

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



FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS FOR THE YEAR 2021

- Revenue increased 6.1% to approximately HK\$1,435.8 million (2020: approximately HK\$1,353.1 million).
- Gross profit decreased 25.8% to approximately HK\$269.6 million (2020: approximately HK\$363.5 million).
- Gross profit margin decreased 8.1 percentage points to 18.8% (2020: 26.9%).
- Operating loss is approximately HK\$92.4 million (2020: operating profit approximately HK\$102.2 million) and the loss attributable to owners of the Company is approximately HK\$93.5 million (2020: profit attributable to owners of the Company approximately HK\$79.0 million).
- No final dividend for the year ended 31 December 2021 was recommended and no interim dividend was declared during the six months ended 30 June 2021. For the year ended 31 December 2020, a final dividend of HK1.5 cents per share of the Company (the “Share”) was declared, together with the interim dividend of HK1.0 cent per Share, representing a total annual dividend of HK2.5 cents per Share and an annual dividend payout ratio of 23.1%.

* 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 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | For the year ended 31 December | |
|------------------------------------------------------------------------------------------------|-------------|-------------------------------------------|--------------------------|
| | <i>Note</i> | 2021 HK\$'000 | 2020 HK\$'000 |
| Revenue | 3 | 1,435,826 | 1,353,099 |
| Cost of sales | 4 | <u>(1,166,181)</u> | <u>(989,613)</u> |
| Gross profit | | 269,645 | 363,486 |
| Other income | 5 | 8,266 | 35,731 |
| Distribution costs | 4 | (210,934) | (172,309) |
| Administrative expenses | 4 | (106,656) | (110,139) |
| Net impairment losses on financial assets | 4 | (47,983) | (14,554) |
| Impairment of goodwill | | (4,759) | – |
| Operating (loss)/profit | | (92,421) | 102,215 |
| Finance income | | 962 | 1,042 |
| Finance costs | | (2,425) | (2,912) |
| Share of (loss)/profit of an associated company | | (457) | 381 |
| Share of (loss)/profit of joint ventures | | (64) | 24 |
| Fair value gain on an investment property | | – | 787 |
| (Loss)/profit before income tax | | (94,405) | 101,537 |
| Income tax expenses | 6 | (3,520) | (26,937) |
| (Loss)/profit for the year | | (97,925) | 74,600 |
| Other comprehensive (loss)/income | | | |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | | |
| Currency translation differences | | 10,970 | 22,443 |
| Realisation of exchange reserve upon dissolution of subsidiaries | | – | (6,490) |
| Total comprehensive (loss)/income for the year | | (86,955) | 90,553 |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | | (93,535) | 79,046 |
| Non-controlling interests | | (4,390) | (4,446) |
| | | (97,925) | 74,600 |
| Total comprehensive (loss)/income attributable to: | | | |
| Owners of the Company | | (82,845) | 95,089 |
| Non-controlling interests | | (4,110) | (4,536) |
| | | (86,955) | 90,553 |
| (Loss)/earnings per share attributable to owners of the Company (expressed in HK cents) | | | |
| Basic | 14(a) | (12.8) | 10.8 |
| Diluted | 14(b) | (12.8) | 10.8 |

CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|-----------------------------------------------------|------|-------------------|------------------|
| | | 2021 | 2020 |
| | Note | HK\$'000 | HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | | 5,390 | 10,633 |
| Property, plant and equipment | | 445,126 | 450,971 |
| Right-of-use assets | | 106,235 | 111,707 |
| Investment property | | 15,911 | 15,451 |
| Intangible assets | | 369 | 773 |
| Deferred income tax assets | | 3,771 | 2,703 |
| Other non-current assets | | 11,510 | 11,991 |
| Investment in an associated company | | 5,221 | 5,831 |
| Investments in joint ventures | | 323 | 387 |
| Other financial assets at amortised cost | | 132 | 308 |
| Total non-current assets | | 593,988 | 610,755 |
| Current assets | | | |
| Inventories | | 266,284 | 241,670 |
| Other current assets | | 56,686 | 41,130 |
| Tax recoverable | | 11,952 | 469 |
| Other financial assets at amortised cost | | 15,750 | 12,390 |
| Amounts due from joint ventures | | 455 | 581 |
| Amount due from an associated company | 8 | 2,338 | 2,969 |
| Trade and bills receivables | 7 | 528,418 | 499,531 |
| Pledged bank deposit | 9 | 11,689 | – |
| Short-term bank deposits | | – | 986 |
| Cash and cash equivalents | 10 | 251,164 | 392,954 |
| Total current assets | | 1,144,736 | 1,192,680 |
| Total assets | | 1,738,724 | 1,803,435 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 13 | 7,343 | 7,343 |
| Reserves | | 1,133,259 | 1,216,023 |
| Final dividend proposed | 15 | – | 11,014 |
| | | 1,140,602 | 1,234,380 |
| Non-controlling interests | | (46,156) | (42,046) |
| Total equity | | 1,094,446 | 1,192,334 |

| | | As at 31 December | |
|--------------------------------------|-------------|--------------------------|-------------------------|
| | | 2021 | 2020 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 5,608 | 5,412 |
| Other non-current payables | | 11,829 | 10,363 |
| Borrowings | 12 | 2,742 | 3,380 |
| Lease liabilities | | 2,395 | 4,998 |
| | | <u>22,574</u> | <u>24,153</u> |
| Total non-current liabilities | | | |
| Current liabilities | | | |
| Trade payables | 11 | 178,432 | 137,954 |
| Accruals and other payables | | 276,050 | 284,514 |
| Current income tax liabilities | | 7,580 | 24,031 |
| Borrowings | 12 | 138,606 | 117,721 |
| Lease liabilities | | 3,483 | 5,035 |
| Loans from non-controlling interests | | 17,369 | 17,518 |
| Dividends payable | | 184 | 175 |
| | | <u>621,704</u> | <u>586,948</u> |
| Total current liabilities | | | |
| Total liabilities | | | |
| | | <u><u>644,278</u></u> | <u><u>611,101</u></u> |
| Total equity and liabilities | | | |
| | | <u><u>1,738,724</u></u> | <u><u>1,803,435</u></u> |

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 Cap. 622. 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.

2 ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The Group has applied the following amendment for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 –amendments to HKFRS 9, HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 16

The Group also elected to adopt the following amendment early:

- Covid-19-Related Rent Concessions beyond 30 June 2021

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

(b) New standards and interpretations not yet adopted

Apart from the amendments mentioned above, certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the reporting period during the year ended 31 December 2021 and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity 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. Altogether, the Group has three reporting segments: (i) Hospitality Supplies Business; (ii) OS&E Business; and (iii) Health Care and Hygienic Products Business.

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

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 (2020: same).
- ii Other Asia Pacific regions mainly include Macau, Japan, United Arab Emirates, Cambodia, Malaysia, Singapore and India (2020: mainly include Macau, Japan, United Arab Emirates, Thailand, the Philippines, Malaysia, Singapore and India).
- iii Others mainly include Republic of Kenya and Algeria (2020: mainly include Democratic Republic of the Congo, Morocco and Algeria).
- iv Others mainly include Hong Kong, Macau, Malaysia and Australia (2020: mainly include Hong Kong, Macau, North America and Cambodia).
- v Other locations mainly include Macau and India (2020: mainly include Macau and Singapore).
- vi Others mainly include the PRC (*Note i*), Cambodia, Japan and Macau (2020: mainly include the PRC (*Note i*), Australia, Japan and Singapore).
- vii Other locations mainly include Macau and Japan (2020: mainly include Australia and Japan).

During the year ended 31 December 2021, the revenue of the Group was recognised at a point in time and no sales derived from a single customer exceeded 10% of the revenue of the Group (during the year ended 31 December 2020: same).

During the year ended 31 December 2021, 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 2020: same).

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:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Cost of inventories sold | 778,228 | 649,105 |
| Auditor's remuneration | | |
| – Audit services | 2,500 | 2,680 |
| – Non-audit services | – | 300 |
| Depreciation of property, plant and equipment | 56,047 | 50,033 |
| Depreciation of right-of-use assets | 8,717 | 8,703 |
| Amortisation of intangible assets | 853 | 1,255 |
| Other lease expenses* | 6,477 | 7,579 |
| Provision for obsolete inventories | 19,729 | 29,293 |
| Direct written off of obsolete inventories | 3,523 | 1,006 |
| Net impairment losses on financial assets | 47,983 | 14,554 |
| Employee benefit expenses | 378,044 | 341,187 |
| Transportation expenses | 75,165 | 57,282 |
| Exchange gains, net | (962) | (11,910) |
| Advertising costs | 22,329 | 10,512 |
| Loss on disposal of property, plant and equipment | 123 | 179 |
| Direct operating expenses arising from an investment property that generates rental income | 57 | 21 |
| Utilities expenses | 23,285 | 19,849 |
| | <u>778,228</u> | <u>649,105</u> |

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

5 OTHER INCOME

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Rental income | 351 | 310 |
| Income from sales of scrap materials | 642 | 659 |
| Government grants (<i>Note (i)</i>) | 3,404 | 24,810 |
| Gain on dissolution of subsidiaries | – | 8,201 |
| Others | 3,869 | 1,751 |
| | <u>8,266</u> | <u>35,731</u> |

Note:

- (i) Government grants recognised were primarily related to the capital investments of the Group; subsidies from the PRC Government and the Hong Kong Government. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants.

6 INCOME TAX EXPENSES

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| Current income tax: | | |
| – Hong Kong profits tax | 2,653 | 20,243 |
| – PRC enterprise income tax | 1,967 | 7,341 |
| – Other overseas profits tax | 529 | 403 |
| Adjustments in respect of prior year | (770) | (353) |
| | 4,379 | 27,634 |
| Deferred income tax credit | (859) | (697) |
| | 3,520 | 26,937 |

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% (2020: 16.5%), 25% (2020: 25%), 17% (2020: 17%) and 20% (2020: 20%) on the estimated assessable profits for the year ended 31 December 2021 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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-----------------------------------------------|-------------------------|-------------------------|
| Trade receivables | 596,479 | 538,477 |
| Bills receivables | 19,387 | 1,382 |
| | <u>615,866</u> | <u>539,859</u> |
| Less: provision for impairment of receivables | (87,448) | (40,328) |
| | <u>528,418</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:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 1 – 30 days | 271,278 | 263,953 |
| 31 – 60 days | 96,091 | 69,887 |
| 61 – 90 days | 79,147 | 34,947 |
| 91 – 180 days | 93,362 | 71,731 |
| Over 180 days | 75,988 | 99,341 |
| | <u>615,866</u> | <u>539,859</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:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 1 – 30 days | 1,485 | 307 |
| 31 – 60 days | 496 | 551 |
| 61 – 90 days | 2 | 176 |
| Over 90 days | 355 | 1,935 |
| | <u>2,338</u> | <u>2,969</u> |

9. PLEDGED BANK DEPOSIT

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Pledged bank deposit | <u>11,689</u> | <u>–</u> |

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

10 CASH AND CASH EQUIVALENTS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------------------------------------------------------------------|-------------------------|-------------------------|
| Cash at banks and on hand | 251,164 | 338,695 |
| Short-term bank deposits (original maturities of less than three months) | <u>–</u> | <u>54,259</u> |
| | <u>251,164</u> | <u>392,954</u> |

The Group's cash and bank balances and short-term bank deposits with banks in the PRC and India as at 31 December 2021 amounted to approximately HK\$89,425,000 (as at 31 December 2020: approximately HK\$168,870,000) and approximately HK\$386,000 (as at 31 December 2020: approximately HK\$800,000) respectively, where the remittance of funds is subject to foreign exchange control.

11 TRADE PAYABLES

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 1 – 30 days | 169,021 | 131,371 |
| 31 – 60 days | 2,957 | 2,434 |
| 61 – 90 days | 4,453 | 2,542 |
| Over 90 days | <u>2,001</u> | <u>1,607</u> |
| | <u>178,432</u> | <u>137,954</u> |

12 BORROWINGS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------------------------------------|-------------------------|-------------------------|
| Non-current: | | |
| Secured bank borrowings without repayable on demand clause | – | 303 |
| Secured other borrowings without repayable on demand clause | <u>2,742</u> | <u>3,077</u> |
| | <u>2,742</u> | <u>3,380</u> |
| Current: | | |
| Secured bank borrowings with repayable on demand clauses | 138,227 | 116,528 |
| Secured bank borrowings without repayable on demand clause | 273 | 1,116 |
| Secured other borrowings without repayable on demand clause | <u>106</u> | <u>77</u> |
| | <u>138,606</u> | <u>117,721</u> |
| | <u>141,348</u> | <u>121,101</u> |

The borrowings are denominated in the following currencies:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| HK\$ | 12,771 | 18,922 |
| United States Dollars (“US\$”) | 125,455 | 97,606 |
| Japanese Yen (“JPY”) | <u>3,122</u> | <u>4,573</u> |
| | <u>141,348</u> | <u>121,101</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 years ended 31 December 2021 and 2020.

Except for bank and other borrowings of approximately HK\$3,122,000 as at 31 December 2021 (as at 31 December 2020: approximately HK\$4,573,000) 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, right-of-use assets and a bank deposit of the Group.

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Property, plant and equipment | 21,245 | 24,635 |
| Right-of-use assets | 29,077 | 30,204 |
| Bank deposit | 11,689 | – |
| | <u>62,011</u> | <u>54,839</u> |

13 SHARE CAPITAL

| | Number of shares | <i>HK\$'000</i> |
|-------------------------------------------------------------|-----------------------|-----------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 January 2020, 31 December 2020 and 31 December 2021 | <u>10,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid: | | |
| At 1 January 2020, 31 December 2020 and 31 December 2021 | <u>734,262,697</u> | <u>7,343</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 attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2021 | 2020 |
|----------------------------------------------------------------------------------------------------|-----------------|----------------|
| (Loss)/profit attributable to owners of the Company <i>(HK\$'000)</i> | <u>(93,535)</u> | <u>79,046</u> |
| Weighted average number of ordinary shares in issue <i>(thousands)</i> | <u>728,839</u> | <u>728,839</u> |
| Basic (loss)/earnings per share attributable to owners of the Company <i>(HK cents)</i> | <u>(12.8)</u> | <u>10.8</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 year ended 31 December 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 year ended 31 December 2021.

Diluted earnings per share attributable to owners of the Company for the year ended 31 December 2020 is as below:

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

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 was paid out, including dividend paid to the shares held for the share award scheme.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 nor any final dividend for the year ended 31 December 2021.

16 CAPITAL COMMITMENTS

As at 31 December 2021, the capital commitments contracted but not provided for in the consolidated financial information of the Group were approximately HK\$21,843,000 (as at 31 December 2020: approximately HK\$6,654,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Financial Highlights

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

| | Year ended 31 December | | Change % |
|------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-------------|
| | 2021 <i>HK\$ million</i> | 2020 <i>HK\$ million</i> | |
| Revenue | 1,435.8 | 1,353.1 | 6.1% |
| Gross Profit | 269.6 | 363.5 | (25.8)% |
| (Loss)/profit attributable to owners of the Company | (93.5) | 79.0 | (218.3)% |
| Basic (loss)/earnings per Share attributable to owners of the Company (<i>HK cents</i>) | (12.8) | 10.8 | (218.5)% |
| Diluted (loss)/earnings per Share attributable to owners of the Company (<i>HK cents</i>) | (12.8) | 10.8 | (218.5)% |
| Dividend per Share (<i>HK cents</i>) | – | 2.5 | (100.0)% |

Revenue

For the year ended 31 December 2021, the total revenue of the Group recorded an increase of 6.1% to approximately HK\$1,435.8 million compared with approximately HK\$1,353.1 million in 2020. For the year ended 31 December 2021, the revenues of the hospitality supplies business, OS&E business and health care and hygienic products business were approximately HK\$1,088.1 million, HK\$156.4 million and HK\$191.3 million (for the year ended 31 December 2020: approximately HK\$820.9 million, HK\$112.9 million and HK\$419.3 million) respectively, which represented 75.8%, 10.9% and 13.3% (for the year ended 31 December 2020: 60.7%, 8.3% and 31.0%) of the Group's total revenue respectively.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2021 decreased 25.8% to approximately HK\$269.6 million, compared with approximately HK\$363.5 million in 2020. Gross profit margin decreased 8.1 percentage points to 18.8% from 26.9% as compared with the prior year, due to the rising prices of certain raw materials, including certain chemicals and soap noodles, and increase in manufacturing costs.

(Loss)/profit attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2021 was approximately HK\$93.5 million (for the year ended 31 December 2020: profit attributable to owners of the Company approximately HK\$79.0 million).

Other income and cost reduction

During the years ended 31 December 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 | Year ended 31 December | |
|---------------|------------------------|---------------------|
| | 2021 | 2020 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| The PRC | 3.2 | 25.0 |
| Hong Kong | 0.1 | 5.4 |
| Other regions | 0.2 | 1.1 |
| | <hr/> | <hr/> |
| Total | <u>3.5</u> | <u>31.5</u> |

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.

(Loss)/earnings per Share

Basic and diluted loss per Share attributable to owners of the Company for the year ended 31 December 2021 were HK12.8 cents and HK12.8 cents (for the year ended 31 December 2020: basic and diluted earnings per Share were HK10.8 cents and HK10.8 cents) respectively.

Final dividend

The Board did not propose a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: HK1.5 cents). No interim dividend was declared for the six months ended 30 June 2021. A sum of the interim and final dividends for the year ended 31 December 2020 was HK2.5 cents per Share.

Liquidity and financial resources

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

Cash and cash equivalents

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK\$251.2 million (as at 31 December 2020: approximately HK\$393.0 million).

Net assets

The Group's net assets as at 31 December 2021 was approximately HK\$1,094.4 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:

| | As at 31 December | | | |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------|
| | 2021 | 2020 | | |
| | Effective | Effective | Effective | Effective |
| | interest rate | interest rate | interest rate | interest rate |
| | HK\$ million | HK\$ million | HK\$ million | HK\$ million |
| Secured bank borrowings with repayable on demand clauses | Floating rate of 1.7% per annum over 1-month Hong Kong Inter-bank Offered Rate ("HIBOR") | 4.3 | 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 | 8.4 | Floating rate of the higher of 1.7% per annum over 1-month HIBOR or the cost to the bank of funding the borrowing | 10.6 |
| | Floating rates ranging from 1.5%-1.7% per annum over 1-month London Inter-bank Offered Rate ("LIBOR") | 85.2 | 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 | 40.3 | 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 | 0.3 | Fixed rates ranging from 1.4%-2.4% per annum | 1.4 |
| Secured other borrowings without repayable on demand clauses | Fixed rates ranging from 0.36%-1.26% per annum | 2.8 | Fixed rates ranging from 1.38%-2.16% per annum | 3.2 |
| | 141.3 | 121.1 | | |

Maturity profile:

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

| | As at 31 December | |
|-----------------------|---------------------|---------------------|
| | 2021 | 2020 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Within 1 year | 64.2 | 55.3 |
| Between 1 and 2 years | 30.8 | 25.4 |
| Between 2 and 5 years | 44.7 | 38.8 |
| Over 5 years | 1.6 | 1.6 |
| | <u>141.3</u> | <u>121.1</u> |

Currency denomination:

| | As at 31 December | |
|------|---------------------|---------------------|
| | 2021 | 2020 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| HK\$ | 12.8 | 18.9 |
| US\$ | 125.4 | 97.6 |
| JPY | 3.1 | 4.6 |
| | <u>141.3</u> | <u>121.1</u> |

Details of the borrowings are set out in Note 12 to the consolidated financial information.

Charges on Group assets

Except for bank and other borrowings of approximately HK\$3.1 million as at 31 December 2021 (as at 31 December 2020: approximately HK\$4.6 million), which was secured by personal guarantee of a non-controlling interest of the Group, other bank borrowings were secured by certain property, plant and equipment, right-of-use assets and a bank deposit of the Group.

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

| | As at 31 December | |
|-------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Property, plant and equipment | 21.2 | 24.6 |
| Right-of-use assets | 29.1 | 30.2 |
| Bank deposit | 11.7 | – |
| | <u>62.0</u> | <u>54.8</u> |

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 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 31 December 2021 is set out in Note 16 to the consolidated financial information. The Group has no material contingent liabilities as at 31 December 2021.

BUSINESS REVIEW

The two-year COVID-19 outbreak have dealt a heavy blow to the global economy. The new variants of COVID-19 led to the pandemic rebound and strict travel blockade continue to occur everywhere, disrupting the pace of economic recovery. The travel, tourism and aviation industries were severely affected, the Group’s businesses recorded unsatisfactory results for the year ended 31 December 2021, which was mainly attributable to (i) the decrease in revenue from Health Care and Hygienic Products Business as a result of the keen competition and over-supply of the disinfectant products in the global markets; (ii) the deterioration of gross profit margin due to the rising prices of certain raw materials and higher costs of manufacturing during the year ended 31 December 2021; (iii) the increase in provision for impairment of trade and bills receivables; (iv) the declining impact of various governmental subsidies and related cost reduction and the non-existence of the resulting gain and realisation of exchange reserve upon dissolution of a subsidiary as recognised during the year ended 31 December 2020; and (v) the unprecedented new waves of infections and the spread of COVID-19 in Japan before the Tokyo Olympics during the mid of 2021 had led to travel restrictions and a delay in recovery in the tourism industry in the country. Further, the prolonged pandemic has caused changes in consumer behaviour, with more customers shifting to e-commerce platform. Based on the latest market conditions, the Group has assessed the recoverable amount of the goodwill of the Japan business, and an impairment loss of HK\$4.8 million is recognised during the year ended 31 December 2021.

Hospitality Supplies Business

Based on UNWTO World Tourism Barometer issued in January 2022, global tourism experienced a mild 4% upturn in 2021, with 15 million more international tourist arrivals (overnight visitors) than in 2020 but remained 72% below the levels of pre-pandemic year 2019 according to preliminary estimates. The economic contribution of tourism (tourism direct gross domestic product) is estimated at US\$1.9 trillion in 2021, above the US\$1.6 trillion in 2020, but still fall below the pre-pandemic value of US\$3.5 trillion.

Revenue from the Group's hospitality supplies business for the year ended 31 December 2021 increased 32.5% to approximately HK\$1,088.1 million (for the year ended 31 December 2020: approximately HK\$820.9 million), which contributed 75.8% (2020: 60.7%) to the Group's total revenue. Gross profit from the hospitality supplies business increased 13.4% to approximately HK\$207.2 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately HK\$182.7 million). The segment's gross profit margin decreased 3.3 percentage points to 19.0% for the year ended 31 December 2021 (for the year ended 31 December 2020: 22.3%).

According to the "China's Tourism Performance: Review & Forecast (2021~2022)" (Blue Book of China's Tourism Economy No. 14) issued by the China Tourism Academy, the estimated domestic tourists and tourism revenue in the PRC were 3.431 billion person-times and RMB3.02 trillion respectively in 2021, which increased 19% and 35% as compared with 2020 and recovered to 57% and 53% respectively as compared with 2019. Hospitality supplies business revenue for the year ended 31 December 2021 from the PRC was approximately HK\$503.7 million (for year ended 31 December 2020: approximately HK\$390.2 million), representing 46.3% (for the year ended 31 December 2020: 47.5%) of the total hospitality supplies business segment revenue.

Hospitality supplies business revenues for the year ended 31 December 2021 from Hong Kong, the North America, Europe, other Asia Pacific regions and Australia were approximately HK\$150.4 million, HK\$160.0 million, HK\$97.3 million, HK\$144.5 million and HK\$30.4 million (for the year ended 31 December 2020: approximately HK\$126.8 million, HK\$104.6 million, HK\$74.5 million, HK\$110.2 million and HK\$12.5 million) respectively, accounted for 13.8%, 14.7%, 8.9%, 13.3% and 2.8% (for the year ended 31 December 2020: 15.4%, 12.7%, 9.1%, 13.4% and 1.5%) of the total hospitality supplies business segment revenue respectively.

Operating Supplies and Equipment Business

Based on the latest China Construction Pipeline Trend Report released by Lodging Econometrics, 566 hotels/96,472 rooms were opened in China throughout 2021. Revenue from the Group's OS&E business was approximately HK\$156.4 million for the year ended 31 December 2021, representing an increase of 38.5% as compared with approximately HK\$112.9 million for the year ended 31 December 2020, and representing 10.9% (for the year ended 31 December 2020: 8.3%) to the Group's total revenue. Gross profit from the OS&E business increased by 24.0% to approximately HK\$37.2 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately HK\$30.0 million). The segment's gross profit margin decreased 2.8 percentage points to 23.8% for the year ended 31 December 2021 (for the year ended 31 December 2020: 26.6%).

For the year ended 31 December 2021, OS&E business revenues from the PRC and other markets were approximately HK\$125.0 million and HK\$31.4 million (for the year ended 31 December 2020: approximately HK\$71.9 million and HK\$41.0 million) respectively, representing 79.9% and 20.1% (for the year ended 31 December 2020: 63.6% and 36.4%) of the total OS&E business segment revenue respectively.

The Group continues to focus on the replenishment businesses and seek new cooperation possibilities, and at the same time deepen the cooperation relationship with long-term customers, and continuously increase the variety of the products.

Health Care and Hygienic Products Business

The Group has been producing the disposable infection control products such as the medical equipment covers and health care products. A variety of health care and hygienic products under the self-labeled brands “Pasion”, “MING FAI” and “everybody LABO” were produced since the first quarter of 2020 for taking part in the corporate social responsibilities with the outbreak of COVID-19 pandemic. 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 2021 as compared with 2020, the Group considers that the production of health care and hygienic products is still indispensable as the public health awareness has been risen after the pandemic. During the year ended 31 December 2021, the Group has also participated in community activities and donated our health care and hygienic products to various charitable organisations.

Revenue from the Group’s health care and hygienic products business for the year ended 31 December 2021 was approximately HK\$191.3 million (for the year ended 31 December 2020: approximately HK\$419.3 million), which contributed 13.3% (for the year ended 31 December 2020: 31.0%) to the Group’s total revenue. Gross profit from the health care and hygienic products business was approximately HK\$25.0 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately HK\$147.2 million). The segment’s gross profit margin decreased 22.0 percentage points to 13.1% for the year ended 31 December 2021 (for the year ended 31 December 2020: 35.1%).

For the year ended 31 December 2021, the revenues of health care and hygienic products business from the North America, Hong Kong and other markets were approximately HK\$104.8 million, HK\$51.9 million and HK\$34.6 million (for the year ended 31 December 2020: approximately HK\$147.4 million, HK\$86.1 million and HK\$185.8 million) respectively, representing 54.8%, 27.1% and 18.1% (for the year ended 31 December 2020: 35.2%, 20.5% and 44.3%) of the total health care and hygienic products business segment revenue respectively.

OUTLOOK

Uncertainties in the global markets

Two years have passed since the outbreak of the COVID-19 pandemic in early 2020 and are foreseen to be continuous. It is expected that the travel restrictions implemented by various countries and regions will not be fully eliminated due to the recent rise in COVID-19 cases and the Omicron variant are set to disrupt the recovery and affect confidence through early 2022. The travel, tourism and aviation industries will continue to be badly affected, coupled with the slowdown of global economic growth and the China and U.S. trade war, the hospitality supplies and OS&E businesses of the Group will continue to face a huge challenge.

Recovery in tourism industry in the PRC

According to the “China’s Tourism Performance: Review & Forecast (2021~2022)” (Blue Book of China’s Tourism Economy No. 14) issued by the China Tourism Academy, the expected domestic tourists and tourism revenue in the PRC will be 3.98 billion person-times and RMB3.81 trillion respectively in 2022, with a year-on-year growth rate of 16% and 27% respectively. The number of inbound and outbound tourists will expect to increase by 20% year-on-year. The Group’s hospitality supplies and OS&E businesses in the PRC are expected to improve gradually.

Development of the health care and hygienic product business

The public's awareness of hygiene has greatly increased by the COVID-19 pandemic, the Group believes that the health care and hygienic products market is worth expanding with a diversified product portfolio, which will meet various needs of customers in different countries and regions. Meanwhile, we try to expand sales channels to not only retail and online platforms, but also the business organisations, schools and hospitals to expand the market penetration. In the face of the unstable market environment, this diversified business have brought new enlightenment to the Group under the pandemic situation. Looking ahead, the Group will continue to strengthen the research and development with new technologies on our health care and hygienic products, further develop our "Pasion" brand with high-quality services and brand effects, and seize the opportunities to promote business growth.

Global concerns in sustainability development

Environment, social and governance of the listed companies started to play an important role in the investment field. Together with green and environmental protection regulations to be complied by our hotel customers all over the world will inevitably prompt the suppliers of hospitality supplies, and even the entire hospitality supplies industry to transform enterprises for providing green products. Facing with the customers' demand, the Group is committed to becoming the best partner for customers' sustainable development and continues to place effort and resources on developing our green products.

Competitiveness enhancement and margin improvement

When the impact of the COVID-19 pandemic is lessening, the revenue of the Group is expected to rebound. As a result of the higher production and sales volume, the Group will benefit from cost efficiency brought into through better economies of scale which leads to higher profit margin. Along with the recovery of tourism industry, customers will become relatively less price sensitive which allows more room for negotiating better pricing. At the same time, the Group will continue to deepen its strategy of developing the production base in Cambodia to reduce its production costs and the impact of the China and U.S. trade war, improve production efficiency, enhance product structure and strengthen our procurement ability to source more alternate raw materials with an aim to increase our cost advantage and to add more value to our customers. The Group will make good use of its own resources to enhance our competitiveness. Meanwhile, the Group will continue to implement a series of prudent and flexible policies and strategies related to working capital management, business development and cost control to strengthen financial conditions and improve profit margins to lay a solid foundation for the development of the Group.

Continuous exploration of new business opportunities

The group will continue to improve its competitiveness, consolidate its core businesses, explore new business opportunities and strive to expand the market share in the industries, while maintaining a long-term good relationship with customers and business partners, to achieve steady innovation and sustainable growth.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including short-term contract workers, was approximately 5,000 as at 31 December 2021. The employee benefit expenses including Directors' emoluments were approximately HK\$378.0 million for the year ended 31 December 2021. The remuneration of employees (including the Directors and senior management) of the Group are generally structured by reference to market terms and individual merits, which is reviewed on a regular basis. The Group also provides various other benefits to designated staff, including discretionary bonus, social insurance or medical insurance, share 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 2021, 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 2021, 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 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 audited final results for the year ended 31 December 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 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 2021.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company will be held on Wednesday, 25 May 2022 (“AGM”). The notice of AGM will be published and delivered to the shareholders of the Company (the “Shareholders”) in due course.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 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, 20 May 2022 to Wednesday, 25 May 2022 (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, 19 May 2022.

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 2021 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, 24 March 2022

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