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2020 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

- Revenue decreased 27.3% to approximately HK\$692.1 million (for the six months ended 30 June 2019: approximately HK\$951.9 million).
- Gross profit decreased 10.3% to approximately HK\$192.6 million (for the six months ended 30 June 2019: approximately HK\$214.7 million).
- Gross profit margin increased 5.2 percentage points to 27.8% (for the six months ended 30 June 2019: 22.6%).
- Operating profit is approximately HK\$63.0 million (for the six months ended 30 June 2019: approximately HK\$51.3 million) and the profit attributable to owners of the Company is approximately HK\$47.2 million (for the six months ended 30 June 2019: approximately HK\$37.5 million).
- An interim dividend for the six months ended 30 June 2020 of HK1.0 cent per share of the Company (the “Share”) (for the six months ended 30 June 2019: HK1.5 cents per Share) 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 2020 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Six months ended 30 June	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	692,078	951,852
Cost of sales	4	(499,465)	(737,105)
Gross profit		192,613	214,747
Other income	5	17,638	6,408
Distribution costs	4	(83,552)	(115,307)
Administrative expenses	4	(54,344)	(53,855)
Net impairment losses on financial assets	4	(9,311)	(694)
Operating profit		63,044	51,299
Finance income	6	341	505
Finance costs	6	(1,558)	(907)
Share of profit/(loss) of an associated company		211	(63)
Share of losses of joint ventures		(37)	(90)
Profit before income tax		62,001	50,744
Income tax expenses	7	(16,302)	(16,041)
Profit for the period		45,699	34,703
Other comprehensive (loss)/income			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(6,692)	371
Realisation of exchange reserve upon dissolution of a subsidiary		(6,490)	67
Total comprehensive income for the period		32,517	35,141

		(Unaudited)	
		Six months ended 30 June	
		2020	2019
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period attributable to:			
	Owners of the Company	47,211	37,457
	Non-controlling interests	<u>(1,512)</u>	<u>(2,754)</u>
		<u>45,699</u>	<u>34,703</u>
Total comprehensive income/(loss)			
for the period attributable to:			
	Owners of the Company	33,418	37,959
	Non-controlling interests	<u>(901)</u>	<u>(2,818)</u>
		<u>32,517</u>	<u>35,141</u>
Earnings per share attributable to owners			
of the Company (expressed in HK cents)			
	Basic	14(a) 6.5	5.2
	Diluted	14(b) <u>6.5</u>	<u>5.1</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2020 <i>HK\$'000</i>	(Audited) 31 December 2019 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Goodwill		10,413	10,354
Property, plant and equipment		430,813	400,631
Right-of-use assets		103,349	108,692
Investment property		13,462	13,707
Intangible assets		1,245	1,512
Deferred income tax assets		3,752	3,850
Other non-current assets		19,705	24,146
Investment in an associated company		5,856	5,869
Investments in joint ventures		326	363
Other financial assets at amortised cost		422	425
		<hr/>	<hr/>
Total non-current assets		589,343	569,549
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		255,666	271,064
Other current assets		38,832	39,801
Tax recoverable		202	194
Other financial assets at amortised cost		14,367	12,363
Amounts due from joint ventures		37	35
Amount due from an associated company	9	5,728	5,046
Trade and bills receivables	8	459,949	591,749
Short-term bank deposits		279	295
Cash and cash equivalents	10	369,213	348,849
		<hr/>	<hr/>
Total current assets		1,144,273	1,269,396
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		1,733,616	1,838,945
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EQUITY			
Equity attributable to owners of the Company			
Share capital	13	7,343	7,343
Reserves		1,165,283	1,139,045
Interim/final dividend proposed	15	7,343	22,028
		<hr/>	<hr/>
		1,179,969	1,168,416
Non-controlling interests		(38,411)	(37,510)
		<hr/>	<hr/>
Total equity		1,141,558	1,130,906
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		(Unaudited) 30 June 2020 <i>HK\$'000</i>	(Audited) 31 December 2019 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		6,276	7,361
Other non-current payables		6,147	6,495
Borrowings	12	2,679	1,120
Lease liabilities		1,727	2,929
		<hr/>	<hr/>
Total non-current liabilities		16,829	17,905
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	11	123,705	226,430
Accruals and other payables		266,730	332,166
Current income tax liabilities		32,912	43,395
Borrowings	12	130,590	65,303
Lease liabilities		3,643	5,208
Loans from non-controlling interests		17,455	17,446
Dividends payable		194	186
		<hr/>	<hr/>
Total current liabilities		575,229	690,134
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		592,058	708,039
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total equity and liabilities		1,733,616	1,838,945
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, 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.

Significant changes in the current reporting period

During the six months ended 30 June 2020, the outbreak of the novel coronavirus (“COVID-19”) had posed unprecedented challenges to the Group’s business and impacted the Group’s Hospitality Supplies Business and Operating Supplies and Equipment (“OS&E”) Business. In response, the Group has expanded the production of its health care and hygienic products, such as disinfectant spray products, alcoholic instant hand sanitizers and 3-ply disposable face masks (*Note 3*).

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, 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, trading of operating supplies and equipment, and manufacturing and trading of health care and hygienic products. From a geographical perspective, the Board assesses the performance based on the Group's revenue by geographical location in which the customer is located.

During the six months ended 30 June 2020, the Group switched some of its production lines to produce alcoholic instant hand sanitizers and commenced the production of 3-ply disposable face masks in response to the outbreak of COVID-19. The Group has also expanded its production of other health care and hygienic products. Because of this, management has reviewed its internal organisational structure to align more closely with the Group's strategic decision. In particular, Health Care and Hygienic Products Business has been separately disclosed in the management reporting. The Group has adopted a new reporting format effective for the six months ended 30 June 2020, which includes (i) Hospitality Supplies Business; (ii) OS&E Business; and (iii) Health Care and Hygienic Products Business. The comparative segment information has been restated to reflect the new reporting format.

The Board assesses the performance of the operating segments based on a measure of profit before income tax, share of profit/(loss) of an associated company and share of losses 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 People's Republic of China (the "PRC") HK\$'000	The Hong Kong Special Administrative Region of the PRC ("Hong Kong") HK\$'000	Australia HK\$'000	Asia Pacific regions (Note (i)) HK\$'000	Other regions (Note (ii)) HK\$'000	Sub-total HK\$'000	The PRC HK\$'000	Others (Note (iii)) HK\$'000	Sub-total HK\$'000	North America HK\$'000		Hong Kong HK\$'000	Others (Note (iv)) HK\$'000	Sub-total HK\$'000
Six months ended 30 June 2020 (Unaudited)																
Segment revenue	72,496	54,036	109,436	89,097	8,207	65,037	1,222	399,531	26,656	20,393	47,049	54,857	49,818	149,571	254,246	700,826
Inter-segment revenue	-	-	(3,147)	(5,517)	-	-	-	(8,664)	-	(73)	(73)	-	-	(11)	(11)	(8,748)
Revenue from external customers	72,496	54,036	106,289	83,580	8,207	65,037	1,222	390,867	26,656	20,320	46,976	54,857	49,818	149,560	254,235	692,078
Segment profit/(loss) before income tax	5,610	1,340	(7,276)	(488)	170	(1,182)	314	(1,512)	(187)	1,066	879	2,071	16,791	32,514	51,376	61,827
Share of profit of an associated company																211
Share of losses of joint ventures																(37)
Income tax expenses																(16,302)
Profit for the period																45,699

	Hospitality Supplies Business					OS&E Business					Health Care and Hygienic Products Business					Others								
	North America		Europe		The PRC	Hong Kong		Australia		Other regions		Sub-total		The PRC	Others		Sub-total		Hong Kong	Others		Sub-total	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2019																								
(Unaudited) (restated)																								
Segment revenue	122,446	116,183	268,408	162,507	18,977	128,181	1,359	818,061	41,052	28,149	69,201	62,906	106	2,555	65,567	27	952,856							
Inter-segment revenue	-	-	(834)	(89)	-	-	-	(923)	-	-	-	-	-	(81)	(81)	-	(1,004)							
Revenue from external customers	122,446	116,183	267,574	162,418	18,977	128,181	1,359	817,138	41,052	28,149	69,201	62,906	106	2,474	65,486	27	951,852							
Segment profit/(loss) before income tax	10,695	9,404	11,909	8,539	1,669	5,364	250	47,830	107	423	530	1,887	(268)	(484)	1,135	1,402	50,897							
Share of loss of an associated company																	(63)							
Share of losses of joint ventures																	(90)							
Income tax expenses																	(16,041)							
Profit for the period																	34,703							

	Hospitality Supplies Business				OS&E Business				Health Care and Hygienic Products Business				Others				
	Hong Kong		Other locations		Hong Kong		Other locations		The PRC		Hong Kong		Other locations		Inter-segment elimination		
	HK\$'000	HK\$'000	HK\$'000	(Note (v))	HK\$'000	HK\$'000	HK\$'000	(Note (v))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(Note (vi))	HK\$'000	HK\$'000	
As at 30 June 2020																	
(Unaudited)																	
Total assets	814,402	567,056	1,486	279,644	65,922	1,728,510	81,971	30,317	1,303	113,591	21,696	68,531	3,950	94,177	56,718	(259,380)	1,733,616
As at 31 December 2019																	
(Audited) (restated)																	
Total assets	929,028	615,299	2,378	233,915	70,888	1,851,508	79,952	39,076	391	119,419	8,347	38,241	-	46,588	26,471	(205,041)	1,838,945

Notes:

- (i) Other Asia Pacific regions mainly include the Macau Special Administrative Region of the PRC (“Macau”), Japan, United Arab Emirates, Thailand, the Philippines, Malaysia, Singapore and India.
- (ii) Others mainly include Morocco and Algeria.
- (iii) Others mainly include Hong Kong, Macau and Cambodia.
- (iv) Others mainly include the PRC, Australia, Japan and Singapore.
- (v) Other locations mainly include Macau and Singapore.
- (vi) Other locations mainly include the PRC, Australia and Japan.

4 EXPENSES BY NATURE

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

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in inventories	317,902	513,349
Auditor's remuneration	1,650	1,650
Depreciation of property, plant and equipment	23,328	21,863
Depreciation of right-of-use assets	4,604	4,019
Amortisation of intangible assets	768	1,078
Other lease expenses (<i>Note (i)</i>)	3,141	6,036
Provision for obsolete inventories (<i>Note (ii)</i>)	12,563	7,596
Direct written off of obsolete inventories	401	442
Net impairment losses on financial assets (<i>Note (iii)</i>)	9,311	694
Employee benefit expenses	178,170	219,217
Transportation expenses	27,261	37,668
Exchange loss, net	7,631	5,531
Advertising costs	3,371	8,108
Loss on disposal of property, plant and equipment	146	124

Notes:

- (i) 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 Leases.
- (ii) Provision for obsolete inventories of approximately HK\$12,563,000 has been made during the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$7,596,000), after considering their physical condition, market demand and historical usage of those inventories.
- (iii) The amounts represent the net impairment losses on trade receivables from customers, after assessing their balances individually and collectively, taking into account the nature of the customers, their geographical locations and their ageing categories.

5 OTHER INCOME

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	152	191
Income from sales of scrap materials	461	893
Government grants (<i>Note (i)</i>)	8,538	5,163
Gain/(loss) on dissolution of a subsidiary (<i>Note (ii)</i>)	8,201	(67)
Others	286	228
	<u>17,638</u>	<u>6,408</u>

Notes:

- (i) Government grants recognised were primarily related to the capital investments of the Group, refund of unemployment insurance from the PRC Government and subsidies from the Hong Kong Government under the Anti-epidemic Fund. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants.
- (ii) The Group completed the dissolution of a subsidiary during the six months ended 30 June 2020 and recognised a gain of approximately HK\$8,201,000 in the interim condensed statement of comprehensive income, including reclassification of cumulative currency translation difference of approximately HK\$6,490,000.

6 FINANCE INCOME AND FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance costs on borrowings	(1,387)	(1,349)
Less: amount capitalised on qualifying assets	–	686
	<u>(1,387)</u>	<u>(663)</u>
Interest expenses on lease liabilities	(171)	(244)
	<u>(1,558)</u>	<u>(907)</u>
Finance costs	341	505
Finance income	<u>341</u>	<u>505</u>
	<u>(1,217)</u>	<u>(402)</u>

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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	13,316	8,922
– PRC enterprise income tax	3,826	6,848
– Other overseas profits tax	160	271
	<u>17,302</u>	<u>16,041</u>
Deferred income tax	(1,000)	–
	<u><u>16,302</u></u>	<u><u>16,041</u></u>

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

Hong Kong profits tax, PRC enterprise income tax, Singapore corporate income tax and Cambodia corporate income tax were calculated at 16.5% (for the six months ended 30 June 2019: 16.5%), 25% (for the six months ended 30 June 2019: 25%), 17% (for the six months ended 30 June 2019: 17%) and 20% (for the six months ended 30 June 2019: 20%), respectively on the estimated assessable profits for the six months ended 30 June 2020.

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)	(Audited)
	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	493,338	613,655
Bills receivables	1,485	4,624
	<u>494,823</u>	<u>618,279</u>
Less: provision for impairment of receivables	(34,874)	(26,530)
	<u><u>459,949</u></u>	<u><u>591,749</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) 30 June 2020 <i>HK\$'000</i>	(Audited) 31 December 2019 <i>HK\$'000</i>
1 – 30 days	142,598	324,893
31 – 60 days	57,920	121,237
61 – 90 days	73,297	69,635
91 – 180 days	134,092	49,675
Over 180 days	86,916	52,839
	<u>494,823</u>	<u>618,279</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 amount by invoice date is as follows:

	(Unaudited) 30 June 2020 <i>HK\$'000</i>	(Audited) 31 December 2019 <i>HK\$'000</i>
1 – 30 days	3,981	2,123
31 – 60 days	1,149	1,691
61 – 90 days	563	1,232
Over 90 days	35	–
	<u>5,728</u>	<u>5,046</u>

10 CASH AND CASH EQUIVALENTS

	(Unaudited) 30 June 2020 <i>HK\$'000</i>	(Audited) 31 December 2019 <i>HK\$'000</i>
Cash at banks and on hand	300,255	308,169
Short-term bank deposits (original maturities of less than three months)	<u>68,958</u>	<u>40,680</u>
	<u>369,213</u>	<u>348,849</u>

The Group's cash and bank balances and short-term bank deposits as at 30 June 2020 amounted to approximately HK\$122,997,000 (31 December 2019: approximately HK\$105,489,000) and approximately HK\$590,000 (31 December 2019: approximately HK\$1,447,000) were deposited with banks in the PRC and India respectively, where the remittance of funds was subject to foreign exchange control.

11 TRADE PAYABLES

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

	(Unaudited) 30 June 2020 HK\$'000	(Audited) 31 December 2019 HK\$'000
1 – 30 days	77,448	211,455
31 – 60 days	11,481	8,037
61 – 90 days	15,495	5,172
Over 90 days	19,281	1,766
	<u>123,705</u>	<u>226,430</u>

12 BORROWINGS

	(Unaudited) 30 June 2020 HK\$'000	(Audited) 31 December 2019 HK\$'000
Non-current:		
Secured bank borrowings without repayable on demand clause	736	405
Secured other borrowings without repayable on demand clause	1,943	715
	<u>2,679</u>	<u>1,120</u>
Current:		
Secured bank borrowings with repayable on demand clauses	129,516	64,779
Secured bank borrowings without repayable on demand clause	1,074	292
Secured other borrowing without repayable on demand clause	–	232
	<u>130,590</u>	<u>65,303</u>
	<u>133,269</u>	<u>66,423</u>

Except for bank and other borrowings of approximately HK\$3,753,000 as at 30 June 2020 (31 December 2019: approximately HK\$1,644,000), which were secured by personal guarantee of a non-controlling interest of the Group, borrowings were secured by certain property, plant and equipment and right-of-use assets.

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

	(Unaudited) 30 June 2020 <i>HK\$'000</i>	(Audited) 31 December 2019 <i>HK\$'000</i>
Property, plant and equipment	25,909	27,678
Right-of-use assets	30,640	31,233
Total carrying amount of assets pledged as security	56,549	58,911

As at 30 June 2020, the undrawn banking facilities of the Group amounted to approximately HK\$273,752,000 (31 December 2019: approximately HK\$309,545,000).

13 SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2020 and 30 June 2020	734,262,697	7,343
At 1 January 2019	728,175,697	7,282
Exercise of share options	6,087,000	61
At 30 June 2019	734,262,697	7,343

14 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	
	2020	2019
Profit for the period attributable to owners of the Company (<i>HK\$'000</i>)	<u>47,211</u>	<u>37,457</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>728,839</u>	<u>724,949</u>
Basic earnings per share attributable to owners of the Company (<i>HK cents</i>)	<u>6.5</u>	<u>5.2</u>

(b) Diluted

Diluted earnings 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.

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
Profit for the period attributable to owners of the Company (<i>HK\$'000</i>)	<u>47,211</u>	<u>37,457</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>728,839</u>	<u>724,949</u>
Adjustment for: – Share options (<i>thousands</i>)	<u>709</u>	<u>3,372</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	<u>729,548</u>	<u>728,321</u>
Diluted earnings per share attributable to owners of the Company (<i>HK cents</i>)	<u>6.5</u>	<u>5.1</u>

15 DIVIDENDS

On 27 May 2020, a final dividend of HK3.0 cents per share for the year ended 31 December 2019 was approved by the Company's shareholders. Total dividend of approximately HK\$22,028,000, including dividend to the shares held for the share award scheme of the Company, was paid out during the six months ended 30 June 2020.

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 2020 (for the six months ended 30 June 2019: HK1.5 cents per share, amounting to a total dividend of approximately HK\$11,014,000).

16 CAPITAL COMMITMENTS

As at 30 June 2020, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were approximately HK\$14,526,000 (31 December 2019: approximately HK\$45,406,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Financial Highlights

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

	Six months ended 30 June		Change %
	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	
Revenue	692.1	951.9	(27.3)%
Gross Profit	192.6	214.7	(10.3)%
Profit attributable to owners of the Company	47.2	37.5	26.0%
Basic earnings per Share attributable to owners of the Company (<i>HK cents</i>)	6.5	5.2	25.0%
Diluted earnings per Share attributable to owners of the Company (<i>HK cents</i>)	6.5	5.1	27.5%
Dividend per Share (<i>HK cents</i>)	1.0	1.5	(33.3)%

Revenue

For the six months ended 30 June 2020, the total revenue of the Group recorded a decrease of 27.3% to approximately HK\$692.1 million compared with approximately HK\$951.9 million in the corresponding period of prior year. For the six months ended 30 June 2020, the revenue of the hospitality supplies business, OS&E business and health care and hygienic products business were approximately HK\$390.9 million, HK\$47.0 million and HK\$254.2 million (for the six months ended 30 June 2019: approximately HK\$817.1 million, HK\$69.2 million and HK\$65.5 million) respectively, which represented 56.5%, 6.8% and 36.7% (for the six months ended 30 June 2019: 85.8%, 7.3% and 6.9%) 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 2020 decreased 10.3% to approximately HK\$192.6 million, compared with approximately HK\$214.7 million in the corresponding period of prior year. Gross profit margin increased 5.2 percentage points to 27.8% from 22.6% as compared with the corresponding period of prior year, benefiting from the change of product mix and adopting the costs control policies.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2020 was approximately HK\$47.2 million (for the six months ended 30 June 2019: approximately HK\$37.5 million).

Other income and cost reduction

In view of various governmental subsidies and cost reduction policies, including those to alleviate economic downturn in different regions, the governmental subsidies comprising of those amortised brought forward from prior years and cost reductions benefitting to the Group for the six months ended 30 June 2020 are as follows:

Region	Six months ended 30 June 2020 <i>HK\$ million</i>
The PRC	11.7
Hong Kong	0.9
Other regions	0.5
	<hr/>
Total	13.1
	<hr/> <hr/>

In addition, during the six months ended 30 June 2020, the Group recorded an item of other income of approximately HK\$8.2 million on the resulting gain and realisation of exchange reserve upon dissolution of a subsidiary.

Earnings per Share

Basic and diluted earnings per Share attributable to owners of the Company for the six months ended 30 June 2020 were HK6.5 cents and HK6.5 cents (for the six months ended 30 June 2019: HK5.2 cents and HK5.1 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 2020 (for the six months ended 30 June 2019: HK1.5 cents per Share).

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 2020, the Group's cash and cash equivalents amounted to approximately HK\$369.2 million (as at 31 December 2019: approximately HK\$348.8 million).

Net assets

The Group's net assets as at 30 June 2020 was approximately HK\$1,141.6 million (as at 31 December 2019: approximately HK\$1,130.9 million).

Borrowings

The Group's borrowing structure and maturity profile are as follows:

Borrowing structure:

	30 June 2020		31 December 2019	
	Effective interest rate		Effective interest rate	
	(%)	HK\$ million	(%)	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")	11.0	Floating rate of 1.7% per annum over 1-month HIBOR	14.0
	Floating rate of the higher of 1.7% per annum over 1-month HIBOR or the cost to the bank of funding the borrowing	11.6	Floating rate of the higher of 1.7% per annum over 1-month HIBOR or the cost to the bank of funding the borrowing	12.6
	Floating rates ranging from the higher of 1.5%-1.7% per annum over 1-month London Inter-bank Offered Rate ("LIBOR")	68.2	Floating rate of 1.7% per annum over 1-month LIBOR	19.1
	Floating rate of the higher of 1.7% per annum over 1-month LIBOR or the cost to the bank of funding the borrowing	38.7	Floating rate of the higher of 1.7% per annum over 1-month LIBOR or the cost to the bank of funding the borrowing	19.1
Secured bank borrowings without repayable on demand clauses	Fixed rates ranging from 1.4%-2.4% per annum	1.8	Fixed rates ranging from 1.3%-1.4% per annum	0.7
Secured other borrowing without repayable on demand clauses	Fixed rate of 1.38% per annum	2.0	Fixed rate of 1.16% per annum	0.9
		133.3		66.4

Maturity profile:

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

	30 June 2020 <i>HK\$ million</i>	31 December 2019 <i>HK\$ million</i>
Within 1 year	55.8	17.5
Between 1 and 2 years	25.4	15.8
Between 2 and 5 years	50.1	31.2
Over 5 years	2.0	1.9
	<u>133.3</u>	<u>66.4</u>

Currency denomination:

	30 June 2020 <i>HK\$ million</i>	31 December 2019 <i>HK\$ million</i>
Hong Kong dollars	22.6	26.6
United States dollars	106.9	38.2
Japanese Yen	3.8	1.6
	<u>133.3</u>	<u>66.4</u>

Charges on Group assets

Except for bank and other borrowings of approximately HK\$3.8 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$1.6 million), which were secured by personal guarantee of a non-controlling interest of the Group, borrowings were secured by certain property, plant and equipment and right-of-use assets.

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

	30 June 2020 <i>HK\$ million</i>	31 December 2019 <i>HK\$ million</i>
Property, plant and equipment	25.9	27.7
Right-of-use assets	30.6	31.2
	<u>56.5</u>	<u>58.9</u>

Gearing ratio

The gearing ratio as at 30 June 2020, calculated on the basis of borrowings over total equity, was 11.7% as compared with 5.9% as at 31 December 2019.

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 2020 is set out in Note 16 to the condensed consolidated interim financial information. The Group has no material contingent liabilities as at 30 June 2020.

BUSINESS REVIEW

The outbreak of the novel coronavirus (the “COVID-19 pandemic”) brought the whole world undergo a global health, social and economic emergency, together with the prolonged geopolitical uncertainties and escalating tensions between China and the United States of America (“U.S.”), the Group’s businesses were greatly affected by these macroeconomic headwinds during the six months ended 30 June 2020.

Hospitality Supplies Business

According to the recent publication by the United Nations World Tourism Organization, international tourist arrivals decreased 22% during the first quarter of 2020. While April was expected to be one of the busiest times of the year due to the Easter holidays, the universal travel restrictions in place led to a fall of 97% in international tourist arrivals in April 2020. In addition, the significant decline in world air capacity and hotel occupancies, increasingly stringent regulations and public demand for environmental protection worldwide, the China-U.S. trade war continue to present great challenges to the Group.

Revenue from the Group’s hospitality supplies business for the six months ended 30 June 2020 decreased 52.2% to approximately HK\$390.9 million (for the six months ended 30 June 2019: approximately HK\$817.1 million), which contributed 56.5% (for the six months ended 30 June 2019: 85.8%) to the Group’s total revenue. Gross profit from the hospitality supplies business decreased 56.5% to approximately HK\$81.5 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately HK\$187.3 million). The segment’s gross profit margin decreased 2.1 percentage points to 20.8% for the six months ended 30 June 2020, compared with 22.9% for the six months ended 30 June 2019.

Hospitality supplies business revenues for the six months ended 30 June 2020 from the PRC and Hong Kong were approximately HK\$106.3 million and HK\$83.6 million (for the six months ended 30 June 2019: approximately HK\$267.6 million and HK\$162.4 million) respectively, representing 27.2% and 21.4% (for the six months ended 30 June 2019: 32.7% and 19.9%) of the total hospitality supplies business segment revenue respectively. Hospitality supplies business revenues for the six months ended 30 June 2020 from the North America, Europe, other Asia Pacific regions and Australia were approximately HK\$72.5 million, HK\$54.0 million, HK\$65.0 million and HK\$8.2 million (for the six months ended 30 June 2019: approximately HK\$122.4 million, HK\$116.2 million, HK\$128.2 million and HK\$19.0 million) respectively, accounted for 18.5%, 13.8%, 16.6% and 2.1% (for the six months ended 30 June 2019: 15.0%, 14.2%, 15.7% and 2.3%) of the total hospitality supplies business segment revenue respectively.

Operating Supplies and Equipment Business

Revenue from the Group's OS&E business was approximately HK\$47.0 million for the six months ended 30 June 2020, representing a decrease of 32.1% as compared with approximately HK\$69.2 million for the six months ended 30 June 2019, and contributing 6.8% (for the six months ended 30 June 2019: 7.3%) to the Group's total revenue. Gross profit from the OS&E business decreased 18.6% to approximately HK\$11.8 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately HK\$14.5 million). The segment's gross profit margin increased 4.2 percentage points to 25.2% for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 21.0%).

For the six months ended 30 June 2020, OS&E business revenues from the PRC and other markets were approximately HK\$26.7 million and HK\$20.3 million (for the six months ended 30 June 2019: approximately HK\$41.1 million and HK\$28.1 million) respectively, representing 56.7% and 43.3% (for the six months ended 30 June 2019: 59.3% and 40.7%) of the total OS&E business segment revenue respectively.

Health Care and Hygienic Products Business

The Group has been producing the disposable infection control products such as medical equipment covers, and the health care products under our self-labeled brands "Pasion" and "everybody LABO". With the increasing demand in health care and hygienic products in the markets during the COVID-19 pandemic and as part of our corporate social responsibility, the Group switched some of its production lines in early 2020 to produce alcoholic instant hand sanitizers under the brands "Pasion" and "everybody LABO" and 3-ply disposable face masks under the brands "Pasion" and "Ming Fai". During the six months ended 30 June 2020, the Group further expanded the product portfolio under "Pasion" brand by adding health care and hygienic products, including all-purpose disinfectant sprays, alcoholic disinfectant hand sprays, alcoholic disinfectant wet wipes, and anti-epidemic travel kits. As always, the Group pursues high standard of quality in our products. All of the above-mentioned products passed the tests by SGS Hong Kong Limited, of which the 3-ply disposable face masks under "Pasion" brand has also obtained "Hong Kong Q-Mark" licence issued by Hong Kong Q-Mark Council.

Revenue from the Group's health care and hygienic products business for the six months ended 30 June 2020 was approximately HK\$254.2 million (for the six months ended 30 June 2019: approximately HK\$65.5 million), which contributed 36.7% (for the six months ended 30 June 2019: 6.9%) to the Group's total revenue. Gross profit from the health care and hygienic products business was approximately HK\$97.5 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately HK\$10.7 million). The segment's gross profit margin was 38.4% for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 16.4%).

For the six months ended 30 June 2020, the revenues of health care and hygienic products business from the North America, Hong Kong and other markets were approximately HK\$54.9 million, HK\$49.8 million and HK\$149.5 million (for the six months ended 30 June 2019: approximately HK\$62.9 million, HK\$0.1 million and HK\$2.5 million) respectively, representing 21.6%, 19.6% and 58.8% (for the six months ended 30 June 2019: 96.1%, 0.1% and 3.8%) of the total health care and hygienic products business segment revenue respectively.

OUTLOOK

External risks and weakened global markets

As the COVID-19 pandemic continues to unfold, which is creating a more negative impact on the global economic activities in the second half of 2020. With the unknown duration of lockdowns and travel restrictions in many countries and cities, and the muted consumer confidence during the economic recession, the tourism, hospitality and aviation industries continue to be vulnerable. In addition to the aforesaid, the continuously rising China-U.S. tension and geopolitical uncertainties will bring negative effects to the Group's hospitality supplies and OS&E businesses. The Group will pay close attention on the Group's exposure to the COVID-19 pandemic, the macroeconomic risks and uncertainties while assessing the Group's financial performance and operations.

Environmental protection trends and laws and regulations

Moreover, the hospitality supplies business of the Group continues to face additional challenges by the awakening "no plastic" trend and the introduction of environmental protection laws and regulations around the world, especially in Europe and the PRC. More cities in the PRC has adjusted their regulations and practices in year 2020 to discourage the provision of single-use disposable products, including toothbrushes, slippers and soaps, to hotel customers as part of the environmental protection policies.

Product research and development

On the other hand, the COVID-19 pandemic has further accelerated the public awareness of health and personal hygiene, leading to the growing demand of the health care and hygienic products. We have taken this opportunity to fulfill the market demand and has further developed a variety of new products under "Pasion" brand, including the anti-bacterial hand soap and body wash, sensitive care shampoo, conditioner, shower gel and body lotion, which has been recently launched to the market.

In response to the rising concerns of the worldwide environmental protection, the Group has been putting efforts on research and development for environmental-friendly hospitality supplies products, such as dispensers, shampoo bars, conditioner bars, body wash bars and lotion bars, to fit the respective needs of hotels in different regions.

Competitiveness enhancement and margin improvement

The Group will continue to develop its production base in Cambodia to lower its production costs and lessen the impacts from the China-U.S. trade war, increase manufacturing efficiencies and make best use of our resources to enhance the Group's competitiveness. The Group will strengthen the financial position with cautious management of working capital and continue to work on improving the margins by adopting prudent and flexible business strategies and costs control policies.

New business opportunities exploration

Meanwhile, the Group will keep on capitalizing opportunities from the Group's existing partnerships, and closely monitor potential new business streams and strategies to simultaneously ensure the development of its businesses. Furthermore, the Group will continue to expand the market shares of our businesses in different regions and expand our product portfolio in order to seek new business opportunities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including short-term contract workers, was approximately 4,300 as at 30 June 2020. The employee benefit expenses including Directors' emoluments were approximately HK\$178.2 million for the six months ended 30 June 2020. 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 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Group has complied with all the code provisions set out in the "Corporate Governance Code" (the "CG Code") during the six months ended 30 June 2020, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except the deviation of the following code provisions of the CG Code:

- Code provision A.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 E.1.2: with the COVID-19 pandemic and the travel restrictions in place in the PRC and Hong Kong respectively, the Chairman of the Board did not attend the annual general meeting of the Company held on 27 May 2020.

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 2020.

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 of 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 2020.

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 2020 to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 22 September 2020. It is expected that the interim dividend will be paid on or around Monday, 5 October 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 September 2020 to Tuesday, 22 September 2020 (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, 18 September 2020.

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

Hong Kong, 26 August 2020

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. MA Chun Fung Horace, Mr. NG Bo Kwong and Mr. SUN Eric Yung Tson.