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FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS FOR THE YEAR 2020

- Revenue decreased 33.8% to approximately HK\$1,353.1 million (2019: approximately HK\$2,043.1 million).
- Gross profit decreased 26.8% to approximately HK\$363.5 million (2019: approximately HK\$496.3 million).
- Gross profit margin increased 2.6 percentage points to 26.9% (2019: 24.3%).
- Operating profit is approximately HK\$102.2 million (2019: approximately HK\$126.4 million) and the profit attributable to owners of the Company is approximately HK\$79.0 million (2019: approximately HK\$97.9 million).
- A proposed final dividend in respect of the year ended 31 December 2020 of HK1.5 cents per share of the Company (the “Share”) was recommended, together with the interim dividend of HK1.0 cent per Share, representing a total dividend of HK2.5 cents per Share (2019: HK4.5 cents per Share) and the annual dividend payout ratio of 23.1% (2019: 33.3%).

* For identification purpose only

The board of directors (the “Board”) of Ming Fai International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended	
		31 December	
	<i>Note</i>	2020	2019
		HK\$'000	HK\$'000
Revenue	3	1,353,099	2,043,095
Cost of sales	4	(989,613)	(1,546,839)
Gross profit		363,486	496,256
Other income	5	35,731	11,114
Distribution costs	4	(172,309)	(243,468)
Administrative expenses	4	(110,139)	(127,813)
Net impairment losses on financial assets	4	(14,554)	(9,701)
Operating profit		102,215	126,388
Finance income		1,042	1,515
Finance costs		(2,912)	(1,754)
Share of profit of an associated company		381	897
Share of profit of a joint venture		24	56
Fair value gain on an investment property		787	–
Profit before income tax		101,537	127,102
Income tax expenses	6	(26,937)	(35,022)
Profit for the year		74,600	92,080
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		22,443	(6,894)
Realisation of exchange reserve upon dissolution of subsidiaries		(6,490)	(1,280)
Total comprehensive income for the year		90,553	83,906
Profit/(loss) attributable to:			
Owners of the Company		79,046	97,936
Non-controlling interests		(4,446)	(5,856)
		74,600	92,080
Total comprehensive income/(loss) attributable to:			
Owners of the Company		95,089	89,469
Non-controlling interests		(4,536)	(5,563)
		90,553	83,906
Earnings per share attributable to owners of the Company (expressed in HK cents)			
Basic	<i>13(a)</i>	10.8	13.5
Diluted	<i>13(b)</i>	10.8	13.4

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Goodwill		10,633	10,354
Property, plant and equipment		450,971	400,631
Right-of-use assets		111,707	108,692
Investment property		15,451	13,707
Intangible assets		773	1,512
Deferred income tax assets		2,703	3,850
Other non-current assets		11,991	24,146
Investment in an associated company		5,831	5,869
Investments in joint ventures		387	363
Other financial assets at amortised cost		308	425
		<u>610,755</u>	<u>569,549</u>
Total non-current assets			
Current assets			
Inventories		241,670	271,064
Other current assets		41,130	39,801
Tax recoverable		469	194
Other financial assets at amortised cost		12,390	12,363
Amounts due from joint ventures		581	35
Amount due from an associated company	8	2,969	5,046
Trade and bills receivables	7	499,531	591,749
Short-term bank deposits		986	295
Cash and cash equivalents	9	392,954	348,849
		<u>1,192,680</u>	<u>1,269,396</u>
Total current assets			
		<u>1,803,435</u>	<u>1,838,945</u>
Total assets			
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	7,343	7,343
Reserves		1,216,023	1,139,045
Final dividend proposed	14	11,014	22,028
		<u>1,234,380</u>	<u>1,168,416</u>
Non-controlling interests		(42,046)	(37,510)
		<u>1,192,334</u>	<u>1,130,906</u>
Total equity			

		As at 31 December	
		2020	2019
	Note	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		5,412	7,361
Other non-current payables		10,363	6,495
Borrowings	11	3,380	1,120
Lease liabilities		4,998	2,929
		<u>24,153</u>	<u>17,905</u>
Total non-current liabilities		24,153	17,905
Current liabilities			
Trade payables	10	137,954	226,430
Accruals and other payables		284,514	332,166
Current income tax liabilities		24,031	43,395
Borrowings	11	117,721	65,303
Lease liabilities		5,035	5,208
Loans from non-controlling interests		17,518	17,446
Dividends payable		175	186
		<u>586,948</u>	<u>690,134</u>
Total current liabilities		586,948	690,134
Total liabilities		611,101	708,039
Total equity and liabilities		1,803,435	1,838,945

NOTES:

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of an investment property, which is carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

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

Significant changes in the current reporting period

During the year ended 31 December 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 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

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Amendments to HKAS 1 and HKAS 8 – Definition of Material;
- Amendments to HKFRS 3 – Definition of a Business;
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform; and
- Revised Conceptual Framework for Financial Reporting.

The Group also elected to adopt the following amendment early:

- Amendments to HKFRS 16 – Covid-19–Related Rent Concessions

The impacts of early adoption of Amendments to HKFRS 16 are disclosed below. The other new standards and amendments did not have any material impact on the Group’s accounting policies and did not require any adjustment.

(i) *New standard early adopted by the Group*

The Group has early adopted Amendments to HKFRS 16 - Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendments provide an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to the qualifying COVID-19-related rent concessions. Rent concessions totalling HK\$128,000 have been accounted for as negative variable lease payments and recognised in other lease expenses in the consolidated statement of comprehensive income for the year ended 31 December 2020, with corresponding adjustment to the lease liabilities. There is no impact on the Group's retained earnings as at 1 January 2020.

(b) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period during the year ended 31 December 2020 and have not been early adopted by the Group. These standards 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.

During the year ended 31 December 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 new business, 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 year ended 31 December 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 of an associated company, share of profit of a joint venture and fair value gain on an investment property.

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

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.

	Hospitality Supplies Business					OS&E Business					Health Care and Hygienic Products Business					Others			
	North America		Europe		The PRC	Hong Kong	Australia	Other Asia Pacific regions		Sub-total	The PRC	Others	Sub-total	North America	Hong Kong	Others	Sub-total	Total	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	(Note i)	(Note ii)	HKS'000	HKS'000	(Note iii)	HKS'000	HKS'000	HKS'000	(Note iv)	HKS'000	HKS'000	HKS'000
Year ended 31 December 2019 (restated)																			
Segment revenue	268,071	232,250	616,189	303,393	39,597	285,302	285,302	3,937	1,748,739	111,392	69,054	180,446	124,940	261	6,106	131,307	2,060,520		
Inter-segment revenue	-	-	(2,056)	(3,234)	-	-	-	-	(5,290)	(9,291)	(2,746)	(12,037)	-	-	(98)	(98)	(17,425)		
Revenue from external customers	268,071	232,250	614,133	300,159	39,597	285,302	285,302	3,937	1,743,449	102,101	66,308	168,409	124,940	261	6,008	131,209	2,043,095		
Earnings before interest, taxes, depreciation and amortisation	34,567	27,519	44,653	25,765	5,899	21,747	21,747	960	161,110	5,099	3,671	8,770	8,946	(656)	229	8,519	183,251		
Depreciation	(7,770)	(6,731)	(17,799)	(8,700)	(1,148)	(8,269)	(8,269)	(114)	(50,531)	(83)	(54)	(137)	(3,621)	(8)	(7)	(3,656)	(54,679)		
Amortisation	(293)	(254)	(671)	(328)	(43)	(312)	(312)	(4)	(1,905)	-	-	-	(136)	(50)	-	(186)	(2,184)		
Finance income	-	-	378	1,061	-	69	69	5	1,513	-	-	-	-	-	2	2	-	1,515	
Finance costs	-	-	(377)	(1,320)	(5)	(38)	(38)	-	(1,740)	-	-	-	-	-	-	-	-	(1,754)	
Segment profit before income tax	26,504	20,534	26,184	16,478	4,703	13,197	13,197	847	108,447	5,016	3,617	8,633	5,189	(714)	224	4,699	126,149		
Share of profit of an associated company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	897	
Share of profit of a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56	
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,022)	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92,080	
As at 31 December 2019 (restated)																			
Total assets	929,028	615,299	2,378	233,915	70,888	1,851,508	1,851,508	79,952	39,076	391	119,419	8,347	38,241	-	46,588	26,471	1,838,945		
Include:																			
Investment in an associated company	-	5,869	-	-	-	5,869	5,869	-	-	-	-	-	-	-	-	-	5,869		
Investments in joint ventures	-	363	-	-	-	363	363	-	-	-	-	-	-	-	-	-	363		
Additions to non-current assets (other than deferred income tax assets)	35,504	12,136	2	100,289	2,845	150,776	150,776	156	-	-	156	-	-	-	-	-	150,932		
Total liabilities	(410,358)	(209,956)	(179)	(31,200)	(50,671)	(702,364)	(702,364)	(15,305)	(34,668)	-	(49,973)	(14,842)	(36,989)	-	(51,831)	(108,912)	(708,039)		

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 Democratic Republic of the Congo, Morocco and Algeria.
- iii Others mainly include Hong Kong, Macau, North America 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 Australia and Japan.

During the year ended 31 December 2020, additions to non-current assets comprise additions to right-of-use assets, property, plant and equipment, intangible assets and other non-current assets (during the year ended 31 December 2019: additions to non-current assets comprise additions to goodwill, right-of-use assets, property, plant and equipment, intangible assets and other non-current assets including additions due to business combination).

4 EXPENSES BY NATURE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Changes in inventories	649,105	1,082,056
Auditor's remuneration		
– Audit services	2,680	2,680
– Non-audit services	300	320
Depreciation of property, plant and equipment	50,033	45,915
Depreciation of right-of-use assets	8,703	8,764
Amortisation of intangible assets	1,255	2,184
Other lease expenses*	7,579	9,779
Provision for obsolete inventories	29,293	6,572
Direct written off of obsolete inventories	1,006	1,132
Net impairment losses on financial assets	14,554	9,701
Employee benefit expenses	341,187	481,495
Transportation expenses	57,282	86,547
Exchange (gains)/losses, net	(11,910)	8,057
Advertising costs	10,512	15,814
Loss on disposal of property, plant and equipment	179	180
Direct operating expenses arising from an investment property that generates rental income	21	49
Utilities expenses	19,849	25,314

* 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.

5 OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental income	310	313
Income from sales of scrap materials	659	1,820
Government grant	24,810	7,052
Gain on dissolution of subsidiaries	8,201	1,280
Others	1,751	649
	<u>35,731</u>	<u>11,114</u>

6 INCOME TAX EXPENSES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	20,243	20,546
– PRC enterprise income tax	7,341	12,995
– Other overseas profits tax	403	906
Adjustments in respect of prior year	(353)	920
	<u>27,634</u>	<u>35,367</u>
Deferred income tax	(697)	(345)
	<u>26,937</u>	<u>35,022</u>

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

Hong Kong profits tax, PRC enterprise income tax, Singapore corporate income tax and Cambodia corporate income tax are calculated at 16.5% (2019: 16.5%), 25% (2019: 25%), 17% (2019: 17%) and 20% (2019: 20%) on the estimated assessable profits for the year ended 31 December 2020 respectively.

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.

7 TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	538,477	613,655
Bills receivables	<u>1,382</u>	<u>4,624</u>
	539,859	618,279
Less: provision for impairment of receivables	<u>(40,328)</u>	<u>(26,530)</u>
Trade and bills receivables, net	<u><u>499,531</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 – 30 days	263,953	324,893
31 – 60 days	69,887	121,237
61 – 90 days	34,947	69,635
91 – 180 days	71,731	49,675
Over 180 days	<u>99,341</u>	<u>52,839</u>
	<u><u>539,859</u></u>	<u><u>618,279</u></u>

8 AMOUNT DUE FROM AN ASSOCIATED COMPANY

The amount represents trade receivables from an associated company. The carrying value of the amount approximates its fair value. The amount is unsecured, interest-free and mainly denominated in HK\$. The credit period granted is 90 days. The ageing analysis of the amount by invoice date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 – 30 days	307	2,123
31 – 60 days	551	1,691
61 – 90 days	176	1,232
Over 90 days	<u>1,935</u>	<u>-</u>
	<u><u>2,969</u></u>	<u><u>5,046</u></u>

9 CASH AND CASH EQUIVALENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash at banks and on hand	338,695	308,169
Short-term bank deposits (original maturities of less than three months)	54,259	40,680
	392,954	348,849

The Group's cash and bank balances and short-term bank deposits with banks in the PRC and India as at 31 December 2020 amounted to approximately HK\$168,870,000 (as at 31 December 2019: approximately HK\$105,489,000) and approximately HK\$800,000 (as at 31 December 2019: approximately HK\$1,447,000) respectively, where the remittance of funds is subject to foreign exchange control.

10 TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 – 30 days	131,371	211,455
31 – 60 days	2,434	8,037
61 – 90 days	2,542	5,172
Over 90 days	1,607	1,766
	137,954	226,430

11 BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current:		
Secured bank borrowings without repayable on demand clause	303	405
Secured other borrowings without repayable on demand clause	3,077	715
	<u>3,380</u>	<u>1,120</u>
Current:		
Secured bank borrowings with repayable on demand clauses	116,528	64,779
Secured bank borrowings without repayable on demand clause	1,116	292
Secured other borrowings without repayable on demand clause	77	232
	<u>117,721</u>	<u>65,303</u>
	<u>121,101</u>	<u>66,423</u>

At 31 December 2020, the borrowings are denominated in the following currencies:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
HK\$	18,922	26,644
United States Dollars (“US\$”)	97,606	38,135
Japanese Yen (“JPY”)	4,573	1,644
	<u>121,101</u>	<u>66,423</u>

The carrying amounts of borrowings approximate their fair values as the impact of discounting is not significant.

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 December 2020 and 2019.

Except for bank and other borrowings of approximately HK\$4,573,000 as at 31 December 2020 (as at 31 December 2019: approximately HK\$1,644,000), which was secured by personal guarantee of a non-controlling interest of the Group, other bank borrowings were secured by certain property, plant and equipment and right-of-use assets.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Property, plant and equipment	24,635	27,678
Right-of-use assets	30,204	31,233
Total carrying amounts of assets pledged as security	54,839	58,911

12 SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2019	728,175,697	7,282
Exercise of share options	6,087,000	61
At 31 December 2019 and 31 December 2020	734,262,697	7,343

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share attributable to owners of the Company is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to owners of the Company (<i>HK\$'000</i>)	79,046	97,936
Weighted average number of ordinary shares in issue (<i>thousands</i>)	728,839	726,910
Basic earnings per share attributable to owners of the Company (<i>HK cents</i>)	10.8	13.5

(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.

	2020	2019
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>79,046</u>	<u>97,936</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	728,839	726,910
Adjustment for:		
– Share options (<i>thousands</i>)	<u>545</u>	<u>2,009</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	<u>729,384</u>	<u>728,919</u>
Diluted earnings per share attributable to owners of the Company (<i>HK cents</i>)	<u>10.8</u>	<u>13.4</u>

14 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 was paid out, including dividend paid to the shares held for the share award scheme (the "Scheme").

On 26 August 2020, the Board resolved to approve an interim dividend of HK1.0 cent per share for the six months ended 30 June 2020. Total dividend of approximately HK\$7,343,000 was paid out, including dividend paid to the shares held for the Scheme.

The final dividend in respect of the year ended 31 December 2020 of HK1.5 cents per share, amounting to a total dividend of approximately HK\$11,014,000 was resolved by the Board to propose on 25 March 2021, which is subject to approval at the annual general meeting of the Company to be held on 26 May 2021. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but reflected as an appropriation of retained earnings for the year ended 31 December 2020.

15 CAPITAL COMMITMENTS

As at 31 December 2020, the capital commitments contracted but not provided for in the consolidated financial information of the Group were approximately HK\$6,654,000 (as at 31 December 2019: approximately HK\$45,406,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Financial Highlights

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

	Year ended 31 December		Change %
	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	
Revenue	1,353.1	2,043.1	(33.8)%
Gross Profit	363.5	496.3	(26.8)%
Profit attributable to owners of the Company	79.0	97.9	(19.3)%
Basic earnings per Share attributable to owners of the Company (<i>HK cents</i>)	10.8	13.5	(20.0)%
Diluted earnings per Share attributable to owners of the Company (<i>HK cents</i>)	10.8	13.4	(19.4)%
Dividend per Share (<i>HK cents</i>)	2.5	4.5	(44.4)%

Revenue

For the year ended 31 December 2020, the total revenue of the Group recorded a decrease of 33.8% to approximately HK\$1,353.1 million compared with approximately HK\$2,043.1 million for the year ended 31 December 2019. For the year ended 31 December 2020, the revenues of the hospitality supplies business, OS&E business and health care and hygienic products business were approximately HK\$820.9 million, HK\$112.9 million and HK\$419.3 million (for the year ended 31 December 2019: approximately HK\$1,743.4 million, HK\$168.4 million and HK\$131.2 million) respectively, which represented 60.7%, 8.3% and 31.0% (for the year ended 31 December 2019: 85.3%, 8.3% and 6.4%) of the Group's total revenue respectively.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2020 decreased 26.8% to approximately HK\$363.5 million, compared with approximately HK\$496.3 million for the year ended 31 December 2019. Gross profit margin increased 2.6 percentage points to 26.9% from 24.3% as compared with the prior year, benefiting from the change of product mix, adopting cost control policies and various governmental cost reduction policies.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2020 was approximately HK\$79.0 million (for the year ended 31 December 2019: approximately HK\$97.9 million).

Other income and cost reduction

During the year ended 31 December 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	Year ended 31 December 2020 <i>HK\$ million</i>
The PRC	25.0
Hong Kong	5.4
Other regions	1.1
	<hr/>
Total	31.5
	<hr/> <hr/>

In addition, during the year ended 31 December 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 year ended 31 December 2020 were HK10.8 cents and HK10.8 cents respectively (for the year ended 31 December 2019: HK13.5 cents and HK13.4 cents).

Final dividend

The Board has resolved to propose a final dividend of HK1.5 cents per Share for the year ended 31 December 2020 (for the year ended 31 December 2019: HK3.0 cents per Share). A sum of the interim and final dividends is expected to be HK2.5 cents per Share for the year ended 31 December 2020 (for the year ended 31 December 2019: HK4.5 cents per Share). The proposed final dividend is subject to approval at the annual general meeting to be held on 26 May 2021 (“AGM”).

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 31 December 2020, the Group’s cash and cash equivalents amounted to approximately HK\$393.0 million (as at 31 December 2019: approximately HK\$348.8 million).

Net assets

The Group’s net assets as at 31 December 2020 were approximately HK\$1,192.3 million (as at 31 December 2019: approximately HK\$1,130.9 million).

Borrowings

The Group's borrowing structure and maturity profile as at 31 December 2020 and 2019 are as follows:

Borrowing structure:

	2020		2019	
	Effective	HK\$ million	Effective	HK\$ million
	interest rate		interest rate	
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")	8.3	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	10.6	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 rate ranging from 1.5%-1.7% per annum over 1-month London Inter-bank Offered Rate ("LIBOR")	63.5	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	34.1	Floating rate of the higher of 1.7% per annum over 1-month LIBOR or the cost to the bank of funding the borrowing	19.1
Secured bank borrowings without repayable on demand clause	Fixed rates ranging from 1.4%-2.4% per annum	1.4	Fixed rates ranging from 1.3%-1.4% per annum	0.7
Secured other borrowings without repayable on demand clause	Fixed rates ranging from 1.38% – 2.16% per annum	3.2	Fixed rate of 1.16% per annum	0.9
		121.1		66.4

Maturity profile:

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

	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>
Within 1 year	55.3	17.5
Between 1 and 2 years	25.4	15.8
Between 2 and 5 years	38.8	31.2
Over 5 years	1.6	1.9
	121.1	66.4

Currency denomination:

	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>
HK\$	18.9	26.6
US\$	97.6	38.2
JPY	4.6	1.6
	121.1	66.4

Details of the borrowings are set out in Note 11 to the consolidated financial information.

Charges on Group assets

Except for bank and other borrowings of approximately HK\$4.6 million as at 31 December 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, 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:

	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>
Property, plant and equipment	24.6	27.7
Right-of-use assets	30.2	31.2
	54.8	58.9

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 31 December 2020 and 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 is set out in Note 15 to the consolidated financial information. The Group has no material contingent liabilities as at 31 December 2020.

BUSINESS REVIEW

2020 has been a year of extraordinary challenges because of the COVID-19 pandemic, which has altered the lives of billions of people, from social distancing measures and suspending travels to working from home, the global economy was contracted. Affected by these macroeconomic headwinds, the Group’s business recorded a result of decline during the year ended 31 December 2020.

Hospitality Supplies Business

Travel and tourism is the most affected sector under the influence of COVID-19 pandemic with travel restrictions, which caused the international tourists’ arrivals fell greatly in 2020. Furthermore, China-U.S. tensions, low consumer confidence and global struggle to contain the COVID-19 pandemic, as well as the stringent laws and regulations due to the increasing public environmental awareness, the Group’s hospitality supplies business faced a challenging year.

The revenue of the Group’s hospitality supplies business for the year ended 31 December 2020 decreased 52.9% to approximately HK\$820.9 million (for the year ended 31 December 2019: approximately HK\$1,743.4 million), which represented 60.7% (for the year ended 31 December 2019: 85.3%) of the Group’s total revenue. Gross profit from the hospitality supplies business decreased 57.2% to approximately HK\$182.7 million for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately HK\$426.9 million). The segment’s gross profit margin decreased 2.2 percentage points to 22.3%, compared with 24.5% for the year ended 31 December 2019.

Hospitality supplies business revenues from the PRC and Hong Kong for the year ended 31 December 2020 were approximately HK\$390.2 million and HK\$126.8 million (for the year ended 31 December 2019: approximately HK\$614.1 million and HK\$300.2 million) respectively, representing 47.5% and 15.4% (for the year ended 31 December 2019: 35.2% and 17.2%) of the total hospitality supplies business segment revenue respectively. Hospitality supplies business revenues for the year ended 31 December 2020 from the North America, Europe, other Asia Pacific regions and Australia were approximately HK\$104.6 million, HK\$74.5 million, HK\$110.2 million and HK\$12.5 million (for the year ended 31 December 2019: approximately HK\$268.1 million, HK\$232.3 million, HK\$285.3 million and HK\$39.6 million) respectively, accounted for 12.7%, 9.1%, 13.4% and 1.5% (for the year ended 31 December 2019: 15.4%, 13.3%, 16.4% and 2.3%) of the total hospitality supplies business segment revenue respectively.

Operating Supplies and Equipment Business

The revenue from the Group's OS&E business was approximately HK\$112.9 million for the year ended 31 December 2020, indicated a 32.9% decrease as compare with approximately HK\$168.4 million for the year ended 31 December 2019, and contributing 8.3% (for the year ended 31 December 2019: 8.3%) to the Group's total revenue. Gross profit from the OS&E business decreased 25.5% to approximately HK\$30.0 million for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately HK\$40.3 million). The segment's gross profit margin increased 2.7 percentage points to 26.6% for the year ended 31 December 2020 (for the year ended 31 December 2019: 23.9%).

For the year ended 31 December 2020, OS&E business revenues from the PRC and other markets were approximately HK\$71.9 million and HK\$41.0 million (for the year ended 31 December 2019: approximately HK\$102.1 million and HK\$66.3 million) respectively, representing 63.6% and 36.4% (for the year ended 31 December 2019: 60.6% and 39.4%) of the total OS&E business segment revenue respectively.

The re-order business from the new and long-term customers will continue to be the key focus of the Group's OS&E business. The Group will attempt to expand its customer base while enhancing the existing cooperative relationship with the long-term customers to improve its OS&E business.

Health Care and Hygienic Products Business

The Group has been producing the disposable infection control products and health care products. Health care and hygienic products, such as alcoholic instant hand sanitizers under the brands "Pasion" and "everybody LABO"; as well as the 3-ply disposable face masks under the brands "Pasion" and "MING FAI" were produced since the first quarter of 2020 due to the outbreak of COVID-19 pandemic and for the purpose of taking part the corporate social responsibilities. Beyond that, the Group further developed various health care and hygienic products under the brand "Pasion", including all-purpose disinfectant sprays, alcoholic disinfectant hand sprays, alcoholic disinfectant wet wipes and anti-epidemic travel kits, to broaden its product portfolio. All of these products passed the tests by SGS Hong Kong Limited, and the 3-ply disposable face masks under brand "Pasion" also obtained "Hong Kong Q-Mark" issued by Hong Kong Q-Mark Council, which align with our high standard of products quality.

The revenue of the Group's health care and hygienic products business for the year ended 31 December 2020 recorded approximately HK\$419.3 million (for the year ended 31 December 2019: approximately HK\$131.2 million), which contributed 31.0% (for the year ended 31 December 2019: 6.4%) to the Group's total revenue and partially compensated the losses from the other two business segments of the Group during the year ended 31 December 2020. Gross profit from the health care and hygienic products business was approximately HK\$147.2 million for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately HK\$25.6 million). The segment's gross profit margin was 35.1% for the year ended 31 December 2020 (for the year ended 31 December 2019: 19.5%).

For the year ended 31 December 2020, the revenues of health care and hygienic products business from the North America, Hong Kong and other markets were approximately HK\$147.4 million, HK\$86.1 million and HK\$185.8 million (for the year ended 31 December 2019: approximately HK\$124.9 million, HK\$0.3 million and HK\$6.0 million) respectively, representing 35.2%, 20.5% and 44.3% (for the year ended 31 December 2019: 95.2%, 0.2% and 4.6%) of the total health care and hygienic products business segment revenue respectively.

OUTLOOK

Uncertainties and concerns in the global markets

Although 2021 is hoped to be a year of recovery, uncertainties and concerns were arisen in the global markets, including the unknown timing of borders re-opening, period of travel restrictions, safety and effectiveness of the COVID-19 vaccines, tensions between U.S. and China, the continuous depression among the travel and tourism related industries and the potential economic recessions. All the above-mentioned uncertainties will continue to bring negative effects to the Group's hospitality supplies business and OS&E business.

Moreover, the saturated supply and fierce competition of the disinfectant products in the global markets in 2021 will lead to the substantial drop of the Group's health care and hygienic products business revenue as compared with 2020.

It is unforeseeable that the subsidies and cost reduction policies benefitted by the Group in previous year will be continued by governments in different regions. The Group will face a more challenging year in 2021. The Group will closely monitor the possible risks, including those brought by the COVID-19 pandemic, while assessing the Group's financial performance and operations.

Tightening environmental protection laws and regulations

The Group's hospitality supplies business will continuously be influenced by the tightening environmental protection laws and regulations, specifically in Europe and the PRC. The PRC has replaced the U.S. to become the largest carbon dioxide emitter in the world, China has set a goal to see carbon dioxide emission peak by 2030 and realize carbon neutrality by 2060. More cities in the PRC have been adjusting their regulations and practicing greener development. Our hotel customers in the PRC will have to comply with those environmental protection policies by restricting provision of single-disposable items, such as toothbrushes and slippers.

Product research and development

Even though the introduction of COVID-19 vaccines will ease the COVID-19 pandemic and the demand of the disinfectant products will gradually decrease, the outbreak of COVID-19 pandemic has changed the public awareness of health care and personal hygiene, and generated a market demand for health care and hygienic products. The Group will continue to grasp the new business opportunities brought by the COVID-19 pandemic and extend the product portfolio under “Pasion” brand, such as shampoo bars, portable paper hand soaps, portable facial oil blotting papers, lip balms, hand creams, sunscreens, body wash and fragrance diffusers.

On the other hand, the Group will continue to input resources and efforts on research and development for environmental-friendly hospitality supplies products, for example, dispensers, shampoo bars, conditioner bars, body wash bars and lotion bars, to fit the respective needs of hotels in different regions in order to respond the escalating awareness of the worldwide environmental protection.

Competitiveness enhancement and margin improvement

Developing our production base in Cambodia will continue to be our strategy to minimise our production costs, ease the impacts brought by the China-U.S. trade war, as well as increase manufacturing efficiencies and wisely use our resources to enhance the Group’s competitiveness. Furthermore, the Group will strengthen the financial position and improve the margins by applying a series of prudent and flexible policies and strategies on working capital management, business development and costs control.

New business opportunities exploration

The Group will continue to capitalise business opportunities within and beyond our long-term customers and partners, and pay close attention on potential new business trends and strategies to ensure the Group’s business development. The Group will put more effort on expanding the market shares and product portfolio of our businesses in different regions to maintain a diversified business operation.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including short-term contract workers, was approximately 4,300 as at 31 December 2020. The employee benefit expenses including Directors’ emoluments were approximately HK\$341.2 million for the year ended 31 December 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 year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, the Group has complied with all the code provisions in the “Corporate Governance Code” as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), except the deviation of the followings:

- 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 audited final results for the year ended 31 December 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 own 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 year ended 31 December 2020.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company will be held on Wednesday, 26 May 2021. The notice of AGM will be published and delivered to the shareholders of the Company (the “Shareholders”) in due course.

FINAL DIVIDEND

The Board recommend a final dividend of HK1.5 cents per Share for the year ended 31 December 2020. Subject to the approval by the Shareholders at the AGM, the final dividend will be paid on or around Friday, 11 June 2021 to the Shareholders whose names appear on the register of members of the Company on Thursday, 3 June 2021.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the eligibility of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021 (both dates inclusive), during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, 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 Thursday, 20 May 2021.

For ascertaining the entitlement of the Shareholders to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 1 June 2021 to Thursday, 3 June 2021 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for the proposed final 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 Monday, 31 May 2021.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT ON THE HKEXNEWS WEBSITE OF THE STOCK EXCHANGE AND THE WEBSITE OF THE COMPANY

The annual report containing all information required by the Listing Rules will be despatched to the Shareholders and published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.mingfaigroup.com) in due course.

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

Hong Kong, 25 March 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.