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2024 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

- Revenue increased 10.9% to approximately HK\$1,023.4 million (for the six months ended 30 June 2023: approximately HK\$922.8 million).
- Gross profit increased 9.9% to approximately HK\$244.9 million (for the six months ended 30 June 2023: approximately HK\$222.9 million).
- Gross profit margin decreased 0.3 percentage points to 23.9% (for the six months ended 30 June 2023: 24.2%).
- Operating profit was approximately HK\$64.0 million (for the six months ended 30 June 2023: approximately HK\$56.3 million).
- Profit attributable to owners of the Company was approximately HK\$53.3 million (for the six months ended 30 June 2023: approximately HK\$38.5 million).
- An interim dividend for the six months ended 30 June 2024 of HK3.0 cents per share of the Company (the “Share”) (for the six months ended 30 June 2023: HK2.0 cents per Share) was declared.

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 2024 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	(Unaudited)	
		Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
Revenue	3	1,023,353	922,791
Cost of sales	4	(778,485)	(699,919)
Gross profit		244,868	222,872
Other income	5	5,194	4,469
Distribution costs	4	(114,065)	(108,271)
Administrative expenses	4	(75,747)	(63,189)
Net reversal of impairment losses on financial assets	4	3,791	381
Operating profit		64,041	56,262
Finance income	6	2,758	1,787
Finance costs	6	(1,681)	(3,489)
Share of profit of an associated company		136	49
Share of profit/(loss) of joint ventures		3	(31)
Profit before income tax		65,257	54,578
Income tax expenses	7	(13,590)	(22,887)
Profit for the period		51,667	31,691
Other comprehensive (loss)/income			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(7,801)	(16,740)
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Revaluation gain upon transfer from property, plant and equipment to investment properties		–	11,730
Total comprehensive income for the period		43,866	26,681

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period attributable to:		
Owners of the Company	53,273	38,497
Non-controlling interests	(1,606)	(6,806)
	<u>51,667</u>	<u>31,691</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	44,300	33,046
Non-controlling interests	(434)	(6,365)
	<u>43,866</u>	<u>26,681</u>
Earnings per Share attributable to owners of the Company (expressed in HK cents)		
Basic	<i>15(a)</i> 7.4	5.3
Diluted	<i>15(b)</i> 7.4	5.3

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 June 2024 <i>HK\$'000</i>	(Audited) As at 31 December 2023 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Goodwill		5,397	5,397
Property, plant and equipment		403,463	393,537
Right-of-use assets		91,432	96,759
Investment properties		44,374	45,188
Intangible assets		499	323
Deferred income tax assets		3,054	3,059
Other non-current assets		9,665	8,475
Investment in an associated company		5,360	5,363
Investments in joint ventures		211	208
Other financial assets at amortised cost		–	3
Total non-current assets		563,455	558,312
Current assets			
Inventories		356,186	329,086
Other current assets		47,995	66,426
Tax recoverable		–	677
Other financial assets at amortised cost		10,886	9,320
Amounts due from joint ventures		845	763
Amount due from an associated company	9	3,578	3,822
Trade and bills receivables	8	559,995	609,771
Pledged bank deposit	10	11,703	11,958
Cash and cash equivalents	11	314,366	375,093
Total current assets		1,305,554	1,406,916
Total assets		1,869,009	1,965,228
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	7,343	7,343
Reserves		1,229,488	1,206,694
Interim/final dividend proposed	16	22,028	36,713
		1,258,859	1,250,750
Non-controlling interests		(57,968)	(57,534)
Total equity		1,200,891	1,193,216

		(Unaudited) As at 30 June 2024 <i>HK\$'000</i>	(Audited) As at 31 December 2023 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		9,372	9,593
Other non-current payables		8,093	9,023
Borrowings	13	1,897	2,164
Lease liabilities		1,147	2,636
		<hr/>	<hr/>
Total non-current liabilities		20,509	23,416
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Current liabilities			
Trade payables	12	226,713	282,462
Accruals and other payables		338,846	366,932
Current income tax liabilities		24,747	29,007
Borrowings	13	35,309	47,081
Lease liabilities		4,716	5,680
Loans from non-controlling interests		16,979	17,211
Dividends payable		299	223
		<hr/>	<hr/>
Total current liabilities		647,609	748,596
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Total liabilities		668,118	772,012
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Total equity and liabilities		1,869,009	1,965,228
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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 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 2023, 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 2023, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of amended standards and interpretations 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.

Amendments and interpretations adopted by the Group

The following amendments to standards and interpretations apply for the first time to financial reporting period commencing on or after 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The amendments listed above did not have any material impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

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

The following amended standards and interpretations have been issued but not effective for periods commencing on or after 1 January 2024 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to Hong Kong Interpretation 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of the above amended standards and interpretations and does not expect to have a material impact on the Group's condensed consolidated interim financial information.

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: (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 before income tax, share of profit of an associated company and share of profit/(loss) of joint ventures.

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 Hong Kong Special Administrative Region of China (the "PRC") (Note (i)) HK\$'000	Other Asia Pacific regions (Note (ii)) HK\$'000	Australia 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 (vi)) HK\$'000	Sub-total HK\$'000	Total HK\$'000			
Six months ended																		
30 June 2024																		
(Unaudited)																		
Segment revenue	176,110	124,570	236,456	109,930	34,322	176,386	1,522	859,296	58,626	23,721	82,347	78,750	934	3,717	83,401	-	1,025,044	
Inter-segment revenue	-	-	(1,354)	(170)	-	-	-	(1,524)	-	-	-	-	-	-	(167)	(167)	-	(1,691)
Revenue from external customers	176,110	124,570	235,102	109,760	34,322	176,386	1,522	857,772	58,626	23,721	82,347	78,750	934	3,550	83,234	-	1,023,353	
Segment profit before income tax	29,836	5,488	1,423	3,291	2,737	6,810	302	49,887	242	3,744	3,986	10,269	162	450	10,881	364	65,118	
Share of profit of an associated company																		136
Share of profit of joint ventures																		3
Income tax expenses																		(13,590)
Profit for the period																		51,667

	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 (vi)) HK\$'000	Sub-total HK\$'000	Total HK\$'000	
Six months ended																	
30 June 2023																	
(Unaudited)																	
Segment revenue	121,898	119,441	237,202	81,844	35,591	153,883	2,307	752,166	45,724	20,762	66,486	95,792	3,453	6,167	105,412	-	
Inter-segment revenue	-	-	(776)	(426)	-	-	-	(1,202)	-	-	-	-	(1)	(70)	(71)	-	
Revenue from external customers	121,898	119,441	236,426	81,418	35,591	153,883	2,307	750,964	45,724	20,762	66,486	95,792	3,452	6,097	105,341	-	
Segment profit before income tax	15,328	5,007	2,788	5,803	3,690	6,270	446	39,332	1,434	3,959	5,393	7,596	372	1,223	9,191	644	
Share of profit of an associated company																	49
Share of loss of a joint venture																	(31)
Income tax expenses																	(22,887)
Profit for the period																	31,691

	Hospitality Supplies Business				OS&E Business				Health Care and Hygienic Products Business				Others		
	The PRC (Note (i)) HK\$'000	Hong Kong HK\$'000	Australia ("Cambodia") HK\$'000	Kingdom of Cambodia ("Cambodia") HK\$'000	Sub-total HK\$'000	The PRC (Note (i)) HK\$'000	Hong Kong HK\$'000	Other locations (Note (vii)) HK\$'000	Sub-total HK\$'000	The PRC (Note (i)) HK\$'000	Hong Kong HK\$'000	Other locations (Note (vii)) HK\$'000	Sub-total HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
As at 30 June 2024 (Unaudited)															
Total assets	633,254	759,999	1,462	408,707	1,845,307	177,048	65,703	2,512	245,263	12,828	80,885	155	93,868	38,284	1,869,009
As at 31 December 2023 (Audited)															
Total assets	711,744	787,386	1,840	394,427	1,932,383	178,813	55,655	653	235,121	10,297	83,745	531	94,573	49,745	1,965,228

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 (2023: same).
- (ii) Other Asia Pacific regions mainly include Macau, Singapore, United Arab Emirates, Japan and the Philippines (for the six months ended 30 June 2023: same).
- (iii) Others mainly include Kenya, Republic of Senegal, Uruguay (for the six months ended 30 June 2023: mainly include Kenya, Benin and Algeria).
- (iv) Others mainly include Hong Kong, Macau and the Philippines (for the six months ended 30 June 2023: same).
- (v) Other locations mainly include Macau and Singapore (as at 31 December 2023: mainly include Macau and India).
- (vi) Others mainly include the PRC (note (i)), Macau and Japan (for the six months ended 30 June 2023: mainly include the PRC (note (i)), Macau and United Kingdom).
- (vii) Other locations mainly include Cambodia (as at 31 December 2023: same).

4 EXPENSES BY NATURE

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

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Cost of inventories sold	527,755	484,975
Auditor's remuneration	1,440	1,350
Depreciation of property, plant and equipment	26,368	26,933
Depreciation of right-of-use assets	4,354	4,425
Amortisation of intangible assets	309	315
Other lease expenses*	2,653	3,258
(Reversal of provision)/provision for obsolete inventories	(370)	2,931
Direct written off of obsolete inventories	2,313	1,609
Net reversal of impairment losses on financial assets	(3,791)	(381)
Employee benefit expenses	267,852	226,586
Transportation expenses	39,275	35,438
Exchange gain, net	(4,745)	(3,801)
Advertising costs	6,401	8,460
(Gain)/loss on disposal of property, plant and equipment	(47)	394

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	
	2024	2023
	HK\$'000	HK\$'000
Rental income	1,124	–
Income from sales of scrap materials	319	387
Government grants (<i>Note (i)</i>)	2,507	3,195
Others	1,244	887

Note:

- (i) For the six months ended 30 June 2024, government grants mainly represents subsidies from the PRC Government in relation to certain capital investments, export credit insurance and production enhancement of the Group (for the six months ended 30 June 2023: government grants mainly represents subsidies from the PRC Government in relation to certain capital investments and production enhancement of the Group). There were no unfulfilled conditions and other contingencies attached to the receipts of these grants.

6 FINANCE INCOME AND FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Interest expenses on borrowings	(1,506)	(3,260)
Interest expenses on lease liabilities	(175)	(229)
Finance costs	(1,681)	(3,489)
Finance income	2,758	1,787
Finance income/(costs), net	1,077	(1,702)

7 INCOME TAX EXPENSES

The amount of income tax charged to the interim condensed consolidated statement of comprehensive income represents:

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	9,583	9,595
– PRC enterprise income tax	2,983	11,853
– Other overseas profits tax	1,156	848
Deferred income tax	13,722	22,296
	(132)	591
	13,590	22,887

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 2023: 16.5%), 25% (for the six months ended 30 June 2023: 25%), 12% (for the six months ended 30 June 2023: 12%) and 20% (for the six months ended 30 June 2023: 20%), respectively on the estimated assessable profits in respective region for the six months ended 30 June 2024.

No Singapore corporate income tax (for the six months ended 30 June 2023: same) has been provided as there were no assessable profits in Singapore during the six months ended 30 June 2024.

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 2024 HK\$'000	(Audited) As at 31 December 2023 HK\$'000
Trade receivables	621,034	675,435
Bills receivables	16,690	17,533
	<u>637,724</u>	<u>692,968</u>
Less: provision for impairment of receivables	(77,729)	(83,197)
Trade and bills receivables, net	<u><u>559,995</u></u>	<u><u>609,771</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 2024 HK\$'000	(Audited) As at 31 December 2023 HK\$'000
1 – 30 days	232,572	331,264
31 – 60 days	125,795	128,056
61 – 90 days	85,548	55,938
91 – 180 days	106,866	91,732
Over 180 days	86,943	85,978
	<u>637,724</u>	<u>692,968</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 amount is denominated in HK\$. The credit period granted is 90 days. The ageing analysis of the amount by invoice date is as follows:

	(Unaudited) As at 30 June 2024 HK\$'000	(Audited) As at 31 December 2023 HK\$'000
1 – 30 days	1,319	3,822
31 – 60 days	1,868	–
61 – 90 days	59	–
Over 90 days	332	–
	<u>3,578</u>	<u>3,822</u>

10 PLEDGED BANK DEPOSIT

	(Unaudited) As at 30 June 2024 <i>HK\$'000</i>	(Audited) As at 31 December 2023 <i>HK\$'000</i>
Pledged bank deposit	<u>11,703</u>	<u>11,958</u>

As at 30 June 2024, a bank deposit of United States dollars (“US\$”) 1,500,000 (equivalent to approximately HK\$11,703,000) (as at 31 December 2023: US\$1,533,000 (equivalent to approximately HK\$11,958,000)) 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 2024 <i>HK\$'000</i>	(Audited) As at 31 December 2023 <i>HK\$'000</i>
Cash at banks and on hand	207,167	278,495
Short-term bank deposits (original maturities of less than three months)	<u>107,199</u>	<u>96,598</u>
	<u>314,366</u>	<u>375,093</u>

The Group’s cash and bank balances with banks in the PRC and India as at 30 June 2024 amounted to approximately HK\$78,412,000 (as at 31 December 2023: approximately HK\$102,936,000) and approximately HK\$384,000 (as at 31 December 2023: approximately HK\$117,000) 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 2024 <i>HK\$'000</i>	(Audited) As at 31 December 2023 <i>HK\$'000</i>
1 – 30 days	216,250	263,419
31 – 60 days	8,190	8,065
61 – 90 days	76	8,663
Over 90 days	<u>2,197</u>	<u>2,315</u>
	<u>226,713</u>	<u>282,462</u>

13 BORROWINGS

	(Unaudited) As at 30 June 2024 HK\$'000	(Audited) As at 31 December 2023 HK\$'000
Non-current:		
Secured other borrowings without repayable on demand clauses	1,897	2,164
Current:		
Secured bank borrowings with repayable on demand clauses	35,309	47,081
	<u>37,206</u>	<u>49,245</u>

Except for other borrowings of approximately HK\$1,897,000 as at 30 June 2024 (as at 31 December 2023: approximately HK\$2,164,000), which were secured by personal guarantee of a non-controlling interest of the Group, bank borrowings were secured by certain property, plant and equipment and right-of-use assets of the Group.

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

	(Unaudited) As at 30 June 2024 HK\$'000	(Audited) As at 31 December 2023 HK\$'000
Property, plant and equipment	14,884	15,590
Right-of-use assets	26,097	26,690
Bank deposit	11,703	11,958
Total carrying amount of assets pledged as security	<u>52,684</u>	<u>54,238</u>

As at 30 June 2024, the undrawn banking facilities of the Group amounted to approximately HK\$395,852,000 (as at 31 December 2023: approximately HK\$397,976,000).

14 SHARE CAPITAL

	Number of Shares	HK\$'000
Ordinary Shares of HK\$0.01 each		
Authorised:		
As at 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	10,000,000,000	100,000
Issued and fully paid:		
As at 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	734,262,697	7,343

15 EARNINGS PER SHARE

(a) Basic

Basic earnings per Share attributable to owners of the Company is calculated by dividing the profit 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	
	2024	2023
Profit for the period attributable to owners of the Company (HK\$'000)	53,273	38,497
Weighted average number of ordinary Shares in issue (thousands)	723,839	723,839
Basic earnings per Share attributable to owners of the Company (HK cents)	7.4	5.3

(b) Diluted

Diluted earnings per Share attributed 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.

Diluted earnings per Share attributable to owners of the Company for the six months ended 30 June 2024 was the same as basic earnings per Share attributable to owners of the Company as there were no potential dilutive ordinary Shares outstanding for the six months ended 30 June 2024 (for the six months ended 30 June 2023: same).

16 DIVIDENDS

On 22 May 2024, a final dividend of HK5.0 cents per Share for the year ended 31 December 2023 was approved by the Company's shareholders. Total dividend of approximately HK\$36,713,000 was paid out during the six months ended 30 June 2024, including dividend paid to the Shares held for the share award scheme of the Company.

The Board has resolved to pay an interim dividend of HK3.0 cents per Share, amounting to a total dividend of approximately HK\$22,028,000, in respect of the six months ended 30 June 2024 (for the six months ended 30 June 2023: HK2.0 cents per Share, amounting to a total dividend of approximately HK\$14,685,000).

17 CAPITAL COMMITMENTS

As at 30 June 2024, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were approximately HK\$23,933,000 (as at 31 December 2023: approximately HK\$14,752,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Financial Highlights

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

	Six months ended 30 June		Change %
	2024 <i>HK\$ million</i>	2023 <i>HK\$ million</i>	
Revenue	1,023.4	922.8	10.9%
Gross Profit	244.9	222.9	9.9%
Profit attributable to owners of the Company	53.3	38.5	38.4%
Basic earnings per Share attributable to owners of the Company (<i>HK cents</i>)	7.4	5.3	39.6%
Diluted earnings per Share attributable to owners of the Company (<i>HK cents</i>)	7.4	5.3	39.6%
Dividend per Share (<i>HK cents</i>)	3.0	2.0	50.0%

Revenue

For the six months ended 30 June 2024, the total revenue of the Group recorded an increase of 10.9% to approximately HK\$1,023.4 million compared with approximately HK\$922.8 million in the corresponding period of prior year. For the six months ended 30 June 2024, the revenues of the hospitality supplies business, operating supplies and equipment (“OS&E”) business and health care and hygienic products business were approximately HK\$857.8 million, HK\$82.3 million and HK\$83.3 million (for the six months ended 30 June 2023: approximately HK\$751.0 million, HK\$66.5 million and HK\$105.3 million) respectively, which represented 83.8%, 8.0% and 8.2% (for the six months ended 30 June 2023: 81.4%, 7.2% and 11.4%) 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 2024 increased 9.9% to approximately HK\$244.9 million, compared with approximately HK\$222.9 million in the corresponding period of prior year. Gross profit margin decreased 0.3 percentage points to 23.9% from 24.2% as compared with the corresponding period of prior year, as a result of the increase in cost of sales.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2024 was approximately HK\$53.3 million (for the six months ended 30 June 2023: approximately HK\$38.5 million).

Earnings per Share

Basic and diluted earnings per Share attributable to owners of the Company for the six months ended 30 June 2024 were HK7.4 cents and HK7.4 cents (for the six months ended 30 June 2023: HK5.3 cents and HK5.3 cents) respectively.

Interim dividend

The Board has resolved to declare an interim dividend of HK3.0 cents per Share for the six months ended 30 June 2024 (for the six months ended 30 June 2023: HK2.0 cents per Share).

Liquidity and financial resources

The Group has always pursued a prudent treasury management policy and actively managed 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 2024, the Group's cash and cash equivalents amounted to approximately HK\$314.4 million (as at 31 December 2023: approximately HK\$375.1 million).

Net assets

As at 30 June 2024, the Group's net assets was approximately HK\$1,200.9 million (as at 31 December 2023: approximately HK\$1,193.2 million).

Borrowings

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

Borrowing structure:

	As at 30 June 2024		As at 31 December 2023	
	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")	2.7	Floating rate of 1.7% per annum over 1-month HIBOR	3.2
	Floating rate of the higher of 1.7% per annum over 1-month HIBOR or the cost to the bank of funding the borrowing	3.0	Floating rate of the higher of 1.7% per annum over 1-month HIBOR or the cost to the bank of funding the borrowing	4.1
	Floating rates ranging from 1.8%-1.82% per annum over 1-month Term Secured Overnight Financing Rate ("SOFR")	29.6	Floating rates ranging from 1.8%-1.82% per annum over 1-month Term SOFR	39.7
Secured other borrowings without repayable on demand clauses	Fixed rates ranging from 0.36%-1.38% per annum	1.9	Fixed rates ranging from 0.36%-1.38% per annum	2.2
		37.2		49.2

Maturity profile:

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

	As at 30 June 2024 HK\$ million	As at 31 December 2023 HK\$ million
Within 1 year	19.7	22.8
Between 1 and 2 years	11.2	14.7
Between 2 and 5 years	5.2	10.5
Over 5 years	1.1	1.2
	<u>37.2</u>	<u>49.2</u>

Currency denomination:

	As at 30 June 2024 HK\$ million	As at 31 December 2023 HK\$ million
Hong Kong dollars	5.7	7.2
United States dollars	29.6	39.8
Japanese Yen	1.9	2.2
	<u>37.2</u>	<u>49.2</u>

Charges on Group assets

Except for other borrowings of approximately HK\$1.9 million as at 30 June 2024 (as at 31 December 2023: approximately HK\$2.2 million), which was secured by personal guarantee of a non-controlling interest of the Group, bank borrowings were secured by certain property, plant and equipment and right-of-use assets of the Group.

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

	As at 30 June 2024 HK\$ million	As at 31 December 2023 HK\$ million
Property, plant and equipment	14.9	15.6
Right-of-use assets	26.1	26.7
Bank deposit	11.7	12.0
	<u>52.7</u>	<u>54.3</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 2024 and as at 31 December 2023.

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 2024 is set out in Note 17 to the condensed consolidated interim financial information. The Group has no material contingent liabilities as at 30 June 2024 (as at 31 December 2023: same).

BUSINESS REVIEW

In the first half of 2024, the global economy was complex and volatile, with uncertainties continually affected by multiple factors such as geopolitical situations, a slow process in the interest rate cuts, and adjustments in the monetary policies of major economies. However, with the gradual recovery of the travel, tourism and aviation industries, the business development of the Group has been progressively improving. For the six months ended 30 June 2024, the overall performance of the Group remained stable growth.

Hospitality Supplies Business

According to the recently released United Nations World Tourism Organization (“UN Tourism”) Barometer, international arrivals in the first quarter of 2024 reached 97% of 2019 levels, reflecting an almost complete recovery of pre-pandemic numbers. An estimated 285 million tourists travelled internationally in the first three months of 2024, about 20% more than in the same period of 2023. These results were boosted by continued strong demand, the opening of Asian markets, as well as by enhanced air connectivity and visa facilitation. The demand for hospitality supplies products is experiencing stable growth under the gradual recovery of global tourism.

Revenue from the Group’s hospitality supplies business for the six months ended 30 June 2024 increased 14.2% to approximately HK\$857.8 million (for the six months ended 30 June 2023: approximately HK\$751.0 million), which contributed 83.8% (for the six months ended 30 June 2023: 81.4%) to the Group’s total revenue. Gross profit from the hospitality supplies business increased 12.2% to approximately HK\$201.8 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: approximately HK\$179.9 million). The segment’s gross profit margin decreased 0.5 percentage points to 23.5% for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 24.0%).

Hospitality supplies business revenues for the six months ended 30 June 2024 from the PRC, Hong Kong, the North America, Europe, other Asia Pacific regions and Australia were approximately HK\$235.1 million, HK\$109.8 million, HK\$176.1 million, HK\$124.6 million, HK\$176.4 million and HK\$34.3 million (for the six months ended 30 June 2023: approximately HK\$236.4 million, HK\$81.4 million, HK\$121.9 million, HK\$119.4 million, HK\$153.9 million and HK\$35.6 million) respectively, accounted for 27.4%, 12.8%, 20.5%, 14.5%, 20.6% and 4.0% (for the six months ended 30 June 2023: 31.5%, 10.8%, 16.2%, 15.9%, 20.5% and 4.7%) of the total hospitality supplies business segment revenue respectively.

Operating Supplies and Equipment Business

According to the recently released reports from Lodging Econometrics, the total global construction pipeline hit an all-time high for room counts and highlights a significant increase in full-service projects at the close of the first quarter in 2024. China's construction pipeline ranked second globally in the number of full-service projects. Revenue from the Group's OS&E business was approximately HK\$82.3 million for the six months ended 30 June 2024, representing an increase of 23.8% as compared with approximately HK\$66.5 million for the six months ended 30 June 2023, and representing 8.0% (for the six months ended 30 June 2023: 7.2%) of the Group's total revenue. Gross profit from the OS&E business increased by 9.6% to approximately HK\$19.4 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: approximately HK\$17.7 million). The segment's gross profit margin decreased 3.1 percentage points to 23.5% for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 26.6%).

For the six months ended 30 June 2024, OS&E business revenues from the PRC and other markets were approximately HK\$58.6 million and HK\$23.7 million (for the six months ended 30 June 2023: approximately HK\$45.7 million and HK\$20.8 million) respectively, representing 71.2% and 28.8% (for the six months ended 30 June 2023: 68.7% and 31.3%) of the total OS&E business segment revenue respectively.

The Group will continue to follow market trends, enhance the richness and excellence of product variety and quality, and flexibly adjust product portfolio strategies. While solidifying and deepening our cooperative relationships with existing clients, we also seize the excellent opportunity presented by the booming hotel industry to actively expand a diversified new customer base. This will fully unleash the growth potential of the OS&E business and drive the comprehensive development of the Group's business.

Health Care and Hygienic Products Business

The Group produces high-quality health care and hygienic products and disposable infection control products to meet the diverse market demands. As the easing of the pandemic reduces demand for pandemic prevention products, impacting revenue in this business segment. The Group will enhance consumer health protection by reassessing and updating the segment's development strategy in response to market needs. We will focus on expanding the range and services of our existing high-quality products. Additionally, the Group will continue to identify emerging customers' needs and adapt to market changes with a diverse range of products to ensure sustainable operations.

Revenue from the Group's health care and hygienic products business for the six months ended 30 June 2024 was approximately HK\$83.3 million (for the six months ended 30 June 2023: approximately HK\$105.3 million), which contributed 8.2% (for the six months ended 30 June 2023: 11.4%) to the Group's total revenue. Gross profit from the health care and hygienic products business was approximately HK\$23.7 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: approximately HK\$25.2 million). The segment's gross profit margin increased 4.4 percentage points to 28.4% for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 24.0%).

OUTLOOK AND STRATEGIES

The Group is aiming to become an excellent international corporate brand specialising in hospitality supplies and personal care products, create maximum value for stakeholders, and support ecology for sustainable development.

Challenges and opportunities intertwined in the global tourism industry

Looking ahead, the global economy will remain challenging. According to the recently released UN Tourism Barometer, economic and geopolitical headwinds continue to pose significant challenges to the sustained recovery of international tourism and confidence levels. Despite some improvement, persisting inflation, high interest rates, volatile oil prices and disruptions to trade continue to translate into high transportation and accommodation costs. However, international tourism is expected to recover completely in 2024 backed by strong demand, enhanced air connectivity and the continued recovery of China and other major Asian markets. Facing the situation where opportunities and challenges co-exist in the global tourism industry, the Group will actively identify market changes, strive to grasp potential opportunities for continuously steady business growth, and adopt diversified strategies to mitigate the impact of external adverse factors, ensuring the Group's overall business progresses steadily in a complex environment.

A dual drive for production and sales in Southeast Asia market

As the global economic landscape shifts, international businesses are experiencing growing cost pressures, including trade tariffs and challenges with raw materials supply. To address these pressures and tap into emerging markets like Southeast Asia, the Group's production lines for liquid products in Cambodia have been in operations. Additionally, the Group has constantly developed the production capabilities to boost cost efficiency. Looking ahead, the Group will continue to deepen our business in Cambodia and neighboring regions, leveraging the cost efficiency of low tariffs and the vast business opportunities in the Southeast Asia market, to further build a global business layout and maximise service values for our customers.

Ongoing application of eco-friendly concepts to products in response to environmental concerns

Environment, social and governance ("ESG") considerations have increasingly become a common approach for businesses aiming to create sustainable value, reflecting growing emphasis on environmental awareness and standards among governments and various sectors of society. The Group is committed to green production and actively implements environmentally friendly manufacturing processes across hospitality supplies business and health care and hygienic products business, precisely meeting high customers' standards for sustainable operation models and products. The Group will remain attentive to ESG trends and adapt our environmental protection strategies flexibly. The Group is dedicated to upholding our social and corporate responsibilities, striving to achieve a sustainable industrial chain and establishing ourselves as a green enterprise.

Expanding long-term business partnerships through high-quality products and services for mutual success

The continuous development of the Group is deeply rooted in its solid and lasting cooperative relationships with business partners. By meeting increasingly diverse needs of existing customers with high-quality products and services, the Group further builds and deepens long-term, stable customer relationships. Looking ahead, the Group will continue to uphold our quality principles, enhance comprehensive service capabilities from research and development and advanced production equipment upgrades. We aim to provide customers with efficient and convenient one-stop services. At the same time, the Group will seize the excellent market opportunities brought by the increasing number of new hotels worldwide, striving to achieve steady expansion of our customer base.

Reducing costs and increasing efficiency to support long-term development

Facing the currently complex macroeconomic environment, the Group continues to adhere to the concept of cost reduction and efficiency enhancement. We are deeply exploring the potential of the production base in Cambodia, seeking new paths for cost optimisation to effectively reduce production costs and steadily increase profit margins. Looking ahead, the Group will focus on enhancing core competitiveness and operational efficiency, adopting flexible market strategies to strengthen market penetration, and further consolidate our leading market position in the industry. Meanwhile, the Group will also optimise the working capital management and, is continuously enhancing risk management capabilities to ensure the Group's long-term stable development.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group was approximately 7,700 as at 30 June 2024. The employee benefit expenses including Directors' emoluments were approximately HK\$267.9 million for the six months ended 30 June 2024. The remuneration of employees (including the Directors and senior management) 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 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 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2024, the Group has complied with all the code provisions in the "Corporate Governance Code" as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except the deviation of Code provision C.2.1 that 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.

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 2024.

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 C3 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 2024.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK3.0 cents per Share for the six months ended 30 June 2024 to the Shareholders whose names appear on the register of members of the Company on Friday, 20 September 2024. It is expected that the interim dividend will be paid on Thursday, 3 October 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19 September 2024 to Friday, 20 September 2024 (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 Tuesday, 17 September 2024.

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

Hong Kong, 27 August 2024

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.