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2021 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

- Revenue decreased 13.7% to approximately HK\$597.6 million (for the six months ended 30 June 2020: approximately HK\$692.1 million).
- Gross profit decreased 41.4% to approximately HK\$112.8 million (for the six months ended 30 June 2020: approximately HK\$192.6 million).
- Gross profit margin decreased 8.9 percentage points to 18.9% (for the six months ended 30 June 2020: 27.8%).
- Operating loss is approximately HK\$47.4 million (for the six months ended 30 June 2020: operating profit approximately HK\$63.0 million) and the loss attributable to owners of the Company is approximately HK\$46.9 million (for the six months ended 30 June 2020: profit attributable to owners of the Company approximately HK\$47.2 million).
- No interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK1.0 cent per share of the Company (the “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 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	597,582	692,078
Cost of sales	4	<u>(484,759)</u>	<u>(499,465)</u>
Gross profit		112,823	192,613
Other income	5	3,782	17,638
Distribution costs	4	(86,868)	(83,552)
Administrative expenses	4	(50,440)	(54,344)
Net impairment losses on financial assets	4	<u>(26,679)</u>	<u>(9,311)</u>
Operating (loss)/profit		(47,382)	63,044
Finance income	6	741	341
Finance costs	6	(1,280)	(1,558)
Share of (loss)/profit of an associated company		(154)	211
Share of losses of joint ventures		<u>(64)</u>	<u>(37)</u>
(Loss)/profit before income tax		(48,139)	62,001
Income tax expenses	7	<u>(1,315)</u>	<u>(16,302)</u>
(Loss)/profit for the period		(49,454)	45,699
Other comprehensive loss			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		4,573	(6,692)
Realisation of exchange reserve upon dissolution of a subsidiary		<u>–</u>	<u>(6,490)</u>
Total comprehensive (loss)/income for the period		<u>(44,881)</u>	<u>32,517</u>

		(Unaudited)	
		Six months ended 30 June	
		2021	2020
<i>Note</i>		HK\$'000	HK\$'000
(Loss)/profit for the period attributable to:			
	Owners of the Company	(46,927)	47,211
	Non-controlling interests	(2,527)	(1,512)
		<u>(49,454)</u>	<u>45,699</u>
Total comprehensive (loss)/income for the period attributable to:			
	Owners of the Company	(42,273)	33,418
	Non-controlling interests	(2,608)	(901)
		<u>(44,881)</u>	<u>32,517</u>
(Loss)/earnings per share attributable to owners of the Company (expressed in HK cents)			
	Basic	<i>14(a)</i> (6.4)	6.5
	Diluted	<i>14(b)</i> (6.4)	6.5

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Goodwill		10,297	10,633
Property, plant and equipment		442,285	450,971
Right-of-use assets		108,512	111,707
Investment property		15,608	15,451
Intangible assets		790	773
Deferred income tax assets		2,721	2,703
Other non-current assets		11,559	11,991
Investment in an associated company		5,609	5,831
Investments in joint ventures		323	387
Other financial assets at amortised cost		215	308
		597,919	610,755
Current assets			
Inventories		230,590	241,670
Other current assets		61,873	41,130
Tax recoverable		368	469
Other financial assets at amortised cost		15,520	12,390
Amounts due from joint ventures		553	581
Amount due from an associated company	9	977	2,969
Trade and bills receivables	8	407,110	499,531
Short-term bank deposits		–	986
Cash and cash equivalents	10	341,572	392,954
		1,058,563	1,192,680
Total current assets		1,058,563	1,192,680
Total assets		1,656,482	1,803,435
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	7,343	7,343
Reserves		1,173,831	1,216,023
Interim/final dividend proposed	15	–	11,014
		1,181,174	1,234,380
Non-controlling interests		(44,654)	(42,046)
Total equity		1,136,520	1,192,334

		(Unaudited) 30 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		5,158	5,412
Other non-current payables		9,854	10,363
Borrowings	12	2,867	3,380
Lease liabilities		3,518	4,998
		<hr/>	<hr/>
Total non-current liabilities		21,397	24,153
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	11	118,870	137,954
Accruals and other payables		240,094	284,514
Current income tax liabilities		12,563	24,031
Borrowings	12	105,079	117,721
Lease liabilities		4,310	5,035
Loans from non-controlling interests		17,451	17,518
Dividends payable		198	175
		<hr/>	<hr/>
Total current liabilities		498,565	586,948
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Total liabilities		519,962	611,101
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Total equity and liabilities		1,656,482	1,803,435
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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 2021 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 2020, 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 2020, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below. Income tax expenses for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Amended standards adopted by the Group

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

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

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

3 SEGMENT INFORMATION

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

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

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

	Hospitality Supplies Business					OS&E Business			Health Care and Hygienic Products Business			Others				
	North America HK\$'000	Europe HK\$'000	The PRC (Note (i)) HK\$'000	Hong Kong HK\$'000	Australia HK\$'000	Other Asia Pacific regions (Note (ii)) HK\$'000	Others (Note (iii)) HK\$'000	Sub-total HK\$'000	The PRC (Note (i)) HK\$'000	Others (Note (iv)) HK\$'000	Sub-total HK\$'000	North America HK\$'000	Hong Kong HK\$'000	Others (Note (v)) HK\$'000	Sub-total HK\$'000	Total HK\$'000
Six months ended 30 June 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			
	The PRC (Note (i))		Kingdom of Cambodia ("Cambodia")		The PRC (Note (i))		Other locations (Note (vi))		The PRC (Note (i))		Other locations (Note (vii))		Sub-total		Inter- segment elimination	
	HKS'000	Hong Kong HKS'000	Australia HKS'000	Hong Kong HKS'000	Sub-total HKS'000	Other locations HKS'000	Sub-total HKS'000	Hong Kong HKS'000	Other locations HKS'000	Sub-total HKS'000	Hong Kong HKS'000	Other locations HKS'000	Sub-total HKS'000	HKS'000	HKS'000	Total HKS'000
As at 30 June 2021 (Unaudited)																
Total assets	813,208	501,646	1,800	291,629	64,329	1,672,612	36,055	640	146,463	31,277	39,836	1,879	72,992	23,588	(259,175)	1,656,480
As at 31 December 2020 (Audited)																
Total assets	960,360	543,309	2,163	284,327	65,091	1,855,250	36,354	4,752	117,995	19,576	48,089	9,737	77,402	23,835	(271,047)	1,803,435

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.
- (ii) Other Asia Pacific regions mainly include Macau, Japan, United Arab Emirates, Saudi Arabia, Cambodia, Malaysia, Singapore and India.
- (iii) Others mainly include Algeria and Republic of Seychelles.
- (iv) Others mainly include Hong Kong and Macau.
- (v) Others mainly include the PRC (note (i)), Japan and Cambodia.
- (vi) Other locations mainly include Macau and Singapore.
- (vii) Other locations mainly include Singapore 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in inventories	321,717	317,902
Auditor's remuneration	1,150	1,650
Depreciation of property, plant and equipment	27,602	23,328
Depreciation of right-of-use assets	4,363	4,604
Amortisation of intangible assets	434	768
Other lease expenses (<i>Note (i)</i>)	2,656	3,141
Provision for obsolete inventories (<i>Note (ii)</i>)	2,747	12,563
Direct written off of obsolete inventories	672	401
Net impairment losses on financial assets (<i>Note (iii)</i>)	26,679	9,311
Employee benefit expenses	164,874	178,170
Transportation expenses	27,275	27,261
Exchange loss, net	1,595	7,631
Advertising costs	6,533	3,371
Loss on disposal of property, plant and equipment	118	146

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\$2,747,000 has been made during the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately HK\$12,563,000), after considering the 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 the balances individually and collectively, taking into account the nature of the customers, the geographical locations and the ageing categories.

5 OTHER INCOME

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Government grants (<i>Note (i)</i>)	1,946	8,538
Gain on dissolution of a subsidiary	–	8,201
Others	1,836	899
	3,782	17,638

Note:

- (i) For the six months ended 30 June 2021, government grants recognised were primarily related to the capital investments and subsidies from the PRC Government (for the six months ended 30 June 2020: government grants recognised were primarily related to the capital investments, 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.

6 FINANCE INCOME AND FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Finance costs on borrowings	(1,037)	(1,387)
Interest expenses on lease liabilities	(243)	(171)
	(1,280)	(1,558)
Finance costs	741	341
Finance income		
	(539)	(1,217)

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	
	2021	2020
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	496	13,316
– PRC enterprise income tax	818	3,826
– Other overseas profits tax	266	160
	1,580	17,302
Deferred income tax	(265)	(1,000)
	1,315	16,302

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, Macau profits tax and Cambodia corporate income tax were calculated at 16.5% (for the six months ended 30 June 2020: 16.5%), 25% (for the six months ended 30 June 2020: 25%), 12% (for the six months ended 30 June 2020: 12%) and 20% (for the six months ended 30 June 2020: 20%), respectively on the estimated assessable profits in respective region for the six months ended 30 June 2021.

No Singapore corporate income tax (for the six months ended 30 June 2020: 17%) has been provided as there were no assessable profits in Singapore during the six months ended 30 June 2021.

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) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Trade receivables	457,936	538,477
Bills receivables	15,749	1,382
	<u>473,685</u>	<u>539,859</u>
Less: provision for impairment of receivables	(66,575)	(40,328)
	<u>407,110</u>	<u>499,531</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 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
1 – 30 days	275,925	263,953
31 – 60 days	49,853	69,887
61 – 90 days	19,198	34,947
91 – 180 days	42,285	71,731
Over 180 days	86,424	99,341
	<u>473,685</u>	<u>539,859</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 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
1 – 30 days	12	307
31 – 60 days	430	551
61 – 90 days	535	176
Over 90 days	–	1,935
	<u>977</u>	<u>2,969</u>

10 CASH AND CASH EQUIVALENTS

	(Unaudited) 30 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
Cash at banks and on hand	316,058	338,695
Short-term bank deposits (original maturities of less than three months)	<u>25,514</u>	<u>54,259</u>
	<u><u>341,572</u></u>	<u><u>392,954</u></u>

The Group's cash and bank balances and short-term bank deposits as at 30 June 2021 amounted to approximately HK\$140,545,000 (as at 31 December 2020: approximately HK\$168,870,000) and approximately HK\$716,000 (as at 31 December 2020: approximately HK\$800,000) 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 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
1 – 30 days	106,250	131,371
31 – 60 days	6,486	2,434
61 – 90 days	4,222	2,542
Over 90 days	<u>1,912</u>	<u>1,607</u>
	<u><u>118,870</u></u>	<u><u>137,954</u></u>

12 BORROWINGS

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Non-current:		
Secured bank borrowings without repayable on demand clause	95	303
Secured other borrowings without repayable on demand clause	2,772	3,077
	<u>2,867</u>	<u>3,380</u>
Current:		
Secured bank borrowings with repayable on demand clauses	104,279	116,528
Secured bank borrowings without repayable on demand clause	623	1,116
Secured other borrowings without repayable on demand clause	177	77
	<u>105,079</u>	<u>117,721</u>
	<u>107,946</u>	<u>121,101</u>

Except for bank and other borrowings of approximately HK\$3,667,000 as at 30 June 2021 (as at 31 December 2020: approximately HK\$4,573,000), which were secured by personal guarantee of a non-controlling interest of the Group, other bank borrowings were secured by certain property, plant and equipment and right-of-use assets.

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

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Property, plant and equipment	22,937	24,635
Right-of-use assets	29,654	30,204
	<u>52,591</u>	<u>54,839</u>
Total carrying amount of assets pledged as security	<u>52,591</u>	<u>54,839</u>

As at 30 June 2021, the undrawn banking facilities of the Group amounted to approximately HK\$264,191,000 (as at 31 December 2020: approximately HK\$292,329,000).

13 SHARE CAPITAL

	Number of Shares	<i>HK\$'000</i>
Ordinary Shares of HK\$0.01 each		
Authorised:		
As at 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	<u><u>10,000,000,000</u></u>	<u><u>100,000</u></u>
Issued and fully paid:		
As at 1 January 2021 and 30 June 2021	<u><u>734,262,697</u></u>	<u><u>7,343</u></u>
As at 1 January 2020 and 30 June 2020	<u><u>734,262,697</u></u>	<u><u>7,343</u></u>

14 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per Share attributable to owners of the Company is calculated by dividing the (loss)/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	
	2021	2020
(Loss)/profit for the period attributable to owners of the Company (<i>HK\$'000</i>)	<u><u>(46,927)</u></u>	<u><u>47,211</u></u>
Weighted average number of ordinary Shares in issue (<i>thousands</i>)	<u><u>728,839</u></u>	<u><u>728,839</u></u>
Basic (loss)/earnings per Share attributable to owners of the Company (<i>HK cents</i>)	<u><u>(6.4)</u></u>	<u><u>6.5</u></u>

(b) Diluted

Diluted (loss)/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.

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

Diluted earnings per Share attributable to owners of the Company for the six months ended 30 June 2020 is as below:

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

15 DIVIDENDS

On 26 May 2021, a final dividend of HK1.5 cents per Share for the year ended 31 December 2020 was approved by the Company's shareholders. Total dividend of approximately HK\$11,014,000, including dividend to the Shares held for the share award scheme of the Company, was paid out during the six months ended 30 June 2021.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK\$1.0 cent per Share amounting to a total dividend of approximately HK\$7,343,000).

16 CAPITAL COMMITMENTS

As at 30 June 2021, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were approximately HK\$18,830,000 (as at 31 December 2020: approximately HK\$6,654,000).

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 %
	2021 <i>HK\$ million</i>	2020 <i>HK\$ million</i>	
Revenue	597.6	692.1	(13.7)%
Gross Profit	112.8	192.6	(41.4)%
(Loss)/profit attributable to owners of the Company	(46.9)	47.2	(199.4)%
Basic (loss)/earnings per Share attributable to owners of the Company (<i>HK cents</i>)	(6.4)	6.5	(198.5)%
Diluted (loss)/earnings per Share attributable to owners of the Company (<i>HK cents</i>)	(6.4)	6.5	(198.5)%
Dividend per Share (<i>HK cents</i>)	–	1.0	(100.0)%

Revenue

For the six months ended 30 June 2021, the total revenue of the Group recorded a decrease of 13.7% to approximately HK\$597.6 million compared with approximately HK\$692.1 million in the corresponding period of prior year. For the six months ended 30 June 2021, the revenues of the hospitality supplies business, operating supplies and equipment (“OS&E”) business and health care and hygienic products business were approximately HK\$447.7 million, HK\$72.7 million and HK\$77.2 million (for the six months ended 30 June 2020: approximately HK\$390.9 million, HK\$47.0 million and HK\$254.2 million) respectively, which represented 74.9%, 12.2% and 12.9% (for the six months ended 30 June 2020: 56.5%, 6.8% and 36.7%) 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 2021 decreased 41.4% to approximately HK\$112.8 million, compared with approximately HK\$192.6 million in the corresponding period of prior year. Gross profit margin decreased 8.9 percentage points to 18.9% from 27.8% as compared with the corresponding period of prior year, due to keen market pricing competition, increase in raw materials cost and decrease in revenue and production volume which results in weakening economies of scale.

(Loss)/profit attributable to owners of the Company

Loss attributable to owners of the Company for the six months ended 30 June 2021 was approximately HK\$46.9 million (for the six months ended 30 June 2020: profit attributable to owners of the Company approximately HK\$47.2 million).

Other income and cost reduction

During the six months ended 30 June 2021 and 2020, the Group has received various governmental subsidies in the following regions. They are recognised either as other income or cost reduction as reflected in relevant expenses.

Region	Six months ended 30 June	
	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
The PRC	1.7	11.7
Hong Kong	0.1	0.9
Other regions	0.1	0.5
Total	1.9	13.1

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.

(Loss)/earnings per Share

Basic and diluted loss per Share attributable to owners of the Company for the six months ended 30 June 2021 were HK6.4 cents and HK6.4 cents (for the six months ended 30 June 2020: basic and diluted earnings per Share were HK6.5 cents and HK6.5 cents) respectively.

Interim dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK1.0 cent 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 2021, the Group's cash and cash equivalents amounted to approximately HK\$341.6 million (as at 31 December 2020: approximately HK\$393.0 million).

Net assets

The Group's net assets as at 30 June 2021 was approximately HK\$1,136.5 million (as at 31 December 2020: approximately HK\$1,192.3 million).

Borrowings

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

Borrowing structure:

	30 June 2021		31 December 2020	
	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")	6.3	Floating rate of 1.7% per annum over 1-month HIBOR	8.3
	Floating rate of the higher of 1.7% per annum over 1-month HIBOR or the cost to the bank of funding the borrowing	9.5	Floating rate of the higher of 1.7% per annum over 1-month HIBOR or the cost to the bank of funding the borrowing	10.6
	Floating rates ranging from 1.5%-1.7% per annum over 1-month London Inter-bank Offered Rate ("LIBOR")	59.0	Floating rates ranging from 1.5%-1.7% per annum over 1-month LIBOR	63.5
	Floating rate of the higher of 1.7% per annum over 1-month LIBOR or the cost to the bank of funding the borrowing	29.4	Floating rate of the higher of 1.7% per annum over 1-month LIBOR or the cost to the bank of funding the borrowing	34.1
Secured bank borrowings without repayable on demand clauses	Fixed rates ranging from 1.4%-2.4% per annum	0.7	Fixed rates ranging from 1.4%-2.4% per annum	1.4
Secured other borrowings without repayable on demand clauses	Fixed rates ranging from 1.38%-2.16% per annum	3.0	Fixed rates ranging from 1.38%-2.16% per annum	3.2
	<hr/>	<hr/>	<hr/>	<hr/>
	107.9	107.9	121.1	121.1

Maturity profile:

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

	30 June 2021	31 December 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Within 1 year	55.0	55.3
Between 1 and 2 years	23.6	25.4
Between 2 and 5 years	28.0	38.8
Over 5 years	1.3	1.6
	107.9	121.1

Currency denomination:

	30 June 2021	31 December 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Hong Kong dollars	15.8	18.9
United States dollars	88.4	97.6
Japanese Yen	3.7	4.6
	107.9	121.1

Charges on Group assets

Except for bank and other borrowings of approximately HK\$3.7 million as at 30 June 2021 (as at 31 December 2020: approximately HK\$4.6 million), which were secured by personal guarantee of a non-controlling interest of the Group, other bank borrowings were secured by certain property, plant and equipment and right-of-use assets.

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

	30 June 2021	31 December 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Property, plant and equipment	22.9	24.6
Right-of-use assets	29.7	30.2
	52.6	54.8

Gearing ratio

The gearing ratio was calculated as net debt (borrowings less cash and cash equivalents) divided by total equity. The gearing ratio was not applicable to the Group as at 30 June 2021 and as at 31 December 2020.

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 2021 is set out in Note 16 to the condensed consolidated interim financial information. The Group has no material contingent liabilities as at 30 June 2021.

BUSINESS REVIEW

The COVID-19 pandemic is the crisis that has the greatest impact on daily lives in the 21st century. Physical distancing, physical quarantine and related health and hygienic measures have seriously threatened the stability and growth of the global economies. Among the major economic sectors, the travel, tourism and aviation industries have suffered the most. Although countries or regions around the world are implementing extensive measures to respond to global health and economic emergencies, the recovery of the aforesaid industries have not yet reached the desired state, which has affected the Group’s businesses.

Hospitality Supplies Business

Even though travel restrictions are being implemented and different borders are reopening carefully due to COVID-19 pandemic, the public are still cautious around the world. The statistics from the recent publication by the United Nations World Tourism Organization have shown that the international tourists arrivals (overnight visitors) dropped by 65% in January to May 2021 over 2020. This sharp decline represents a loss of some 147 million international arrivals compared to the same five months of 2020. International travel is slowly picking up from very low levels, though the recovery remains fragile and uneven amid much uncertainty. Domestic travel is driving the recovery of tourism in several destinations, especially those with large domestic markets. Domestic air seat capacity in China has already exceeded pre-crisis levels.

Revenue from the Group's hospitality supplies business for the six months ended 30 June 2021 increased 14.5% to approximately HK\$447.7 million (for the six months ended 30 June 2020: approximately HK\$390.9 million), which contributed 74.9% (for the six months ended 30 June 2020: 56.5%) to the Group's total revenue. Gross profit from the hospitality supplies business increased 6.4% to approximately HK\$86.7 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately HK\$81.5 million). The segment's gross profit margin decreased 1.4 percentage points to 19.4% for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 20.8%).

Based on the "Analysis Report on Tourism Economic Operation in the First Half of 2021" issued by the China Tourism Academy (Data Center of the Ministry of Culture and Tourism), the estimated domestic tourists and tourism revenue in the PRC were 2.355 billion person-times and RMB1.95 trillion respectively in the first half of 2021, which were recovered to 77% and 70% respectively of the same period in 2019. Hospitality supplies business revenue for the six months ended 30 June 2021 from the PRC was approximately HK\$232.8 million (for the six months ended 30 June 2020: approximately HK\$106.3 million), representing 52.0% (for the six months ended 30 June 2020: 27.2%) of the total hospitality supplies business segment revenue.

Hospitality supplies business revenues for the six months ended 30 June 2021 from Hong Kong, the North America, Europe, other Asia Pacific regions and Australia were approximately HK\$76.6 million, HK\$47.5 million, HK\$22.8 million, HK\$57.9 million and HK\$9.5 million (for the six months ended 30 June 2020: approximately HK\$83.6 million, HK\$72.5 million, HK\$54.0 million, HK\$65.0 million and HK\$8.2 million) respectively, accounted for 17.1%, 10.6%, 5.1%, 12.9% and 2.1% (for the six months ended 30 June 2020: 21.4%, 18.5%, 13.8%, 16.6% and 2.1%) of the total hospitality supplies business segment revenue respectively.

Operating Supplies and Equipment Business

According to the latest China Construction Pipeline Trend Report from Lodging Econometrics, 113 hotels/17,830 rooms were newly opened and came into service in China during the first quarter of 2021 and is forecasting a total of 901 projects/132,244 rooms and 966 projects/165,666 rooms to open in 2021 and 2022 respectively. With the rising number of new hotel projects in China, revenue from the Group's OS&E business was approximately HK\$72.7 million for the six months ended 30 June 2021, representing an increase of 54.7% as compared with approximately HK\$47.0 million for the six months ended 30 June 2020, and contributing 12.2% (for the six months ended 30 June 2020: 6.8%) to the Group's total revenue. Gross profit from the OS&E business increased by 43.2% to approximately HK\$16.9 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately HK\$11.8 million). The segment's gross profit margin decreased 2.0 percentage points to 23.2% for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 25.2%).

For the six months ended 30 June 2021, OS&E business revenues from the PRC and other markets were approximately HK\$62.2 million and HK\$10.5 million (for the six months ended 30 June 2020: approximately HK\$26.7 million and HK\$20.3 million) respectively, representing 85.6% and 14.4% (for the six months ended 30 June 2020: 56.7% and 43.3%) of the total OS&E business segment revenue respectively.

The long term re-order business from the customers is essential to the growth of the Group's OS&E business and the Group continues to provide vertically-integrated services of hotel products purchasing to build long-term cooperative relationship with customers.

Health Care and Hygienic Products Business

The Group has been continuing to produce disposable infection control products such as medical equipment covers, as well as our health care and hygienic products under our self-labeled brands "Pasion", "everybody LABO" and "MING FAI". The products include alcoholic instant hand sanitizers, all-purpose disinfectant sprays, alcoholic disinfectant hand sprays, alcoholic disinfectant wet wipes, 3-ply disposable face masks, anti-bacterial hand soap and body wash, sensitive care shampoo, conditioner, shower gel and body lotion, shampoo bars, hand creams, sunscreens, facial oil control papers, fragrance diffusers etc. Even in the post-pandemic era, the Group believes that the health awareness raised by the public will not decline. The Group shoulders the social responsibilities of contributing to the public safety and considers that the production of health care and hygienic products is still indispensable.

Revenue from the Group's health care and hygienic products business for the six months ended 30 June 2021 was approximately HK\$77.2 million (for the six months ended 30 June 2020: approximately HK\$254.2 million), which contributed 12.9% (for the six months ended 30 June 2020: approximately 36.7%) to the Group's total revenue. Gross profit from the health care and hygienic products business was approximately HK\$9.2 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately HK\$97.5 million). The segment's gross profit margin decreased 26.5 percentage points to 11.9% for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately 38.4%).

For the six months ended 30 June 2021, the revenues of health care and hygienic products business from the North America, Hong Kong and other markets were approximately HK\$40.8 million, HK\$17.9 million and HK\$18.5 million (for the six months ended 30 June 2020: approximately HK\$54.9 million, HK\$49.8 million and HK\$149.5 million) respectively, representing 52.9%, 23.2% and 23.9% (for the six months ended 30 June 2020: 21.6%, 19.6% and 58.8%) of the total health care and hygienic products business segment revenue respectively.

OUTLOOK

Prolonged uncertainties in the global market

More than a year has passed since the outbreak of the COVID-19 pandemic in early 2020. After the introduction of the COVID-19 vaccines, the public thought that the pandemic has been gradually controlled until the emergence of the more transmissible Delta variant of COVID-19. With the uncertainties of macroeconomic risks, effectiveness of vaccines on different variants of COVID-19, continuing tensions between China and U.S., it is expected that the Group's hospitality supplies business and OS&E business will continue to undergo a huge challenge.

Steadily rising market conditions in the PRC

According to the “Analysis Report on Tourism Economic Operation in the First Half of 2021” published by the China Tourism Academy (Data Center of the Ministry of Culture and Tourism), the expected domestic tourists and tourism revenue in the PRC will be 2.591 billion person-times and RMB2.24 trillion respectively in the second half of 2021, which will be recovered to 88% and 76% respectively of the same period in 2019. The inbound and outbound travels in the second half of 2021 are expected to be better than that of the corresponding period in 2020. Travel will still be one of the current and future ways of pleasure seeking and relaxation, and travel restrictions constrained by the COVID-19 pandemic are expected to usher in a wave of retaliatory consumption when social distancing measures are relaxed and China has administered more than a billion doses of its COVID-19 vaccines. The Group’s hospitality supplies and OS&E businesses in the PRC are expected to be gradually improved.

Strategies of health care and hygienic products business

Even though the saturated supply and keen competition of the disinfectant products in the global markets has led to a substantial decline of the Group’s health care and hygienic products business revenue in first half of 2021 as compared with the corresponding period in 2020, this business segment had brought a new enlightenment to the Group under the COVID-19 pandemic with the increasing public awareness of hygiene. Looking ahead, the Group will continue to diversify the product range and strengthen the research and development with new technologies on our health care and hygienic products. Except retailing them to our customers, we also target to expand our sales channels to business organizations, schools, hospitals etc. The Group will further develop our “Pasion” brand with high-quality products and services, and seize any potential opportunities for cooperation and business development.

Unstoppable environmental protection trend and laws and regulations

As the world pays more attentions to corporate social responsibilities and environmental protection laws and regulations, the Group’s hospitality supplies business continues to face challenges. China has set a goal to reach carbon dioxide emission peak by 2030 and realise carbon neutrality by 2060, and will formulate specific action plans for carbon emissions peaking by 2030. In the near future, the green and environmental protection policies to be complied by the PRC hotel customers will inevitably prompt the suppliers of hospitality supplies, and even the entire hospitality supplies industry to upgrade technology to provide green products and transform enterprises.

Competitiveness enhancement and margin improvement

The Group will continue to develop its production base in Cambodia to reduce the production costs and the impact of the China-US trade war, improve production efficiency, and make good use of its own resources to enhance the competitiveness of the Group. At the same time, the Group will continue to implement a series of prudent and flexible policies and strategies related to working capital management, business development and cost control to strengthen financial conditions and improve profit margins to provide internal stabilisers for the development of the Group.

Exploration of new business opportunities

The Group will sustainably exploit business opportunities and maintain good relationships with our long-term clients and corporates, and also spend our concerns on exploring innovative business strategies and plans to benefit the Group's business development. The Group will aim at grasping more market shares and expanding product portfolio of business in various areas, which can develop a diversification for daily operation.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including short-term contract workers, was approximately 4,200 as at 30 June 2021. The employee benefit expenses including Directors' emoluments were approximately HK\$164.9 million for the six months ended 30 June 2021. 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 2021, 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 2021, the Group has complied with all the code provisions in the "Corporate Governance Code" (the "CG Code") as set out in Appendix 14 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 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 26 May 2021.

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 2021.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions on 5 October 2007. Having made specific enquiries to all Directors of the Company, all Directors of the Company confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021.

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

Hong Kong, 26 August 2021

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.