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## NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

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

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH JUNE 2023

The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) would like to announce the audited annual consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30th June 2023 as follows:

#### Consolidated Income Statement

	Note	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers	2	1,177,827	1,738,775
Cost of sales	5	(1,030,123)	(1,435,641)
Gross profit		147,704	303,134
Other income	3	6,736	6,797
Other gains/(losses), net	4	5,117	(249)
Distribution costs	5	(80,576)	(88,273)
Provision for loss allowance on trade receivables		(883)	(535)
Administrative expenses	5	(112,335)	(124,375)
Operating (loss)/profit		(34,237)	96,499
Finance income		686	898
Finance costs		(17,309)	(8,470)
Finance costs, net	6	(16,623)	(7,572)
(Loss)/profit before income tax		(50,860)	88,927
Income tax expense	7	(79)	(22,483)
(Loss)/profit for the year		(50,939)	66,444
Attributable to:			
Equity holders of the Company		(52,007)	56,598
Non-controlling interests		1,068	9,846
		(50,939)	66,444
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year (expressed in HK cent per share)			
– Basic and diluted	9	(14.09)	15.33

## Consolidated Statement of Comprehensive Income

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit for the year	<u>(50,939)</u>	<u>66,444</u>
Other comprehensive (loss)/income:		
<u>Item that will not be reclassified subsequently to income statement:</u>		
Fair value (loss)/gain of financial asset at fair value though other comprehensive income (“FVOCI”)	(599)	717
Currency translation differences	(1,583)	—
<u>Items that may be reclassified subsequently to income statement:</u>		
Currency translation differences	(52,299)	44
Currency translation differences released upon liquidation of a subsidiary	<u>(1,789)</u>	<u>—</u>
Other comprehensive (loss)/income for the year	<u>(56,270)</u>	<u>761</u>
Total comprehensive (loss)/income for the year	<u><b>(107,209)</b></u>	<u><b>67,205</b></u>
Total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	(106,526)	57,148
– Non-controlling interests	<u>(683)</u>	<u>10,057</u>
	<u><b>(107,209)</b></u>	<u><b>67,205</b></u>

## Consolidated Balance Sheet

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		99,714	111,503
Right-of-use assets		25,333	30,826
Investment properties		155,426	155,160
Intangible assets		—	—
Financial asset at fair value through other comprehensive income		2,344	2,943
Deferred income tax assets		9,102	9,090
Deposits and prepayments for property, plant and equipment and renovation costs		3,024	4,118
		<u>294,943</u>	<u>313,640</u>
<b>Current assets</b>			
Inventories		266,938	413,468
Trade and bills receivables	10	217,246	233,142
Other receivables, prepayments and deposits		24,868	48,824
Income tax recoverable		555	861
Restricted bank deposits		36,082	38,797
Cash and cash equivalents		150,637	178,926
		<u>696,326</u>	<u>914,018</u>
<b>Total assets</b>		<u><u>991,269</u></u>	<u><u>1,227,658</u></u>
<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		6,762	61,281
Retained earnings		405,201	464,592
		<u>511,349</u>	625,259
<b>Non-controlling interests</b>		<u>25,155</u>	33,787
<b>Total equity</b>		<u><u>536,504</u></u>	<u><u>659,046</u></u>

	<i>Note</i>	<b>2023</b> <b><i>HK\$'000</i></b>	2022 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>6,275</b>	6,261
Lease liabilities		<b>4,154</b>	8,201
Provision for reinstatement costs		<b>23</b>	884
		<u><b>10,452</b></u>	<u>15,346</u>
<b>Current liabilities</b>			
Trade and bills payables	11	<b>56,769</b>	87,336
Other payables, deposits received and accruals		<b>36,996</b>	51,506
Lease liabilities		<b>5,774</b>	5,013
Bank borrowings		<b>338,922</b>	392,827
Derivative financial instruments		<b>135</b>	296
Income tax payable		<b>5,717</b>	16,288
		<u><b>444,313</b></u>	<u>553,266</u>
<b>Total liabilities</b>		<u><b>454,765</b></u>	<u>568,612</u>
<b>Total equity and liabilities</b>		<u><b>991,269</b></u>	<u>1,227,658</u>

Notes:

## 1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and 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 investment properties, financial asset at fair value through other comprehensive income and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

### (a) *Effect of adopting new standards, amendments to standards and interpretation*

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

HKFRS 3, HKAS 16 and HKAS 37 (Amendment)	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, amendments to standards and interpretation 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) *The following new standards and amendments to standards have been issued but are not effective for the annual period beginning 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>
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements <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 completed an assessment of the impact of the new standards and amendments to standards on its results of operations and financial position. None of the above new standards and amendments to standards is expected to have a significant effect on the financial statements.

## 2 Revenue from contracts with customers and segment information

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of goods	<u>1,177,827</u>	<u>1,738,775</u>

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

### *Liabilities related to contract with customers*

The Group has recognised the following liabilities related to contracts with customers:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract liabilities, included in other payables and accruals	<u>9,005</u>	<u>9,510</u>

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>9,510</u>	<u>8,355</u>

There are no unsatisfied nor partially unsatisfied performance obligation that has an original expected duration of one year or more.

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

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”) and manufacturing and sale of engineering plastic products (“Engineering plastics”).

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 consolidated financial statements.

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

The segment information provided to the CODM for the reportable segments for the year ended 30th June 2023 is as follows:

	Segment				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	
Turnover					
– Gross revenue	799,702	293,821	138,544	—	1,232,067
– Inter-segment revenue	(52,454)	(1,774)	(12)	—	(54,240)
Revenue from external customers	<u>747,248</u>	<u>292,047</u>	<u>138,532</u>	<u>—</u>	<u>1,177,827</u>
Operating (loss)/profit	<u>(57,033)</u>	<u>15,640</u>	<u>8,427</u>	<u>(1,271)</u>	<u>(34,237)</u>
Finance income	57	587	42	—	686
Finance costs	(13,728)	(1,227)	(1,934)	(420)	(17,309)
(Loss)/profit before income tax	<u>(70,704)</u>	<u>15,000</u>	<u>6,535</u>	<u>(1,691)</u>	<u>(50,860)</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	92	8,176	3,893	38	12,199
Depreciation of property, plant and equipment	615	9,020	5,730	475	15,840
Depreciation of right-of-use assets	312	4,677	982	206	6,177
Provision for/(reversal of) impairment of inventories, net	9,221	(305)	(1,436)	—	7,480
(Reversal of)/provision for loss allowance on trade receivables	(158)	921	120	—	883
Fair value gains on derivative financial instruments	(596)	—	—	—	(596)
Fair value losses/(gains) on investment properties	924	(1,793)	—	(1,570)	(2,439)

The segment information provided to the CODM for the reportable segments as at 30th June 2023 is as follows:

	Segment				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	
Segment assets	<u>394,799</u>	<u>320,484</u>	<u>135,539</u>	<u>140,447</u>	<u>991,269</u>
Segment liabilities	(63,610)	(32,453)	(16,000)	(3,780)	(115,843)
Segment Borrowings	<u>(293,684)</u>	<u>(23,748)</u>	<u>(21,490)</u>	<u>—</u>	<u>(338,922)</u>
	<u>(357,294)</u>	<u>(56,201)</u>	<u>(37,490)</u>	<u>(3,780)</u>	<u>(454,765)</u>

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

	Segment				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	
Turnover					
– Gross revenue	1,163,005	356,841	285,440	—	1,805,286
– Inter-segment revenue	(64,651)	(1,669)	(191)	—	(66,511)
Revenue from external customers	<u>1,098,354</u>	<u>355,172</u>	<u>285,249</u>	<u>—</u>	<u>1,738,775</u>
Operating profit/(loss)	<u>29,888</u>	<u>20,073</u>	<u>47,300</u>	<u>(762)</u>	<u>96,499</u>
Finance income	158	653	87	—	898
Finance costs	(6,738)	(620)	(1,048)	(64)	(8,470)
Profit/(loss) before income tax	<u>23,308</u>	<u>20,106</u>	<u>46,339</u>	<u>(826)</u>	<u>88,927</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	870	19,679	6,895	151	27,595
Depreciation of property, plant and equipment	794	10,307	7,088	376	18,565
Depreciation of right-of-use assets	343	4,228	1,073	206	5,850
Provision for/(reversal of) impairment of inventories, net	2,852	(80)	(868)	—	1,904
Provision for/(reversal of) loss allowance on trade receivables	153	510	(128)	—	535
Fair value gains on derivative financial instruments	(19)	—	—	—	(19)
Fair value losses/(gains) on investment properties	<u>952</u>	<u>(89)</u>	<u>—</u>	<u>(1,010)</u>	<u>(147)</u>

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

	Segment				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	
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 Company is domiciled in Hong Kong. The revenue from external customers from Hong Kong for the year ended 30th June 2023 is approximately HK\$363,318,000 (2022: HK\$785,599,000), and the total of its revenue from external customers from other locations (mainly Mainland China) is approximately HK\$814,509,000 (2022: HK\$953,176,000).

At 30th June 2023, the total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is approximately HK\$173,281,000 (2022: HK\$175,233,000), and the total of these non-current assets located in other locations (mainly Mainland China) is approximately HK\$110,216,000 (2022: HK\$126,374,000).

### 3 Other income

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Rental income	<b>6,719</b>	6,741
Other income	<b>17</b>	56
	<b><u>6,736</u></b>	<u>6,797</u>

Outgoings in respect of investment properties that generate rental income amounted to approximately HK\$1,098,000 (2022: HK\$749,000).

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

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Fair value gains on investment properties	<b>2,439</b>	147
Fair value gains/(losses) on forward foreign exchange contracts held for trading		
– Realised	<b>460</b>	292
– Unrealised	<b>136</b>	(273)
Government grant (Note (i))	<b>1,144</b>	—
Net exchange losses	<b>(4,124)</b>	(415)
Gain on liquidation of a subsidiary (Note (ii))	<b>5,062</b>	—
	<b><u>5,117</u></b>	<u>(249)</u>

Notes:

- (i) During the year ended 30th June 2023, pursuant to Mainland China local government policies, the Group received government grant amounted to RMB1,052,000, equivalent to approximately HK\$1,144,000, from Mainland China local government authorities to support the operations in certain Mainland China regions with no special conditions attached.
- (ii) In May 2023, the Pudong New Area People's Court of Shanghai has declared bankruptcy of a subsidiary of the Company. The Group recognised a gain on the liquidation of a subsidiary including a dissolution gain of HK\$3,273,000 and release of currency translation difference of HK\$1,789,000.

## 5 Expenses by nature

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold excluding manufacturing costs	<b>941,608</b>	1,342,641
Auditor's remuneration		
– Audit services	<b>2,155</b>	2,094
– Non-audit services	<b>628</b>	639
Depreciation of property, plant and equipment	<b>15,840</b>	18,565
Depreciation of right-of-use assets	<b>6,177</b>	5,850
Provision for impairment of inventories, net	<b>7,480</b>	1,904
(Gain)/loss on disposal of property, plant and equipment	<b>(7)</b>	539
Employee benefit expenses, including Directors' emoluments (Note (i))	<b>136,155</b>	150,713
Operating lease rentals in respect of buildings	<b>7,031</b>	6,830
Repairs and maintenance expenses	<b>4,962</b>	5,349
Transportation and packaging expenses	<b>22,972</b>	29,183
Travelling and office expenses	<b>7,072</b>	6,410
Utility expenses	<b>14,960</b>	15,908
Other expenses	<b>56,001</b>	61,664
	<hr/>	<hr/>
Total cost of sales, distribution costs and administrative expenses	<b>1,223,034</b>	1,648,289
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Cost of sales	<b>1,030,123</b>	1,435,641
Distribution costs	<b>80,576</b>	88,273
Administrative expenses	<b>112,335</b>	124,375
	<hr/>	<hr/>
	<b>1,223,034</b>	1,648,289
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### Note:

- (i) During the year ended 30th June 2023, 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\$1,933,000 (2022: HK\$48,000) are deducted in the employee benefit expenses. There are no unfulfilled conditions or other contingencies attached to the grants.

## 6 Finance income and costs

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	<u>686</u>	<u>898</u>
Finance costs:		
– Interest on lease liabilities	(457)	(345)
– Interest on bank borrowings	(16,728)	(8,125)
– Net exchange losses on financing activities	<u>(124)</u>	<u>—</u>
	<u>(17,309)</u>	<u>(8,470)</u>
Finance costs, net	<u>(16,623)</u>	<u>(7,572)</u>

## 7 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year. Taxation on the Group's subsidiaries established and operate in Mainland China have been calculated on the estimated assessable profit for the year at the rate of 25% (2022: 25%) except that certain subsidiaries are subject to preferential tax rates ranging from 5% to 15% (2022: 5% to 15%) and other preferential tax treatments. A subsidiary in Dongguan which was certified as High and New Technology Enterprises and is entitled to a concessionary tax rate of 15% for three consecutive years from 2021 to 2024. This subsidiary is entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	63	4,359
– Mainland China corporate income tax	3,307	17,324
– Over-provision in prior years	<u>(3,139)</u>	<u>(7)</u>
	231	21,676
Deferred income tax	<u>(152)</u>	<u>807</u>
	<u>79</u>	<u>22,483</u>

## 8 Dividends

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim, paid, of Nil (2022: HK1.5 cents) per ordinary share	—	5,538
Final, proposed, of Nil (2022: HK2.0 cents) per ordinary share	—	7,384
	<u>—</u>	<u>12,922</u>

- (a) 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.
- (b) 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 year ended 30th June 2023, and has been reflected as an appropriation of retained earnings for the year ended 30th June 2023.
- (c) On 27th February 2023, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2022.
- (d) On 28th September 2023, the Directors resolved not to declare any final dividend for the year ended 30th June 2023.

## 9 (Loss)/earnings per share

### *Basic*

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(52,007)</u>	<u>56,598</u>
Weighted average number of ordinary shares in issue	<u>369,200,000</u>	<u>369,200,000</u>
Basic (loss)/earnings per share (HK cents per share)	<u>(14.09)</u>	<u>15.33</u>

### *Diluted*

Dilutive (loss)/earnings per share for the years ended 30th June 2023 and 2022 equal basic (loss)/earnings per share as there was no dilutive potential ordinary share as at the years ended 30th June 2023 and 2022.

## 10 Trade and bills receivables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	184,072	214,196
Less: loss allowance	<u>(4,689)</u>	<u>(5,305)</u>
	179,383	208,891
Bills receivables	<u>37,863</u>	<u>24,251</u>
	<u><b>217,246</b></u>	<u><b>233,142</b></u>

The carrying amount of trade receivables are denominated in the following currencies:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
HK\$	30,118	76,978
RMB	143,999	111,507
USD	<u>9,955</u>	<u>25,711</u>
	<u><b>184,072</b></u>	<u><b>214,196</b></u>

The carrying value of trade receivables approximates their fair values.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The majority of the Group's sales were made with credit terms of 30 to 90 days. The remaining amounts are on letter of credit or bank's acceptance bill.

The ageing analysis of the trade receivables based on invoice date were as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Below 90 days	173,159	197,952
91 - 180 days	6,208	11,083
Over 180 days	<u>4,705</u>	<u>5,161</u>
	<u><b>184,072</b></u>	<u><b>214,196</b></u>

Bills receivable are mainly with maturity period of within 180 days and are denominated in the following currencies:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
HK\$	—	446
USD	<b>205</b>	583
RMB	<b>37,658</b>	23,222
	<b><u>37,863</u></b>	<u>24,251</u>

The carrying value of bills receivable approximates their fair values and there is no recent history of default on bills receivable.

Certain subsidiaries of the Group transferred certain bank's acceptance bills amounting to approximately HK\$9,660,000 (2022: HK\$12,735,000) with recourse in exchange for cash as at 30th June 2023. The transactions have been accounted for as collateralised bank advances.

The maximum exposure to credit risk at the end of the reporting period is the carrying values of the receivables (2022: same). The Group does not hold any collateral as security.

## 11 Trade and bills payables

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

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Below 90 days	<b>55,692</b>	85,730
91 - 180 days	<b>70</b>	750
Over 180 days	<b>1,007</b>	856
	<b><u>56,769</u></b>	<u>87,336</u>

The carrying values of trade and bills payables approximate their fair values, and are denominated in the following currencies:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
RMB	<b>33,957</b>	35,326
USD	<b>22,812</b>	52,010
	<b><u>56,769</u></b>	<u>87,336</u>

## 12 Commitments

### (a) Capital commitments

At 30th June 2023, the Group had the following capital commitments for addition of property, plant and equipment:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contracted but not provided for	<u>1,439</u>	<u>976</u>

### (b) Other commitments

On 15th June 2022, the Group entered into a non-cancellable operating lease agreement with an agent of the Mainland China local government authority to lease an industrial building premise for 5 years with a minimum lease payment of RMB11 per square meter. During the non-cancellable lease period, the Group commits an accumulated three years tax payment of RMB10,000,000 (equivalent to approximately HK\$10,870,000), including the corporate income tax and value added tax, from its business operation in the region to the Mainland China local government authority. Any shortfall on the committed tax payment would result in a 15% increase in monthly lease payment in the subsequent year.

## **DIVIDEND**

The Directors have resolved not to declare any final dividend for the year ended 30th June 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 13th November 2023 to Thursday, 16th November 2023 (both dates inclusive) during which period no transfer of shares will be registered for determining the shareholders of the Company who are entitled to attend and vote at the Meeting. In order to be eligible to attend and vote at the Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 10th November 2023.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In 2022/23, the external environment was complicated, with major changes in the global political and economic landscapes. Geopolitical conflicts, high inflation risk and the US Federal Reserve raising interest rate continually exacerbated financial market volatility, and overall market demand was weak. Moreover, with upstream oil prices falling during the year under review posing pressure on the prices of plastic raw materials and products, the Group faced many challenges in developing business.

With uncertain economic situation and sluggish consumption sentiment in the market, customers were cautious in placing orders and opted generally for a low-inventory strategy, and that affected the overall sales of the Group. For the year ended 30th June 2023, total turnover of the Group was HK\$1,177,827,000 (2022: HK\$1,738,775,000), a 32.3% drop against last year.

During the year under review, the Group's overall gross profit declined by 51.3% year-on-year to HK\$147,704,000 (2022: HK\$303,134,000), mainly due to decrease in overall sales. Gross profit margin narrowed by 4.9 percentage points year-on-year to 12.5%. Loss attributable to equity holders of the Company was HK\$52,007,000 (2022: profit attributable to equity holders of the Company of HK\$56,598,000). The decrease was mainly due to lower turnover and higher financial costs. Basic loss per share was HK14.09 cents (2022: basic earnings per share of HK15.33 cents).

To reserve funds for business development, the Board of Directors does not recommend payment of a final dividend (2022: a final dividend of HK2.0 cents per share).

Affected by the global economic downturn, domestic market demand was frail. Turnover of colorants, pigments and compounded plastic resins business fell by 17.8% year-on-year to HK\$292,047,000 (2022: HK\$355,172,000), and gross profit margin was basically the same as last year. In addition, with the US dollar staying strong, cost pressure continued, which led to a 25.4% decline in profit before taxation HK\$15,000,000 (2022: HK\$20,106,000). The Group's colorants, pigments and compounded plastic resins business customer base remained stable, covering industries such as automotive applications, food packaging, and construction materials. However, albeit all COVID-19 related restrictions being lifted in the first quarter of 2023, with many industries not having recovered as quickly as expected, market sentiment has turned cautious. As such, the Group resorted to strict inventory control and worked hard to sustain capital strength, preparing to capture new opportunities.

During the year under review, despite the Group maintaining close relationship with existing customers and continuing to expand its customer base, customer demand remained feeble with the market adopting generally the low inventory strategy. It was thus unable for the Group to dilute fixed costs and rigid expenditures. Therefore, turnover from the plastic trading business dropped by 32% year-on-year to HK\$747,248,000 (2022: HK\$1,098,354,000), with gross profit margin shrank by 4.9 percentage points. Loss before taxation was HK\$70,704,000 (2022: profit before taxation of HK\$23,308,000). Coping with the sluggish market, the Group continued to strengthen ties with large toy manufacturers and other customers, so that it may seize business opportunities when the market revives. At the same time, it worked hard on diversifying its markets strategically, providing raw materials to manufacturers in the photovoltaic and new energy vehicles industries, to the end of expanding revenue sources.

In addition, the consumption sentiment slump in the market led to a 51.4% decline year-on-year of turnover of the engineering plastic business to HK\$138,532,000 (2022: HK\$285,249,000), with gross profit margin squeezed by 7.1 percentage points and profit before taxation plummeted 85.9% to HK\$6,535,000 (2022: HK\$46,339,000). The end products of this business included general household appliances such as household products, electrical appliances and high-end kitchenware. Although consumption sentiment is currently affected by external factors, the Group has kept up its high emphasis on maintaining customer relations, conducting in-depth research on the needs and expectations of end customers, plus watching closely market trends, so as to prime itself for market recovery.

## **PROSPECTS**

Stepping into the second half of 2023, global economic uncertainties prevail and the energy landscape is seeing drastic changes. Currently, Mainland China is promoting green and low-carbon development along the entire energy supply chain, and concepts such as green design, green packaging and green logistics have many backers. The Group will therefore seize the strategic opportunities and adopt “Three New Strategies” encompassing new materials, new customers and new markets to help it expand into new areas and realise corporate transformation and upgrade.

### ***Actively responds to industry policies and focuses on new material development***

At the launch of relevant industry policies, companies have become more demanding when it comes to sustainable development and supply chain management. The Group, noticing that customers are still keen to find alternatives for raw materials, believes it is the right time to promote the use of environmentally friendly materials. It is also encouraged to see its subsidiaries obtaining the ISCC PLUS certification this year. Looking ahead, the Group, as a certified supplier, will focus on developing sustainable materials and keep promoting projects in relation to such as environmentally friendly plastic materials, and constantly look for innovative environmental protection solutions that can fill gaps in the market. Its hope is to establish a good reputation, thereby become customers’ preferred partner in sustainable development.

### ***Flexibly copes with market environment and strives to explore new customer sources***

With the market recently affected by the external environment, the Group will cope by adopting flexible strategies. It will pay attention to improving internal management efficiency, covering production, operation, logistics, supply chain and financial management, and also strengthen cooperation with existing customers and suppliers to ensure steady order inflow. Furthermore, it is actively exploring new customer sources in industries such as photovoltaic and new energy vehicles, so as to expand its business footprint and create new revenue sources.

### ***Actively identifies business partners and expands into the new ASEAN market***

In addition to developing the Greater China region market, the Group is considering finding business partners who can bring synergies to its businesses, and will keep its finger on the pulse of the market and foray into the ASEAN market. It has already sent dedicated teams to various ASEAN countries to carry out market research and identify business opportunities. Its hope is to capture market share with high-quality raw materials and achieve sustainable business growth.

With a history of more than 50 years, the Group has made it through numerous economic cycles, kept pressing forward amid different challenges, which would be impossible without the support of customers, leadership of the management team and the hard work of all employees. In the years ahead, the Group, as always, will adopt sound business strategies and prudent financial management approaches to ensure it can provide customers with quality and cost-effective services, as well as create value that all stakeholders can share.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. As at 30th June 2023, the Group has available aggregate banking facilities of approximately HK\$626,402,000 of which approximately HK\$329,262,000 have been utilised and were secured by corporate guarantees issued by the Company and legal charges on certain leasehold land and buildings investment properties and restricted bank deposits in Mainland China and Hong Kong owned by the Group. The Group's cash and cash equivalents as at 30th June 2023 amounted to approximately HK\$150,637,000. The Group's gearing ratio as at 30th June 2023 was approximately 66.3%, based on the total bank borrowings of approximately HK\$338,922,000 and the shareholders' funds of approximately HK\$511,349,000.

## FOREIGN EXCHANGE RISK

The Group's borrowings and cash balances 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.

At 30th June 2023, the maximum notional amount for the outstanding settlement committed by the Group in respect of forward contracts in order to manage the Group's exposure in foreign currencies from its operations is as follows:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sell HK dollars for US dollars	<b><u>156,000</u></b>	<u>358,800</u>

## EMPLOYEE INFORMATION

As at 30th June 2023, the Group had approximately 614 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 or medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

## BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

The same remuneration philosophy is applicable to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual competence, contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Directors similar to those offered to other employees of the Group.

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

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

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

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“HKSE”). Having made specific enquiry to all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions during the period.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held on Thursday, 16th November 2023 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Listing Rules in due course.

## **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 year ended 30th June 2023, 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 officer (chief executive for CG Code) should be separate and should not be performed by the same individual. Up to the date of this announcement, the board (the “Board”) of directors (the “Directors”) of the Company 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 as chief executive when it thinks appropriate.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30th June 2023 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 draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **AUDIT COMMITTEE**

The Audit Committee of the Company (the “Audit Committee”) provides an important link between the Board and the Company’s auditor in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong. 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 annual financial statements for the year ended 30th June 2023 with the Directors.

## **REMUNERATION COMMITTEE**

The Company has formulated written terms of reference for the remuneration committee of the Company (the “Remuneration Committee”) which stated clearly its authorities and duties in accordance with the requirements of HKSE. 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 overseeing the remuneration packages of the executive Directors and senior management. 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. The Remuneration Committee held two meetings during the year ended 30th June 2023.

## **NOMINATION COMMITTEE**

A nomination committee of the Company (the “Nomination Committee”) was established on 26th March 2012 with written terms of reference in accordance with the requirements of HKSE. The Nomination 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 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. The Nomination Committee held two meetings during the year ended 30th June 2023 to review the structure, size and composition (including the skills, knowledge and experience) of the Board.

## **CORPORATE GOVERNANCE COMMITTEE**

A corporate governance committee of the Company (the “Corporate Governance Committee”) was established on 26th March 2012 with written terms of reference 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. The Corporate Governance Committee held two meetings during the year ended 30th June 2023 to review the corporate governance policy in the Group and recommend the training arrangement on corporate governance to the employees of the Group.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITE OF HKSE**

The final results announcement is published on the websites of HKSE (<https://www.hkexnews.hk>) and the Company (<https://www.nhh.com.hk>). The annual report will be despatched to the shareholders and will be available on the websites of HKSE (<https://www.hkexnews.hk>) and the Company (<https://www.nhh.com.hk>) in due course.

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

Hong Kong, 28th September 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.*