount of income tax charged/(credited) to the interim condensed consolidated statement of comprehensive income represents:

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	10,425	496
– PRC enterprise income tax	1,105	818
– Other overseas profits tax	250	266
	<hr/>	<hr/>
	11,780	1,580
Deferred income tax credit	(180)	(265)
	<hr/>	<hr/>
	11,600	1,315
	<hr/> <hr/>	<hr/> <hr/>

Taxation has been provided at the appropriate rates prevailing in the jurisdictions in which the Group operates.

Hong Kong profits tax, PRC enterprise income tax, Macau profits tax and Cambodia corporate income tax were calculated at 16.5% (for the six months ended 30 June 2021: 16.5%), 25% (for the six months ended 30 June 2021: 25%), 12% (for the six months ended 30 June 2021: 12%) and 20% (for the six months ended 30 June 2021: 20%), respectively on the estimated assessable profits in respective region for the six months ended 30 June 2022.

No Singapore corporate income tax (for the six months ended 30 June 2021: same) has been provided as there were no assessable profits in Singapore during the six months ended 30 June 2022.

Taxes on other overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8 TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
Trade receivables	595,719	596,479
Bills receivables	17,959	19,387
	<u>613,678</u>	<u>615,866</u>
Less: provision for impairment of receivables	(88,452)	(87,448)
Trade and bills receivables, net	<u><u>525,226</u></u>	<u><u>528,418</u></u>

The credit period granted by the Group ranges from 15 days to 120 days.

Ageing analysis of trade and bills receivables by invoice date is as follows:

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
1 – 30 days	362,384	271,278
31 – 60 days	50,558	96,091
61 – 90 days	37,090	79,147
91 – 180 days	61,415	93,362
Over 180 days	102,231	75,988
	<u><u>613,678</u></u>	<u><u>615,866</u></u>

9 AMOUNT DUE FROM AN ASSOCIATED COMPANY

The amount represents trade receivables from an associated company. The carrying value of the amount approximates its fair value. The credit period granted is 90 days. The ageing analysis of the amount by invoice date is as follows:

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
1 – 30 days	2,029	1,485
31 – 60 days	–	496
61 – 90 days	–	2
Over 90 days	–	355
	<u><u>2,029</u></u>	<u><u>2,338</u></u>

10 PLEDGED BANK DEPOSIT

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
Pledged bank deposit	<u>11,808</u>	<u>11,689</u>

As at 30 June 2022, a bank deposit of US\$1,500,000 (equivalent to approximately HK\$11,808,000) (as at 31 December 2021: US\$1,500,000 (equivalent to approximately HK\$11,689,000)) was pledged as collateral for the grant of a letter of banking facility in Hong Kong.

11 CASH AND CASH EQUIVALENTS

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
Cash at banks and on hand	236,724	251,164
Short-term bank deposits (original maturities of less than three months)	<u>5,000</u>	<u>–</u>
	<u>241,724</u>	<u>251,164</u>

The Group's cash and bank balances and short-term bank deposits as at 30 June 2022 amounted to approximately HK\$99,022,000 (as at 31 December 2021: approximately HK\$89,425,000) and approximately HK\$420,000 (as at 31 December 2021: approximately HK\$386,000) were deposited with banks in the PRC and India respectively, where the remittance of funds was subject to foreign exchange control.

12 TRADE PAYABLES

The ageing analysis of trade payables by invoice date is as follows:

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
1 – 30 days	120,211	169,021
31 – 60 days	3,641	2,957
61 – 90 days	4,611	4,453
Over 90 days	<u>1,640</u>	<u>2,001</u>
	<u>130,103</u>	<u>178,432</u>

13 BORROWINGS

	(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 HK\$'000
Non-current:		
Secured other borrowings without repayable on demand clause	2,232	2,742
Current:		
Secured bank borrowings with repayable on demand clauses	126,479	138,227
Secured bank borrowings without repayable on demand clause	169	273
Secured other borrowings without repayable on demand clause	78	106
	<u>126,726</u>	<u>138,606</u>
	<u>128,958</u>	<u>141,348</u>

Except for bank borrowings and other borrowings of approximately HK\$2,480,000 as at 30 June 2022 (as at 31 December 2021: approximately HK\$3,122,000), which were secured by personal guarantee of a non-controlling interest of the Group, other bank borrowings were secured by certain property, plant and equipment, right-of-use assets and a bank deposit of the Group.

The carrying amounts of assets pledged as security for borrowings are as follow:

	(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 HK\$'000
Property, plant and equipment	19,739	21,245
Right-of-use assets	28,481	29,077
Bank deposit	11,808	11,689
Total carrying amount of assets pledged as security	<u>60,028</u>	<u>62,011</u>

As at 30 June 2022, the undrawn banking facilities of the Group amounted to approximately HK\$287,028,000 (as at 31 December 2021: approximately HK\$239,784,000).

14 SHARE CAPITAL

Number of
Shares *HK\$'000*

Ordinary Shares of HK\$0.01 each

Authorised:

As at 1 January 2021, 30 June 2021,
1 January 2022 and 30 June 2022

10,000,000,000 100,000

Issued and fully paid:

As at 1 January 2021, 30 June 2021,
1 January 2022 and 30 June 2022

734,262,697 7,343

15 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per Share attributable to owners of the Company is calculated by dividing the profit/(loss) for the period attributable to owners of the Company by the weighted average number of ordinary Shares in issue during the period.

(Unaudited)
Six months ended 30 June
2022 2021

Profit/(loss) for the period attributable to owners
of the Company (*HK\$'000*)

28,066 (46,927)

Weighted average number of ordinary
Shares in issue (*thousands*)

727,589 728,839

**Basic earnings/(loss) per Share attributable to owners
of the Company (*HK cents*)**

3.9 (6.4)

(b) Diluted

Diluted earnings/(loss) per Share attributable to owners of the Company is calculated by adjusting the weighted average number of ordinary Shares outstanding to assume conversion of all dilutive potential ordinary Shares. The Company has share options as dilutive potential Shares. A calculation was done to determine the number of Shares that could have been acquired at fair value (determined as the average annual market price of the Shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of Shares calculated as above was compared with the number of Shares that would have been issued assuming the exercise of the share options.

Diluted earnings per Share attributable to owners of the Company for the six months ended 30 June 2022 was the same as basic earnings per Share attributable to owners of the Company as the share options had no dilutive effect on ordinary Shares because the exercise price of the share options was higher than the average market price of the Shares for the six months ended 30 June 2022.

Diluted loss per Share attributable to owners of the Company for the six months ended 30 June 2021 was the same as basic loss per Share attributable to owners of the Company as the exercise of the outstanding share options would have an anti-dilutive effect which results in a reduction in loss per Share for the six months ended 30 June 2021.

16 DIVIDENDS

No dividend was paid out during the six months ended 30 June 2022 as the Board did not recommend any final dividend for the year ended 31 December 2021.

The Board has resolved to pay an interim dividend of HK1.0 cent per Share, amounting to a total dividend of approximately HK\$7,343,000, in respect of the six months ended 30 June 2022. The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021.

17 CAPITAL COMMITMENTS

As at 30 June 2022, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were approximately HK\$20,831,000 (as at 31 December 2021: approximately HK\$21,843,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Financial Highlights

Set out below are the unaudited interim consolidated key financial highlights of the Group:

	Six months ended 30 June		Change %
	2022 <i>HK\$ million</i>	2021 <i>HK\$ million</i>	
Revenue	890.6	597.6	49.0%
Gross Profit	198.4	112.8	75.9%
Profit/(loss) attributable to owners of the Company	28.1	(46.9)	N/A
Basic earnings/(loss) per Share attributable to owners of the Company (<i>HK cents</i>)	3.9	(6.4)	N/A
Diluted earnings/(loss) per Share attributable to owners of the Company (<i>HK cents</i>)	3.9	(6.4)	N/A
Dividend per Share (<i>HK cent</i>)	1.0	–	N/A

Revenue

For the six months ended 30 June 2022, the total revenue of the Group recorded an increase of 49.0% to approximately HK\$890.6 million compared with approximately HK\$597.6 million in the corresponding period of prior year. For the six months ended 30 June 2022, the revenue of the hospitality supplies business, operating supplies and equipment (“OS&E”) business and health care and hygienic products business were approximately HK\$654.2 million, HK\$70.6 million and HK\$165.8 million (for the six months ended 30 June 2021: approximately HK\$447.7 million, HK\$72.7 million and HK\$77.2 million) respectively, which represented 73.5%, 7.9% and 18.6% (for the six months ended 30 June 2021: 74.9%, 12.2% and 12.9%) of the Group’s total revenue respectively.

Gross profit and gross profit margin

The Group’s gross profit for the six months ended 30 June 2022 increased 75.9% to approximately HK\$198.4 million, compared with approximately HK\$112.8 million in the corresponding period of prior year. Gross profit margin increased 3.4 percentage points to 22.3% from 18.9% as compared with the corresponding period of prior year, as a result of various measures taken by the Group including tightening cost control and more effort in sales of products with higher profit margins.

Profit/(loss) attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2022 was approximately HK\$28.1 million (for the six months ended 30 June 2021: loss attributable to owners of the Company was approximately HK\$46.9 million).

Earnings/(loss) per Share

Basic and diluted earnings per Share attributable to owners of the Company for the six months ended 30 June 2022 were HK3.9 cents and HK3.9 cents (for the six months ended 30 June 2021: basic and diluted loss per Share were HK6.4 cents and HK6.4 cents) respectively.

Interim dividend

The Board has resolved to declare an interim dividend of HK1.0 cent per Share for the six months ended 30 June 2022. The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021.

Liquidity and financial resources

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with standby banking facilities to cope with daily operation and potential capital demands for future development.

Cash and cash equivalents

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately HK\$241.7 million (as at 31 December 2021: approximately HK\$251.2 million).

Net assets

As at 30 June 2022, the Group's net assets was approximately HK\$1,106.5 million (as at 31 December 2021: approximately HK\$1,094.4 million).

Borrowings

The borrowing structure, maturity profile and currency denomination of the Group's borrowings are as follows:

Borrowing structure:

	As at 30 June 2022		As at 31 December 2021	
	Effective interest rate	HK\$ million	Effective interest rate	HK\$ million
Secured bank borrowings with repayable on demand clauses	Floating rate of 1.7% per annum over 1-month Hong Kong Inter-bank Offered Rate ("HIBOR")	7.0	Floating rate of 1.7% per annum over 1-month HIBOR	4.3
	Floating rate of the higher of 1.7% per annum over 1-month HIBOR or the cost to the bank of funding the borrowing	7.4	Floating rate of the higher of 1.7% per annum over 1-month HIBOR or the cost to the bank of funding the borrowing	8.4
	Floating rates ranging from 1.67%-1.82% per annum over 1-month Term Secured Overnight Financing Rate	77.9	Floating rates ranging from 1.5%-1.7% per annum over 1-month London Inter-bank Offered Rate ("LIBOR")	85.2
	Floating rate of the higher of 1.7% per annum over 1-month LIBOR or the cost to the bank of funding the borrowing	34.2	Floating rate of the higher of 1.7% per annum over 1-month LIBOR or the cost to the bank of funding the borrowing	40.3
Secured bank borrowings without repayable on demand clauses	Fixed rate of 1.4% per annum	0.1	Fixed rates ranging from 1.4%-2.4% per annum	0.3
Secured other borrowings without repayable on demand clauses	Fixed rates ranging from 0.36%-1.38% per annum	2.4	Fixed rates ranging from 0.36%-1.26% per annum	2.8
		129.0		141.3

Maturity profile:

The repayment terms of the borrowings without taking into consideration the effect of repayable on demand clauses are as followings:

	As at 30 June 2022 HK\$ million	As at 31 December 2021 HK\$ million
Within 1 year	63.8	64.2
Between 1 and 2 years	27.8	30.8
Between 2 and 5 years	36.2	44.7
Over 5 years	1.2	1.6
	<u>129.0</u>	<u>141.3</u>

Currency denomination:

	As at 30 June 2022 HK\$ million	As at 31 December 2021 HK\$ million
Hong Kong dollars	14.4	12.8
US dollars	112.1	125.4
Japanese Yen	2.5	3.1
	<u>129.0</u>	<u>141.3</u>

Charges on Group assets

Except for bank borrowings and other borrowings of approximately HK\$2.5 million as at 30 June 2022 (as at 31 December 2021: approximately HK\$3.1 million), which was secured by personal guarantee of a non-controlling interest of the Group, other bank borrowings were secured by certain property, plant and equipment, right-of-use assets and a bank deposit of the Group.

The carrying amounts of assets pledged as security for borrowings are as follows:

	As at 30 June 2022 HK\$ million	As at 31 December 2021 HK\$ million
Property, plant and equipment	19.7	21.2
Right-of-use assets	28.5	29.1
Bank deposit	11.8	11.7
	<u>60.0</u>	<u>62.0</u>

Gearing ratio

The gearing ratio was calculated as net debt (i.e. borrowings less cash and cash equivalents) divided by total equity. The gearing ratio was not applicable to the Group as at 30 June 2022 and as at 31 December 2021.

Foreign currency exposure

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi (“RMB”). The Group currently does not deploy a foreign currency hedging policy.

The Group primarily sourced its raw materials in the PRC. The related currency exposure with respect to RMB is managed through increasing revenue denominated in the same currency.

Capital commitments and contingent liabilities

Details of the capital commitments as at 30 June 2022 is set out in Note 17 to the condensed consolidated interim financial information. The Group has no material contingent liabilities as at 30 June 2022.

BUSINESS REVIEW

In the first half of 2022, the global economic recovery was still full of uncertainties due to the resurgence of the COVID-19 pandemic. Although some countries have begun to gradually relax entry restrictions, geopolitical conflicts have resulted in inflation, rising raw material prices, and supply chain disruptions. The pace of recovery of the global travel, tourism and aviation industries have been added additional pressure. The Group’s businesses have been affected by the complex and changeable business environment, but the overall performance still has grown as compared to the same period last year.

Hospitality Supplies Business

According to statistics recently released by the United Nations World Tourism Organization, international tourism saw a 182% year-on-year increase in January to March 2022, with destinations worldwide welcoming an estimated 117 million international arrivals compared to 41 million in first quarter in 2021. According to the data, the number of international arrivals worldwide has nearly tripled, with the majority of the industry’s rebound led by Europe. Unlike Europe and Americas, the recovery of tourism in parts of Asia is still affected by pandemic prevention measures. As a result, the pace of recovery in international tourism remains slow and uneven, depending on conditions such as entry restrictions, vaccination rates and travel confidence. Therefore, the demand for hospitality supplies products is still affected by the recovery trend of the tourism industry.

Revenue from the Group's hospitality supplies business for the six months ended 30 June 2022 increased 46.1% to approximately HK\$654.2 million (for the six months ended 30 June 2021: approximately HK\$447.7 million), which contributed 73.5% (for the six months ended 30 June 2021: 74.9%) to the Group's total revenue. Gross profit from the hospitality supplies business increased 69.1% to approximately HK\$146.6 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately HK\$86.7 million). The segment's gross profit margin increased 3.0 percentage points to 22.4% for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 19.4%).

The COVID-19 pandemic in China had rebounded in the first half of 2022, some regions had strengthened controls and even implemented lockdown measures, resulting in a decline in the number of local tourists. Hospitality supplies business revenue for the six months ended 30 June 2022 from the PRC was approximately HK\$140.8 million (for the six months ended 30 June 2021: approximately HK\$232.8 million), representing 21.5% (for the six months ended 30 June 2021: 52.0%) of the total hospitality supplies business segment revenue.

Hospitality supplies business revenues for the six months ended 30 June 2022 from Hong Kong, the North America, Europe, other Asia Pacific regions and Australia were approximately HK\$91.3 million, HK\$91.6 million, HK\$111.8 million, HK\$130.2 million and HK\$87.0 million (for the six months ended 30 June 2021: approximately HK\$76.6 million, HK\$47.5 million, HK\$22.8 million, HK\$57.9 million and HK\$9.5 million) respectively, accounted for 14.0%, 14.0%, 17.1%, 19.9% and 13.3% (for the six months ended 30 June 2021: 17.1%, 10.6%, 5.1%, 12.9% and 2.1%) of the total hospitality supplies business segment revenue respectively.

Operating Supplies and Equipment Business

According to HotStats, the hotel performance of the first quarter in 2022 ended strong with March profit surging across most global regions, such as Europe, United States and the Middle East. However, China did not have a similar fortune enjoyed by many other regions, as COVID-19 lockdowns reemerged dragging down hospitality. Revenue from the Group's OS&E business was approximately HK\$70.6 million for the six months ended 30 June 2022, representing a decrease of 2.9% as compared with approximately HK\$72.7 million for the six months ended 30 June 2021, and representing 7.9% (for the six months ended 30 June 2021: 12.2%) of the Group's total revenue. Gross profit from the OS&E business decreased by 4.7% to approximately HK\$16.1 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately HK\$16.9 million). The segment's gross profit margin decreased 0.4 percentage points to 22.8% for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 23.2%).

For the six months ended 30 June 2022, OS&E business revenues from the PRC and other markets were approximately HK\$50.3 million and HK\$20.3 million (for the six months ended 30 June 2021: approximately HK\$62.2 million and HK\$10.5 million) respectively, representing 71.2% and 28.8% (for the six months ended 30 June 2021: 85.6% and 14.4%) of the total OS&E business segment revenue respectively.

The Group actively explores the demand for OS&E in different regional markets, and continuously adds new product categories to strengthen its business coverage and provide customers with one-stop services. At the same time, we will continue to strive to establish a stable cooperative relationship with long-term customers, increase the demand for the Group's long-term re-order business and consolidate the Group's business development.

Health Care and Hygienic Products Business

The Group has been continuing to focus on the health care and hygienic products market and actively produced these products and disposable infection control products, including medical equipment covers, to meet the market demand. In order to fulfill our corporate social responsibilities and protect public safety, the Group produces high quality health care and hygienic products under our self-labeled brands "Pasion", "MING FAI" and "everybody LABO". In the post-pandemic era, the health awareness of the public has been greatly enhanced, and the demand for different health care and hygiene products has been increasing. The Group has incorporated different types of products to enrich the product range and drive the revenue growth of this business. Despite the increasingly fierce market competition, the Group believes that the production of health care and hygiene products is still indispensable and the market still has developing room for growth.

Revenue from the Group's health care and hygienic products business for the six months ended 30 June 2022 was approximately HK\$165.8 million (for the six months ended 30 June 2021: approximately HK\$77.2 million), which contributed 18.6% (for the six months ended 30 June 2021: 12.9%) to the Group's total revenue. Gross profit from the health care and hygienic products business was approximately HK\$35.8 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately HK\$9.2 million). The segment's gross profit margin increased 9.7 percentage points to 21.6% for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 11.9%).

The new wave of the COVID-19 pandemic in the first quarter of 2022 in Hong Kong has led to an increase in demand for anti-epidemic supplies, driving up the sales of hygienic products. For the six months ended 30 June 2022, the revenues of health care and hygienic products business from Hong Kong was approximately HK\$72.1 million (for the six months ended 30 June 2021: HK\$17.9 million), representing 43.5% (for the six months ended 30 June 2021: 23.2%) of the total health care and hygienic products business segment revenue. The Group also continued to drive the health care and hygienic products business development in other regions. For the six months ended 30 June 2022, the revenues of health care and hygienic products business from the North America and other markets were approximately HK\$72.9 million and HK\$20.8 million (for the six months ended 30 June 2021: approximately HK\$40.8 million and HK\$18.5 million) respectively, representing 44.0% and 12.5% (for the six months ended 30 June 2021: 52.9% and 23.9%) of the total health care and hygienic products business segment revenue respectively.

OUTLOOK

Uncertainties in the global economic recovery

The global economic recovery is still facing huge resistance, mainly due to the rising commodity prices caused by geopolitical conflicts and the resurgence of the global pandemic, which have increased uncertainties in the global economy. The impact on the travel, tourism and aviation industries are still the first to bear the brunt. Although travel restrictions were relaxed in many countries in Europe and Americas, some regions in Asia still implemented strict epidemic prevention measures, which led to the uneven recovery of the global tourism industry. Under the pressure of the global economic growth, the Group expects that the hospitality supplies business and OS&E business will continue to undergo significant challenges and will adjust its strategies in line with the market trend as appropriate.

Southeast Asia market in prospect

Tourism has always been an important industry for economic growth in Southeast Asia. With the gradual relaxation of travel restrictions in Southeast Asia, more tourists have been attracted to drive the economic recovery of the tourism industry in the region. According to analytics company GlobalData, the expected number of international visitors to the ASEAN (Association of Southeast Asian Nations) region will be expanded at a compound annual growth rate of 4.72% from 129.2 million in 2018 to 155.4 million in 2022. In order to further expand into the Southeast Asian market, the Group will continuously strengthen its production capacity in Cambodia. In addition, the production lines of liquid products are expected to be put into operation in the second half of 2022, which does not only meet the demand of hospitality supplies products in Southeast Asia with great development potential, but also conducive to open the markets of personal care products industry in Southeast Asia. The Group will actively explore for cooperation with local suppliers to strengthen its supply chain and increase the cost advantage and varieties of high-quality raw materials to further expand the hospitality supplies business coverage in Southeast Asia. Furthermore, the Group will continue to expand its OS&E business in Cambodia and surrounding regions.

Layout of health care and hygienic products business

Health care and hygiene products have become indispensable consumer goods in the post-pandemic era, which has accelerated the development of the entire industry. Therefore, the Group will continue to strengthen the research and development with new technology on health care and hygiene products, so as to enrich the Group's product categories and enhance market competitiveness. We also keep abreast of the trend of digital transformation in the market and the changes in consumer habits to further expand the penetration rate of the Group's brands and products. We promote the sales channels of our products from retail to online platforms, and expand the customer base from individual consumers to business organisations, schools and hospitals etc. Looking forward, the Group will continue to be optimistic about the development trend of the health care and hygienic products industry, and actively promote the brand strategy of "Pasion" to achieve a brand effect with high-quality services and products, so as to create more opportunities for cooperation and business development for the Group.

Actively implement the sustainable development policy

Environment, social and governance (“ESG”) is currently an important indicator for evaluating the sustainable development of listed companies. The Group also actively achieves sustainable development through different operational strategies. As the world pays more attention to environmental protection, the hotel industry is a part of society which has an important responsibility to fulfill sustainable development. In line with the sustainable trend and the needs of hotel customers, we will also actively develop and upgrade green hospitality supplies products to facilitate the transformation of enterprise and continuous improvements in the Group’s ESG performance.

Strengthen advantages and profit growth to enhance competitiveness

Affected by global inflation and commodity prices, the operation and production costs of enterprises have increased significantly. The Group will continue to strengthen the investment in the production base in Cambodia to further control the production costs and expand the production lines for more types of products by leveraging its own advantages in local resources, so as to achieve higher production efficiency and cost effectiveness, thereby further improving the Group’s profit margin. In addition, the tourism industry will recover under the relaxation of travel restrictions in various countries. The demand for hospitality supplies products and operating and supplies and equipment will increase rapidly and the price sensitivity will relatively be reduced, which allows more rooms for negotiating better pricing. The Group will continue to strengthen our procurement ability to source more alternate raw materials with an aim to increase our cost advantage and to add more value to our customers. On the other hand, the Group will continue to implement a series of prudent and flexible policies and strategies related to working capital management, business development and cost control to strengthen financial conditions and improve profit margins to lay a solid foundation for the development of the Group.

Expanding unlimited business opportunities

The Group will continue to deepen product upgrades and optimise its product portfolio, so as to achieve product diversification to consolidate core business and facilitate business expansion into different regions, fields and markets, thereby creating unlimited business opportunities for the Group and increasing its competitiveness and market share. In addition, we will continue to create higher value for our customers, so as to help the Group to establish long-term and good cooperative relationships with our customers, and promote more sustainable and stable business development.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group was approximately 5,400 as at 30 June 2022. The employee benefit expenses including Directors’ emoluments were approximately HK\$207.1 million for the six months ended 30 June 2022. The remuneration of employees (including the Directors) of the Group are generally structured by reference to market terms and individual merits, which is reviewed on a regular basis. The Group also provides various other benefits to designated staff, including discretionary bonus, social insurance or medical insurance, share option scheme, share award scheme, continuing education and training programmes. The Group also launched key performance indicators assessment scheme and commendation annual award scheme to boost individual performance and operational efficiency.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company, except that the independent trustee of the share award scheme of the Company (the “Scheme”) purchased a total of 5,000,000 Shares at a total consideration of approximately HK\$2.1 million on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the terms of the Scheme rules and trust deed of the Scheme.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2022, the Group has complied with all the code provisions in the “Corporate Governance Code” as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except the deviation of the followings:

- Code provision C.2.1: the Board has not appointed an individual to the post of chief executive officer up to the date of this announcement and the role of the chief executive officer has been performed collectively by all the Executive Directors of the Company, including the Chairman of the Company. The Board considers that this arrangement allows contributions from all Executive Directors of the Company with different expertise and is beneficial to the continuity of the Company’s policies and strategies.
- Code provision F.2.2: the Chairman of the Board did not attend the annual general meeting of the Company held on 25 May 2022 due to other business commitments.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises four Independent Non-Executive Directors of the Company with written terms of reference in accordance with the requirements of the Listing Rules. The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim results for the six months ended 30 June 2022.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions on 5 October 2007. Having made specific enquiries to all Directors of the Company, all Directors of the Company confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK1.0 cent per Share for the six months ended 30 June 2022 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 20 September 2022. It is expected that the interim dividend will be paid on or around Monday, 3 October 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 September 2022 to Tuesday, 20 September 2022 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all documents in respect of transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 16 September 2022.

By order of the Board
Ming Fai International Holdings Limited
CHING Chi Fai
Chairman

Hong Kong, 25 August 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, Mr. CHING Tsun Wah and Mr. KEUNG Kwok Hung; the Non-Executive Director of the Company is Ms. CHAN Yim Ching; and the Independent Non-Executive Directors of the Company are Mr. HUNG Kam Hung Allan, Mr. NG Bo Kwong, Mr. SUN Eric Yung Tson and Mr. Kwong Tony Wan Kit.