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## NGAI HING HONG COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1047)**

Website: <https://www.nhh.com.hk>

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER 2022

The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2022 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31st December</b>	
		<b>2022</b>	<b>2021</b>
	Note	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from contracts with customers	3	<b>637,858</b>	931,125
Cost of sales		<b>(565,862)</b>	(770,502)
Gross profit		<b>71,996</b>	160,623
Other income		<b>6,263</b>	3,848
Other gains/(losses), net	4	<b>4,099</b>	(193)
Distribution costs		<b>(42,533)</b>	(45,872)
Administrative expenses		<b>(60,853)</b>	(65,961)
Operating (loss)/profit	5	<b>(21,028)</b>	52,445
Finance income	6	<b>597</b>	507
Finance costs	6	<b>(8,290)</b>	(3,691)
Finance costs, net		<b>(7,693)</b>	(3,184)
(Loss)/profit before income tax		<b>(28,721)</b>	49,261
Income tax expense	7	<b>(6,588)</b>	(10,881)
(Loss)/profit for the period		<b>(35,309)</b>	38,380

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31st December</b>	
		<b>2022</b>	<b>2021</b>
Note		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Attributable to:			
	Equity holders of the Company	<b>(34,092)</b>	33,979
	Non-controlling interests	<b>(1,217)</b>	4,401
		<b><u>(35,309)</u></b>	<b><u>38,380</u></b>
 (Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period (expressed in HK cent per share)			
	– Basic	<b><u>(9.23)</u></b>	<b><u>9.20</u></b>
	– Diluted	<b><u>(9.23)</u></b>	<b><u>9.20</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31st December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit for the period	<b>(35,309)</b>	38,380
Other comprehensive (loss)/income:		
<u>Item that will not be reclassified subsequently to</u>		
<u>income statement:</u>		
Fair value (loss)/gain of financial asset at fair value through other comprehensive income ("FVOCI")	<b>(452)</b>	188
<u>Item that may be reclassified subsequently to</u>		
<u>income statement:</u>		
Currency translation differences	<b>(39,042)</b>	14,820
Other comprehensive (loss)/income for the period	<b>(39,494)</b>	15,008
Total comprehensive (loss)/income for the period	<b>(74,803)</b>	53,388
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	<b>(72,496)</b>	48,558
Non-controlling interests	<b>(2,307)</b>	4,830
	<b>(74,803)</b>	53,388

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 31st December 2022 <i>HK\$'000</i>	Audited 30th June 2022 <i>HK\$'000</i>
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>102,659</b>	111,503
Right-of-use assets		<b>27,168</b>	30,826
Investment properties		<b>153,493</b>	155,160
Intangible assets		—	—
Financial asset at fair value through other comprehensive income		<b>2,491</b>	2,943
Deferred income tax assets		<b>7,888</b>	9,090
Deposits and prepayment for property, plant and equipment and renovation costs		<b>5,294</b>	4,118
		<b>298,993</b>	313,640
		<b>298,993</b>	313,640
<b>Current assets</b>			
Inventories		<b>306,473</b>	413,468
Trade and bills receivables	10	<b>190,286</b>	233,142
Other receivables, prepayments and deposits		<b>29,783</b>	48,824
Income tax recoverable		<b>1,363</b>	861
Restricted bank deposits		<b>36,414</b>	38,797
Cash and bank balances		<b>132,477</b>	178,926
		<b>696,796</b>	914,018
		<b>696,796</b>	914,018
<b>Total assets</b>		<b>995,789</b>	1,227,658

		Unaudited 31st December 2022 <i>HK\$'000</i>	Audited 30th June 2022 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		36,920	36,920
Share premium		62,466	62,466
Other reserves		22,877	61,281
Retained earnings		423,116	464,592
		<u>545,379</u>	<u>625,259</u>
<b>Non-controlling interests</b>		22,140	33,787
<b>Total equity</b>		<u><u>567,519</u></u>	<u><u>659,046</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		8,077	6,261
Lease liabilities		5,519	8,201
Provision for reinstatement costs		884	884
		<u>14,480</u>	<u>15,346</u>
<b>Current liabilities</b>			
Trade payables	11	38,639	87,336
Other payables, deposits received and accruals		45,505	51,506
Lease liabilities		5,265	5,013
Bank borrowings		314,656	392,827
Derivative financial instruments		—	296
Income tax payable		9,725	16,288
		<u>413,790</u>	<u>553,266</u>
<b>Total liabilities</b>		<u><u>428,270</u></u>	<u><u>568,612</u></u>
<b>Total equity and liabilities</b>		<u><u>995,789</u></u>	<u><u>1,227,658</u></u>
<b>Net current assets</b>		<u><u>283,006</u></u>	<u><u>360,752</u></u>
<b>Total assets less current liabilities</b>		<u><u>581,999</u></u>	<u><u>674,392</u></u>

## 1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 31st December 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the condensed consolidated interim financial information is to be read in conjunction with the annual financial statements for the year ended 30th June 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30th June 2022, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### 2.1 Amended standards adopted by the Group

The Group has applied the following new standards and amendments to standards for the first time for the annual period beginning on 1st July 2022:

HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendment
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Annual Improvements Project	Annual Improvements 2018-2020 Cycle

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

## 2.2 Impact of standards issued but not yet applied by the Group

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1st July 2022 and have not been early adopted:

HKFRS 17	Insurance Contracts <sup>1</sup>
HKFRS 17 (Amendment)	Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information <sup>1</sup>
HKAS 1 (Amendment) and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current <sup>2</sup>
HKAS 8 (Amendment)	Definition of Account Estimates <sup>1</sup>
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Hong Kong - Interpretation 5 (2020) (Amendment)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
HKFRS 16 (Amendment)	Lease Liability in a Sales and Leaseback <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>(1)</sup> Effective for annual periods beginning on or after 1st January 2023

<sup>(2)</sup> Effective for annual periods beginning on or after 1st January 2024

<sup>(3)</sup> To be determined

The Group has commenced, but not yet completed, an assessment of the impact of the new standards and amendments to standards on its results of operations and financial position. However, none of the above new standards and amendments to standards is expected to have a significant effect on the Group's financial performance and position.

### 3 Revenue from contracts with customers and segment information

	Unaudited	
	Six months ended 31st December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sales of goods	<u>637,858</u>	<u>931,125</u>

The Group is principally engaged in the manufacturing and trading of plastic materials, pigments, colorants, compounded plastic resins and engineering plastic products.

The Group derived revenue from the sales of goods at a point in time.

The chief operating decision-maker (“CODM”) has been identified as the Executive Directors of the Company. Management has determined the operating segments based on the reports reviewed by the CODM that are used to assess performance and allocate resources. The CODM considers the business from the operations nature and the type of products perspective, including the trading of plastic materials (“Trading”), manufacturing and sale of colorants, pigments and compounded plastic resins (“Colorants”), manufacturing and sale of engineering plastic products (“Engineering plastic”) and other corporate and business activities (“Others”).

Each of the Group’s operating segments represents a strategic business unit that is managed by different business unit leaders. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Information provided to the CODM is measured in a manner consistent with that in the condensed consolidated interim financial information.

The CODM assesses the performance of the operating segments based on a measure of revenue from contracts with customers and operating profit including corporate expenses, which is in a manner consistent with that of the condensed consolidated interim financial information.

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2022 is as follows:

	Unaudited				Group <i>HK\$'000</i>
	Trading <i>HK\$'000</i>	Colorants <i>HK\$'000</i>	Engineering plastic <i>HK\$'000</i>	Others <i>HK\$'000</i>	
Revenue from contracts with customers					
– Gross revenue	446,175	157,061	64,279	—	667,515
– Inter-segment revenue	(28,812)	(835)	(10)	—	(29,657)
Revenue from external customers	<u>417,363</u>	<u>156,226</u>	<u>64,269</u>	<u>—</u>	<u>637,858</u>
Operating (loss)/profit	<u>(25,018)</u>	<u>7,332</u>	<u>(1,048)</u>	<u>(2,294)</u>	<u>(21,028)</u>
Finance income	378	194	25	—	597
Finance costs	(6,888)	(392)	(696)	(314)	(8,290)
(Loss)/profit before income tax	<u>(31,528)</u>	<u>7,134</u>	<u>(1,719)</u>	<u>(2,608)</u>	<u>(28,721)</u>
Other information:					
Capital expenditures	24	4,550	2,072	36	6,682
Depreciation of property, plant and equipment	274	4,632	2,999	223	8,128
Depreciation of rights-of-use assets	224	2,276	486	55	3,041
Provision for/(reversal of) impairment of inventories, net	2,849	(240)	742	—	3,351
(Reversal of)/provision for loss allowance on trade receivables, net	(548)	422	87	—	(39)
Fair value gains on derivative financial instruments	<u>560</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>560</u>

The segment information provided to the CODM for the reportable segments as at 31st December 2022 is as follows:

	<b>Unaudited</b>				
	<b>Engineering</b>				
	<b>Trading</b>	<b>Colorants</b>	<b>plastic</b>	<b>Others</b>	<b>Group</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Segment assets	<u>369,962</u>	<u>332,209</u>	<u>151,559</u>	<u>142,059</u>	<u>995,789</u>
Segment liabilities	(47,859)	(40,930)	(20,758)	(4,067)	(113,614)
Segment borrowings	<u>(254,465)</u>	<u>(22,475)</u>	<u>(29,255)</u>	<u>(8,461)</u>	<u>(314,656)</u>
	<u>(302,324)</u>	<u>(63,405)</u>	<u>(50,013)</u>	<u>(12,528)</u>	<u>(428,270)</u>

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2021 is as follows:

	Unaudited				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastic HK\$'000	Others HK\$'000	
Revenue from contracts with customers					
– Gross revenue	634,696	188,352	142,942	—	965,990
– Inter-segment revenue	(32,428)	(2,231)	(206)	—	(34,865)
Revenue from external customers	<u>602,268</u>	<u>186,121</u>	<u>142,736</u>	<u>—</u>	<u>931,125</u>
Operating profit/(loss)	<u>29,183</u>	<u>1,031</u>	<u>23,650</u>	<u>(1,419)</u>	<u>52,445</u>
Finance income	221	224	62	—	507
Finance costs	(2,918)	(351)	(422)	—	(3,691)
Profit/(loss) before income tax	<u>26,486</u>	<u>904</u>	<u>23,290</u>	<u>(1,419)</u>	<u>49,261</u>
Other information:					
Capital expenditures	468	5,619	3,931	145	10,163
Depreciation of property, plant and equipment	318	5,231	3,863	254	9,666
Depreciation of rights-of-use assets	239	2,633	—	39	2,911
(Reversal of)/provision for impairment of inventories, net	(654)	4,306	(369)	—	3,283
(Reversal of)/provision for loss allowance on trade receivables, net	<u>(166)</u>	<u>1,064</u>	<u>(133)</u>	<u>—</u>	<u>765</u>

The segment information provided to the CODM for the reportable segments as at 30th June 2022 is as follows:

	Audited				Group <i>HK\$'000</i>
	Trading <i>HK\$'000</i>	Colorants <i>HK\$'000</i>	Engineering plastic <i>HK\$'000</i>	Others <i>HK\$'000</i>	
Segment assets	<u>508,823</u>	<u>378,951</u>	<u>197,245</u>	<u>142,639</u>	<u>1,227,658</u>
Segment liabilities	(86,677)	(50,460)	(36,422)	(2,226)	(175,785)
Segment borrowings	<u>(334,081)</u>	<u>(9,973)</u>	<u>(30,159)</u>	<u>(18,614)</u>	<u>(392,827)</u>
	<u>(420,758)</u>	<u>(60,433)</u>	<u>(66,581)</u>	<u>(20,840)</u>	<u>(568,612)</u>

The entity is domiciled in Hong Kong. The revenue from external customers from Hong Kong for the six months ended 31st December 2022 is approximately HK\$197,096,000 (six months ended 31st December 2021: HK\$411,802,000) and the total of its revenue from external customers from other locations (mainly in Mainland China) is approximately HK\$440,762,000 (six months ended 31st December 2021: HK\$519,323,000).

At 31st December 2022, the total of non-current assets other than financial instruments and deferred income tax assets located in Hong Kong is approximately HK\$171,545,000 (as at 30th June 2022: HK\$175,233,000) and the total of these non-current assets located in other locations (mainly in Mainland China) is approximately HK\$117,069,000 (as at 30th June 2022: HK\$126,374,000).

#### 4 Other gains/(losses), net

	Unaudited	
	Six months ended 31st December	
	2022	2021
	HK\$'000	HK\$'000
Net exchange gain/(loss)	2,534	(1,395)
Fair value gains from derivative financial instruments	560	—
Others	1,005	1,202
	<u>4,099</u>	<u>(193)</u>

#### 5 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended 31st December	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses		
included in cost of sales	511,405	723,785
Depreciation of property, plant and equipment	8,128	9,666
Depreciation of rights-of-use assets	3,041	2,911
Short-term lease rentals in respect of land and buildings	4,849	3,030
Employee benefit expenses, including		
Directors' emoluments (Note)	67,199	69,081
(Reversal of)/provision for loss allowance		
on trade receivables, net	(39)	765
Provision for impairment of inventories, net	3,351	3,283

Note:

During the six months ended 31st December 2022, the Hong Kong Special Administrative Region Government has launched the "Employment Support Scheme" (ESS) providing wage subsidies to eligible subsidiaries of the Group. Government grants amounted to HK\$1,843,000 (six months ended 31st December 2021: Nil) are deducted in the employee benefit expenses. There are no unfulfilled conditions or other contingencies attached to the grants.

## 6 Finance income and costs

	Unaudited	
	Six months ended 31st December	
	2022	2021
	HK\$'000	HK\$'000
Finance income:		
– Interest income from bank deposits	273	507
– Net exchange gains on financing activities	324	—
	<u>597</u>	<u>507</u>
	-----	-----
Finance costs:		
– Interests on bank borrowings	(8,049)	(3,514)
– Interests on lease liabilities	(241)	(173)
– Net exchange losses on financing activities	—	(4)
	<u>(8,290)</u>	<u>(3,691)</u>
	-----	-----
Finance costs, net	<u>(7,693)</u>	<u>(3,184)</u>

## 7 Income tax expense

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the period (Hong Kong profits tax has been provided for at the rate of 16.5% for the six months ended 31st December 2021). Income tax on the Group's subsidiaries established and operate in Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation as applicable to the relevant subsidiaries.

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

	<b>Unaudited</b>	
	<b>Six months ended 31st December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– Hong Kong profits tax	—	1,985
– Mainland China corporate income tax	<b>3,900</b>	11,813
	<b>3,900</b>	13,798
Deferred income tax	<b>2,688</b>	(2,917)
	<b>6,588</b>	10,881

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31st December 2022, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to HK\$367,825,000 (as at 30th June 2022: HK\$326,277,000). Aside from tax losses generated from certain subsidiaries incorporated in Mainland China amounted to HK\$33,239,000 (as at 30th June 2022: HK\$17,037,000) with expiry dates from 2022 to 2026, the remaining tax losses have no expiry date. The potential deferred income tax assets in respect of these tax losses which have not been recognised amounted to approximately HK\$63,517,000 (as at 30th June 2022: HK\$55,284,000).

## **8 Dividends**

On 28th September 2021, the Directors proposed a final dividend of HK1.0 cent per share, totalling HK\$3,692,000 for the year ended 30th June 2021, which was paid during the six months ended 31st December 2021.

On 28th September 2021, the Directors proposed a special dividend of HK3.0 cents per share, totalling HK\$11,076,000 for the year ended 30th June 2021, which was paid during the six months ended 31st December 2021.

On 24th February 2022, the Directors declared an interim dividend of HK1.5 cents per share, totalling HK\$5,538,000 for the six months ended 31st December 2021.

On 29th September 2022, the Directors proposed a final dividend of HK2.0 cents per share, totalling HK\$7,384,000 for the year ended 30th June 2022, which was paid during the six months 31st December 2022.

On 27th February 2023, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2022.

## **9 (Loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company for the period of HK\$34,092,000 (profit attributable to equity holders of the Company for six months ended 31st December 2021: HK\$33,979,000) and 369,200,000 (six months ended 31st December 2021: 369,200,000) ordinary shares in issue during the period.

Dilutive (loss)/earnings per share for the period ended 31st December 2022 and 2021 equal basic (loss)/earnings per share as there was no dilutive potential ordinary share as at the period ended 31st December 2022 and 2021.

## 10 Trade and bills receivables

	<b>Unaudited</b> <b>31st December</b> <b>2022</b> <b>HK\$'000</b>	Audited 30th June 2022 HK\$'000
Trade receivables	<b>167,790</b>	214,196
Less: loss allowance	<b>(4,930)</b>	(5,305)
	<b>162,860</b>	208,891
Bills receivables	<b>27,426</b>	24,251
	<b>190,286</b>	233,142

At 31st December 2022, the aging analysis of trade receivables, based on invoice date, is as follows:

	<b>Unaudited</b> <b>31st December</b> <b>2022</b> <b>HK\$'000</b>	Audited 30th June 2022 HK\$'000
Below 90 days	<b>162,271</b>	197,952
91-180 days	<b>1,199</b>	11,083
Over 180 days	<b>4,320</b>	5,161
	<b>167,790</b>	214,196

The majority of the Group's sales are with credit terms of 30 to 90 days. The remaining amounts are on letter of credit or documents against payment.

Bill receivables are mainly with maturity period within 180 days.

At 31st December 2022, there are bills of exchange of HK\$12,915,000 (as at 30th June 2022: HK\$12,735,000) transferred to banks with recourse in exchange for cash. The transactions had been accounted for as collateralised bank advances.

## 11 Trade payables

At 31st December 2022, the aging analysis of trade payables, based on invoice date, is as follows:

	<b>Unaudited</b>	Audited
	<b>31st December</b>	30th June
	<b>2022</b>	2022
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Below 90 days	<b>37,633</b>	85,730
91-180 days	<b>197</b>	750
Over 180 days	<b>809</b>	856
	<hr/>	<hr/>
	<b>38,639</b>	87,336
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## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 31st December 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### ***BUSINESS REVIEW***

The global landscape in the second half of 2022 remained complex and volatile, with geopolitical tensions persisting. Externally, the impact of the conflict between Russia and Ukraine and COVID-19 on international shipping and supply chains has not been fully eradicated. In Asia, the epidemic has been recurrent and the outbreak in Mainland China has changed over the period. Some regions in Mainland China tightened their prevention measures to contain the spread of the virus until the government announced a nationwide relaxation of epidemic prevention measures in December. A combination of adverse factors, including soaring global inflation and aggressive interest rate hikes by central banks in Europe and the US to curb market demand, all contributed to a stagnant global economy and increased fears of a recession.

In the face of an uncertain macroeconomic environment, customers remained cautious in placing orders and adopted low inventory strategies, which affected the Group's overall sales volume. In addition, international crude oil prices dropped significantly during the period under review, with a corresponding decline in plastic raw material prices. As a result of the drop in prices and sales volume, the Group recorded a total turnover of HK\$637,858,000 for the six months ended 31st December 2022 (2021: HK\$931,125,000), a decrease of 31.5% over the same period last year.

During the period under review, the Group's overall gross profit decreased to HK\$71,996,000 (2021: HK\$160,623,000), mainly due to the decline in overall sales volume and selling prices. The gross profit margin also decreased by 6 percentage points to 11.3% from the same period of the previous year. Loss attributable to equity holders of the Company was HK\$34,092,000 (2021: profit attributable to equity holders of the Company: HK\$33,979,000). The decrease was primarily due to the fall in turnover and gross profit margin as well as the increase in finance costs. Basic loss per share was HK9.23 cents (2021: basic earnings per share: HK9.20 cents).

To reserve funds for business development, the Board of Directors does not recommend the payment of an interim dividend (2021: interim dividend of HK1.5 cents per share).

Regarding the colorant, pigment and compounded plastic resin business, geopolitical issues prompted some overseas customers to redirect their orders back to domestic production during the period under review. The Group seized these opportunities, but as the external situation disrupted overall demand, turnover from this business segment fell to HK\$156,226,000 (2021: HK\$186,121,000). However, related expenses also declined and gross profit margin fell only slightly by 1.3 percentage points, and together with the reduction in inventory provision, profit before taxation increased by more than six times to HK\$7,134,000 (2021: HK\$904,000). The business segment has also built up a stable customer base in sectors such as automotive applications, food packaging and construction materials.

Clouded by the external environment, the decline in market demand dragged down the turnover and gross profit margin of the engineering plastic business to HK\$64,269,000 (2021: HK\$142,736,000), and by 11.2 percentage points, respectively. Loss before income tax was HK\$1,719,000 (2021: profit before income tax HK\$23,290,000). The end products of this business include general household appliances such as domestic appliances and high-end kitchenware, the demand for which is susceptible to changes in market conditions. Customers have to clear the inventory that they added during the pandemic, so an obvious improvement will only be seen once the market stabilises.

The period under review saw a decline in both prices and volumes. Although the sales team successfully expanded its customer base last year and received new project orders for new generation new energy vehicles and high-end personal care appliances, market demand was extremely weak during the period. Turnover from the plastic trading business decreased by 30.7% to HK\$417,363,000 (2021: HK\$602,268,000) compared with the same period last year, and gross profit margin dropped by 4.9 percentage points. A loss before income tax of HK\$31,528,000 was recorded (2021: profit before income tax HK\$26,486,000) as a result of increased finance costs and foreign exchange losses due to the depreciation of the Renminbi and a more cautious inventory provision estimate was adopted owing to recent economic uncertainty.

## ***PROSPECTS***

In the previous annual results announcement, the Group had predicted a complex external situation and expected that its business would inevitably be impacted during the period. A number of negative factors duly emerged during the period. However, the US Federal Reserve's interest rate hike cycle has gradually peaked. The situation in Russia and Ukraine has stabilised, as have international oil prices and plastic raw material prices. Supply chains in various regions have slowly recovered. We believe that the external environment will become stable over time. With the relaxation of domestic COVID-19 prevention and control measures, domestic production lines are anticipated to resume operations in an orderly manner after the Chinese New Year holiday. Although it will take time for market demand to recover, the central government is likely to issue a series of policies to stimulate demand or support industrial development, thereby accelerating the pace of economic recovery. Therefore, the management is cautiously optimistic about future developments.

In response to the challenges posed by the tough market conditions, the Group has leveraged its experience to actively seize various business opportunities and achieved quite satisfactory results in the past two years despite the difficult environment, striking while the iron was hot. Over the past two years, in addition to maintaining relations with customers such as traditional home appliances and large toy manufacturers, the Group has made efforts to drum up new customers and have secured orders with high value-added potential and higher gross profit margins from new end-user customers, such as those for high-end sanitary products, premium kitchenware, and smart appliances. The Group also noticed that customers have continued to look for alternatives. The Group believe that engineering plastics will replace more types of raw materials in the future. Although market conditions weakened in the second half of 2022, the Group has built solid business ties with its customer base. We believe that when the market picks up, customer orders will recover.

In terms of cost control, the Group continued to implement stringent measures, including reducing administrative expenses, distribution costs and manufacturing costs, and enhancing overall administrative efficiency by sharing internal resources to achieve greater synergies. The Group will also continue to uphold its corporate ethos of focusing on the business, keeping abreast of the market, preparing for and managing risks, including implementing rigorous inventory control and maintaining capital strength to meet the challenges and opportunities that may arise in more testing circumstances.

Having been in this industry for over 50 years, the Group has experienced numerous turbulences in the market but has still forged ahead, hence the management team is confident that it can lead all employees forward and set the Group apart in the market. During the period, the Group has overcome many difficulties and achieved sustainable development, due to the diligence of its professional management team over the years and the dedication of all employees; and therefore, we would like to express our sincere gratitude to all of them. The Group, as always, will adopt a prudent business strategy and, with decades of industry experience and the leadership of a professional management team, will achieve long-term stable development as well as deliver returns to shareholders over the long term.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. As at 31st December 2022, the Group has available aggregate bank loan facilities of approximately HK\$623,444,000 of which HK\$301,740,000 have been utilised and were secured by corporate guarantee issued by the Group and legal charges on certain leasehold land and buildings, investment properties and machinery and equipment in Mainland China and Hong Kong owned by the Group. The Group's cash and bank balances as at 31st December 2022 amounted to approximately HK\$132,477,000. The Group's gearing ratio as at 31st December 2022 was approximately 57.7%, based on the total bank borrowings of approximately HK\$314,656,000 and the shareholders' funds of approximately HK\$545,379,000.

## **FOREIGN EXCHANGE RISK**

The Group's bank borrowings and cash and cash equivalents are primarily denominated in Hong Kong dollars, Renminbi and US dollars. The Group's purchases were principally denominated in US dollars. The Group closely monitors currency fluctuations and manages its exchange risk by entering into forward exchange contracts from time to time.

As at 31st December 2022, the Group did not have any outstanding forward foreign exchange contracts.

## **EMPLOYEE INFORMATION**

As at 31st December 2022, the Group employed a total of approximately 588 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group has an incentive scheme which is geared to the profit of the Group and the performance of its employees, as an incentive to motivate its employees to increase their contribution to the Group. The Group also provides social and medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transaction. The Company has made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard of dealings set out therein during the period.

## **CORPORATE GOVERNANCE PRACTICE**

The Company is committed to the establishment of good corporate governance practices and procedures which serve as an important element of risk management throughout the growth and expansion of the Company. The Company emphasises on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Company has complied with all the applicable code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the "CG Code") throughout the six months ended 31st December 2022, except for the deviation as mentioned below.

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Up to the date of this interim results announcement, the Board has not appointed any individual to be the chief executive. The roles of the chief executive have been performed collectively by all the executive directors, including the chairman, of the Company. The Board considers that this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies. Going forward, the Board will periodically review the effectiveness of this arrangement and considers appointing an individual to chief executive when it thinks appropriate.

For the purpose of enhancing the risk management and internal control systems, the Company has engaged an external consultant to assist the Board and the audit committee of the Company (the "Audit Committee") in ongoing monitoring and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The Board has reviewed and considered the Group's risk management and internal control systems were effective and adequate during the period. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

## **NOMINATION COMMITTEE**

The Company has formulated written terms of reference for the nomination committee of the Company (the "Nomination Committee") in accordance with the requirements of the Stock Exchange. The Nomination Committee consists of all Independent Non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong and an Executive Director, Mr. HUI Sai Chung.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board (including the skills, knowledge and experience) on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of Independent Non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors. The Nomination Committee would review the Board's composition from time to time where Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services. The Nomination Committee meets at least once a year to assess the structure, size and composition of the Board.

## **Board Diversity Policy**

The Board has updated a board diversity policy (the “Board Diversity Policy”) in July 2022 which sets out the approach to achieve diversity on the Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

In designing the Board’s composition, the board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Board has reviewed the current composition and is committed to achieve gender diversity on the Board by maintaining an appropriate level of female members on the Board and to provide the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board plans to appoint at least one female Director by 31st December 2024. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group’s business.

## **Independence**

The Board includes a balanced composition of Executive, Non-executive and Independent Non-executive Directors so that there is a strong element of independence in the Board. The Independent Non-executive Directors shall be of sufficient caliber and stature for their views to carry weight.

## **Gender and age**

The Company is committed to maintaining an environment of respect for people regardless of their gender in all business dealings and achieving a workplace environment free of harassment and discrimination on the basis of gender, physical or mental state, race, nationality, religion, age or family status. The same principle is applied to the selection of potential candidates for appointment to the Board.

## **Skills and experience**

The Board members should possess a balance of skills appropriate for the requirements of the business of the Group, including the independent non-executive Directors possessing professional accounting and other qualifications. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Group with considerable experience in a range of activities including varied industries, education, government, investment and the professions.

## **AUDIT COMMITTEE**

The Company has formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee consists of all Independent Non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong.

The principal duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company. The terms of reference of the Audit Committee are aligned with the recommendations set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants and Listing Rules.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 31st December 2022 with the Directors.

## **REMUNERATION COMMITTEE**

The Company has updated the written terms of reference for the remuneration committee of the Company (the “Remuneration Committee”) in December 2022 in accordance with the requirements of the Stock Exchange. The Remuneration Committee consists of three Independent Non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong and an Executive Director, Mr. HUI Sai Chung.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and making recommendations to the Board on the remuneration packages of the individual executive Director and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives.

## **Remuneration Policy**

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, continuing education and training programmes. The Group also launched key performance indicators assessment scheme and annual bonus scheme to boost individual performance and operational efficiency.

## **CORPORATE GOVERNANCE COMMITTEE**

The Company has formulated written terms of reference for the corporate governance committee of the Company (the “Corporate Governance Committee”) in accordance with the CG Code. The Corporate Governance Committee consists of all Independent Non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong.

The Corporate Governance Committee is responsible for developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Group’s policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and reviewing the Group’s compliance with the CG Code and disclosure in the Corporate Governance Report of the Company. The Corporate Governance Committee meets at least once a year to review the corporate governance functions.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

The Board is responsible for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness. The Group has formulated and adopted a risk management process which includes risk identification, risk evaluation, risk mitigation, risk monitoring and reporting. At least on an annual basis, the management of the Company identifies risks that would adversely affect the achievement of the Group’s objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans are then established for those risks considered to be significant, which include regular reporting to the Audit Committee and the Board.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. In addition, the Group has established internal control protocols and control self-assessment process on major operations. Assessment results are submitted to the Board for ongoing monitoring purpose.

For the purpose of enhancing the risk management and internal control systems, the Company has engaged an external consultant to assist the Board and the Audit Committee in ongoing monitoring and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The Board has reviewed and considered the Group's risk management and internal control systems were effective and adequate during the period. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

## **WHISTLE BLOWING POLICY**

The Group is committed to achieving and maintaining the highest standards of openness, probity and accountability. The Company has formulated the Whistle Blowing Policy in accordance with the requirements of the Stock Exchange. It was approved and adopted by the Board of Directors of the Company, with the authority and responsibility being delegated to the Audit Committee. Details of the Whistle Blowing Policy of the Company are disclosed on the Company's corporate website <https://www.nhh.com.hk>.

External parties may raise concerns about the relevant matter against the Company by using below channel:

**Email:** [auditcommittee@nhh.com.hk](mailto:auditcommittee@nhh.com.hk)

## **ANTI-CORRUPTION POLICY**

The Group is committed to achieving the highest standards of business conduct and has zero tolerance for corruption and related malpractice. The Company has formulated the Anti-Corruption Policy and it was approved and adopted by the Board of Directors of the Company in accordance with the requirements of the Stock Exchange. Details of the Anti-Corruption Policy of the Company are disclosed on the Company's corporate website <https://www.nhh.com.hk>.

On behalf of the Board  
**Ngai Hing Hong Company Limited**  
**HUI Sai Chung**  
*Chairman*

Hong Kong, 27th February 2023

*As at the date of this announcement, the Board of Directors comprises six Executive Directors, namely Mr. HUI Sai Chung (Chairman), Mr. HUI Kwok Kwong, Mr. NG Chi Ming, Mr. HUI Yan Kuen, Mr. HUI Man Wai and Mr. HUI Yan Lung, Geoffrey and three Independent Non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong.*