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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 2024

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 2024 as follows:

Consolidated Income Statement

	Note	2024 HK\$'000	2023 HK\$'000
Revenue from contracts with customers	2	1,276,350	1,177,827
Cost of sales	5	(1,077,087)	(1,030,123)
Gross profit		199,263	147,704
Other income	3	6,651	6,736
Other gains, net	4	2,634	5,117
Distribution costs	5	(81,723)	(80,576)
Reversal of/(provision for) loss allowance on trade receivables		500	(883)
Administrative expenses	5	(109,227)	(112,335)
Operating profit/(loss)		18,098	(34,237)
Finance income		865	686
Finance costs		(23,601)	(17,309)
Finance costs, net	6	(22,736)	(16,623)
Loss before income tax		(4,638)	(50,860)
Income tax expense	7	(12,195)	(79)
Loss for the year		(16,833)	(50,939)
Attributable to:			
Equity holders of the Company		(18,041)	(52,007)
Non-controlling interests		1,208	1,068
		(16,833)	(50,939)
Loss per share for loss attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– Basic and diluted	9	(4.89)	(14.09)

Consolidated Statement of Comprehensive Income

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year	<u>(16,833)</u>	<u>(50,939)</u>
Other comprehensive income/(loss):		
<u>Item that will not be reclassified subsequently to income statement:</u>		
Fair value gain/(loss) of financial asset at fair value though other comprehensive income (“FVOCI”)	340	(599)
Currency translation differences	—	(1,583)
<u>Items that may be reclassified subsequently to income statement:</u>		
Currency translation differences	—	(52,299)
Currency translation differences released upon liquidation of a subsidiary	—	(1,789)
Other comprehensive income/(loss) for the year	<u>340</u>	<u>(56,270)</u>
Total comprehensive loss for the year	<u>(16,493)</u>	<u>(107,209)</u>
Total comprehensive loss attributable to:		
– Equity holders of the Company	(17,796)	(106,526)
– Non-controlling interests	<u>1,303</u>	<u>(683)</u>
	<u>(16,493)</u>	<u>(107,209)</u>

Consolidated Balance Sheet

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		93,059	99,714
Right-of-use assets		21,850	25,333
Investment properties		158,233	155,426
Intangible assets		—	—
Financial asset at fair value through other comprehensive income		2,684	2,344
Financial asset at fair value through profit and loss		5,959	—
Deferred income tax assets		9,805	9,102
Deposits and prepayments for property, plant and equipment and renovation costs		5,245	3,024
		<u>296,835</u>	<u>294,943</u>
Current assets			
Inventories		300,277	266,938
Trade and bills receivables	10	243,833	217,246
Other receivables, prepayments and deposits		31,754	24,868
Income tax recoverable		3,294	555
Restricted bank deposits		36,657	36,082
Cash and cash equivalents		104,233	150,637
		<u>720,048</u>	<u>696,326</u>
Total assets		<u>1,016,883</u>	<u>991,269</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		36,920	36,920
Share premium		62,466	62,466
Other reserves		7,007	6,762
Retained earnings		390,734	405,201
		<u>497,127</u>	511,349
Non-controlling interests		<u>22,170</u>	25,155
Total equity		<u>519,297</u>	<u>536,504</u>

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		4,928	6,275
Lease liabilities		1,344	4,154
Provision for reinstatement costs		—	23
		6,272	10,452
Current liabilities			
Trade and bills payables	11	53,478	56,769
Other payables, deposits received and accruals		39,711	36,996
Lease liabilities		5,075	5,774
Borrowings		385,873	338,922
Derivative financial instruments		736	135
Income tax payable		6,441	5,717
		491,314	444,313
Total liabilities		497,586	454,765
Total equity and liabilities		1,016,883	991,269

Notes:

1 Basis of preparation

(i) *Compliance with HKFRS and the disclosure requirements of HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including financial asset at fair value through other comprehensive income (“FVOCI”), financial asset at fair value through profit or loss (“FVPL”) and derivative financial instruments) and investment property which are measured at fair value or revalued amount.

The preparation of consolidated 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.

(iii) *New and amended standards adopted by the Group*

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 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimate
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information
Amendments to HKFRS 17	Insurance Contracts

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.

(iv) New and amended standards and interpretations not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the annual period beginning on 1st July 2023 and have not been early adopted:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current liabilities with Covenants ¹
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback ¹
Revised to Hong Kong Interpretation 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ⁴
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁴
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

⁽¹⁾ Effective for annual periods beginning on or after 1st January 2024

⁽²⁾ Effective for annual periods beginning on or after 1st January 2025

⁽³⁾ Effective for annual periods beginning on or after 1st January 2026

⁽⁴⁾ Effective for annual periods beginning on or after 1st January 2027

⁽⁵⁾ 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. However, 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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of goods	<u>1,276,350</u>	<u>1,177,827</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contract liabilities, included in other payables and accruals	<u>7,753</u>	<u>9,005</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>9,005</u>	<u>9,510</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”), manufacturing and sale of engineering plastic products (“Engineering plastics”) 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 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 2024 is as follows:

	Segment				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	
Turnover					
– Gross revenue	831,542	369,295	136,969	—	1,337,806
– Inter-segment revenue	(59,600)	(1,856)	—	—	(61,456)
Revenue from external customers	<u>771,942</u>	<u>367,439</u>	<u>136,969</u>	<u>—</u>	<u>1,276,350</u>
Operating (loss)/profit	<u>(19,639)</u>	<u>26,696</u>	<u>12,322</u>	<u>(1,281)</u>	<u>18,098</u>
Finance income	98	747	20	—	865
Finance costs	(20,187)	(1,746)	(1,441)	(227)	(23,601)
(Loss)/profit before income tax	<u>(39,728)</u>	<u>25,697</u>	<u>10,901</u>	<u>(1,508)</u>	<u>(4,638)</u>
	Segment				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	
Other information:					
Capital expenditures	650	8,616	4,137	7	13,410
Depreciation of property, plant and equipment	459	8,344	5,338	323	14,464
Depreciation of right-of-use assets	313	4,440	982	206	5,941
(Reversal of)/provision for impairment of inventories, net	(2,096)	(135)	5,692	—	3,461
Provision for/(reversal of) loss allowance on trade receivables	114	(67)	(547)	—	(500)
Impairment for property, plant and equipments	—	—	894	—	894
Fair value gains on derivative financial instruments	(10)	—	—	—	(10)
Fair losses on financial asset through profit and loss	—	—	—	1,398	1,398
Fair value losses/(gains) on investment properties	<u>261</u>	<u>(1,228)</u>	<u>—</u>	<u>(1,840)</u>	<u>(2,807)</u>

The segment information provided to the CODM for the reportable segments as at 30th June 2024 is as follows:

	Segment				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	
Segment assets	411,697	325,612	127,458	152,116	1,016,883
Segment liabilities	(56,118)	(38,657)	(12,834)	(4,104)	(111,713)
Segment borrowings	(334,046)	(30,414)	(16,952)	(4,461)	(385,873)
	<u>(390,164)</u>	<u>(69,071)</u>	<u>(29,786)</u>	<u>(8,565)</u>	<u>(497,586)</u>

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>

	Segment				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	
Other information:					
Capital expenditures	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	<u>924</u>	<u>(1,793)</u>	<u>—</u>	<u>(1,570)</u>	<u>(2,439)</u>

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	394,799	320,484	135,539	140,447	991,269
Segment liabilities	(63,610)	(32,453)	(16,000)	(3,780)	(115,843)
Segment borrowings	(293,684)	(23,748)	(21,490)	—	(338,922)
	<u>(357,294)</u>	<u>(56,201)</u>	<u>(37,490)</u>	<u>(3,780)</u>	<u>(454,765)</u>

The entity is domiciled in Hong Kong. The revenue from external customers from Hong Kong for the year ended 30th June 2024 is approximately HK\$341,160,000 (2023: HK\$363,318,000), and the total of its revenue from external customers from other locations (mainly Mainland China) is approximately HK\$935,190,000 (2023: HK\$814,509,000).

At 30th June 2024, the total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is approximately HK\$174,869,000 (2023: HK\$173,281,000), and the total of these non-current assets located in other locations (mainly Mainland China) is approximately HK\$103,518,000 (2023: HK\$110,216,000).

3 Other income

	2024 HK\$'000	2023 HK\$'000
Rental income	6,641	6,719
Sundry income	10	17
	<u>6,651</u>	<u>6,736</u>

Outgoings in respect of investment properties that generate rental income amounted to approximately HK\$1,778,000 (2023: HK\$1,098,000).

4 Other gains, net

	2024 HK\$'000	2023 HK\$'000
Fair value gains on investment properties	2,807	2,439
Fair value loss on financial asset through profit and loss	(1,398)	—
Fair value gains/(losses) on derivative financial instruments		
– Realised	553	460
– Unrealised	(543)	136
Government grant (Note (i))	1,595	1,144
Net exchange losses	(380)	(4,124)
Gain on liquidation of a subsidiary (Note (ii))	—	5,062
	<u>2,634</u>	<u>5,117</u>

Notes:

- (i) During the year ended 30th June 2024, pursuant to Mainland China local government policies, the Group received government grant amounted to RMB1,467,000 (2023: RMB1,052,000), equivalent to approximately HK\$1,595,000 (2023: 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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories sold excluding manufacturing costs	984,384	941,608
Auditor's remuneration		
– Audit services	2,194	2,155
– Non-audit services	628	628
Depreciation of property, plant and equipment	14,464	15,840
Depreciation of right-of-use assets	5,941	6,177
Provision for impairment of inventories, net	3,461	7,480
Gains on disposal of property, plant and equipment	(566)	(7)
Employee benefit expenses, including Directors' emoluments (Note)	134,934	136,155
Operating lease rentals in respect of buildings	7,276	7,031
Repairs and maintenance expenses	5,965	4,962
Transportation and packaging expenses	26,874	22,972
Travelling and office expenses	7,435	7,072
Utility expenses	17,205	14,960
Other expenses	57,842	56,001
	<u>1,268,037</u>	<u>1,223,034</u>
Total cost of sales, distribution costs and administrative expenses		
Representing:		
Cost of sales	1,077,087	1,030,123
Distribution costs	81,723	80,576
Administrative expenses	109,227	112,335
	<u>1,268,037</u>	<u>1,223,034</u>

Note:

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 are deducted in the employee benefit expenses. There are no unfulfilled conditions or other contingencies attached to the grants.

6 Finance income and costs

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	<u>865</u>	<u>686</u>
	<u>865</u>	<u>686</u>
Finance costs:		
– Interest on lease liabilities	(328)	(457)
– Interest on borrowings	(23,273)	(16,728)
– Net exchange losses on financing activities	<u>—</u>	<u>(124)</u>
	<u>(23,601)</u>	<u>(17,309)</u>
Finance costs, net	<u>(22,736)</u>	<u>(16,623)</u>

7 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2023: 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% (2023: 25%), except that certain subsidiaries are subject to preferential tax rates ranging from 5% to 15% (2023: 5% to 15%) and other preferential tax treatments. Two subsidiaries in Dongguan and Xiamen which were certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% for three consecutive years from 2021 to 2024 and 2022 to 2024 respectively. These subsidiaries are 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	335	63
– Mainland China corporate income tax	14,144	3,307
– Over-provision in prior years	<u>(234)</u>	<u>(3,139)</u>
	<u>14,245</u>	<u>231</u>
Deferred income tax	<u>(2,050)</u>	<u>(152)</u>
	<u>12,195</u>	<u>79</u>

8 Dividends

- (a) On 27th February 2023, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2022.
- (b) On 28th September 2023, the Directors resolved not to declare any final dividend for the year ended 30th June 2023.
- (c) On 28th February 2024, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2023.
- (d) On 27th September 2024, the Directors resolved not to declare any final dividend for the year ended 30th June 2024.

9 Loss per share

Basic

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

	2024	2023
Loss attributable to equity holders of the Company (HK\$'000)	<u>(18,041)</u>	<u>(52,007)</u>
Weighted average number of ordinary shares in issue	<u>369,200,000</u>	<u>369,200,000</u>
Basic loss per share (HK cents per share)	<u>(4.89)</u>	<u>(14.09)</u>

Diluted

Dilutive loss per share for the years ended 30th June 2024 and 2023 equal basic loss per share as there was no dilutive potential ordinary share as at the years ended 30th June 2024 and 2023.

10 Trade and bills receivables

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	206,908	184,072
Less: loss allowance	<u>(4,188)</u>	<u>(4,689)</u>
	202,720	179,383
Bills receivables	<u>41,113</u>	<u>37,863</u>
	<u>243,833</u>	<u>217,246</u>

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	37,404	30,118
RMB	157,213	143,999
USD	12,291	9,955
	<u>206,908</u>	<u>184,072</u>

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 to 90 days and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 90 days	198,199	173,159
91 – 180 days	5,070	6,208
Over 180 days	3,639	4,705
	<u>206,908</u>	<u>184,072</u>

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	244	—
USD	—	205
RMB	40,869	37,658
	<u>41,113</u>	<u>37,863</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\$25,880,000 (2023: HK\$9,660,000) with recourse in exchange for cash as at 30th June 2024. 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 (2023: 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Below 90 days	49,774	55,692
91 - 180 days	2,479	70
Over 180 days	1,225	1,007
	<u>53,478</u>	<u>56,769</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
HK\$	30	—
RMB	35,152	33,957
USD	18,296	22,812
	<u>53,478</u>	<u>56,769</u>

12 Commitments

(a) Capital commitments

At 30th June 2024, the Group had the following capital commitments for addition of property, plant and equipment:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contracted but not provided for	<u>2,300</u>	<u>1,439</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 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 cause 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 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11th November 2024 to Thursday, 14th November 2024 (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, 8th November 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023/24, geopolitical tensions prevailed, major central banks underwent changes in monetary policies, and the momentum of global economic growth continued to weaken, resulting in a decline in crude oil prices and a highly challenging macro environment. Amid adversities, the Group continuously attuned and optimised its product lines, consistently improved production facilities, and actively maintained its core customer base while expanding into new customer sources, demonstrating strong operational resilience. For the year ended 30th June 2024, the Group's total turnover reached HK\$1,276,350,000 (2023: HK\$1,177,827,000), an 8.4% increase against last year.

During the year under review, despite the challenging external environment, the Group vigorously pursued product transformation and increased the proportion of processing business, leading to an increase in overall gross profit by a marked 34.9% to HK\$199,263,000 (2023: HK\$147,704,000). Gross profit margin also improved, rising 3.1 percentage points year-on-year to 15.6%. Loss attributable to equity holders of the Company narrowed significantly by 65.3% to HK\$18,041,000 when compared with the same period last year (2023: HK\$52,007,000). Basic loss per share was HK4.89 cents (2023: HK14.09 cents). It is worth noting that through the Group's unremitting efforts, operating performance has been steadily improving every half year since last year. Compared with the first half of the year, its second half of 2023/24 continued to show improvement, and for the full year, it recorded operating profit of HK\$18,098,000 versus operating loss of HK\$34,237,000 in the previous year.

To reserve funds for business development, the Board of Directors does not recommend payment of a final dividend.

For the colorants, pigments and compounded plastic resins business, the Group continued to consolidate cooperation with existing customers across industries such as automotive applications, food packaging and new energy, providing strong support for its traditional businesses. Geopolitical situations compelled, some customers have adjusted their business needs, and heeding that the Group optimised its product direction and offered high-value-added processing services to international automotive companies and overseas electronic product organisations, as such bolstered its market competitiveness. During the year, turnover of the business segment increased by 25.8% year-on-year to HK\$367,439,000 (2023: HK\$292,047,000), with gross profit margin widening slightly by 2.6 percentage points. Profit before taxation soared to HK\$25,697,000 an increase of 71.3% of the previous year (2023: HK\$15,000,000).

Tied mainly to the export market sentiment in Europe and the United States, the performance of the engineering plastic products business is developing relatively stable currently. Turnover of the business was basically the same as last year, with a slight decrease of 1.1% to HK\$136,969,000 (2023: HK\$138,532,000). Gross profit margin of the business grew by 1.5 percentage points. Profit before taxation surged by 66.8% to HK\$10,901,000 (2023: HK\$6,535,000). The end products of the segment include general household appliances such as household products, electrical appliances and high-end kitchenware. The Group will continue to focus on preserving the segment's customer base, which comprises small home appliances and large toy manufacturers, while looking to tap new customer sources to increase market share. At the same time, it will pay close attention to market dynamics to ensure it is prepared to seize opportunities when the market recovers.

During the year, market consumption sentiment was far from satisfactory, with customer budgets remaining low. However, with the sales team pressing on with expanding new customer sources, the Group was able to raise the overall sales volume of the plastic raw material trading business. The segment saw a 3.3% year-on-year increase in turnover to HK\$771,942,000 (2023: HK\$747,248,000), with gross profit margin widening by a slight 1.1 percentage points. Loss before taxation narrowed by a significant 43.8% to HK\$39,728,000 (2023: HK\$70,704,000). The Group believes that if plastic material prices remain stable, the loss will likely be further diluted.

PROSPECTS

In the second half of 2024, while the geopolitical landscape and economic environment will still be fraught with uncertainties, the market expects the US Federal Reserve to start lowering interest rates, which might benefit the Group's financial condition. All considered, the Group will, as in the past, adopt sound business strategies and prudent financial management approaches, push to effectively integrate resources, develop new revenue channels and customer groups, as well as fostering a second growth curve by continuing to promote business development in the ASEAN region. Powered by dual drivers, it will strive to enhance economic efficiency and support the Group's long-term development.

In the challenging business environment, customers are maintaining their low-inventory strategy and are cautious in placing orders. In response, the Group has turned to seizing the rapidly growing OEM demand from domestic and overseas companies, thereby managing to counter aforementioned blows and achieve good results. In light of this, the Group will make every effort in the future to grab market development opportunities, continue to expand its product portfolio, and timely adjust business direction to enhance market penetration and build distinctive competitive advantages. Moreover, apart from strengthening close cooperation with existing customers and suppliers, the Group will continue to explore opportunities to expand its sales network and find more potential end-customers from sustainable development industries such as new energy vehicles, so as to improve its revenue and profitability.

At the end of June this year, the Group established its first sales point in the ASEAN market in Vietnam. With a stable investment environment, substantial domestic demand and a strong manufacturing index, the Vietnam market holds great potential and is expected to play an important role in the Group's growth strategy. Due to political and economic factors, many overseas customers are considering shifting part of their production processes from China to Vietnam, resulting in a surge of urgent orders. The Group will seize this new opportunity, enhance its supporting measures, and work diligently to fill the business gap, aiming to further expand the business coverage in the Vietnamese market, and in turn markedly push up revenue and net profit. In the next three years, the Group anticipates the business in Vietnam to mature and reach a significant scale, becoming a key revenue pillar that contributes considerable profits.

Although the future macro environment will remain complex and volatile, rather difficult to predict, the Group believes it will be able to fully seize the new opportunities presented by continuous growth of the market. Building on the unwavering support of customers and shareholders, its years of rich industry experience, along with the leadership of the management team and the hard work of all employees, the Group will continue to uphold its professional and prudent management strategies and pragmatic approaches. It is confident in its ability to overcome various challenges, stand out in the market, and succeed in maximising shareholder interests.

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 2024, the Group has available aggregate banking facilities of approximately HK\$622,903,000 of which approximately HK\$359,993,000 have been utilised and were secured by corporate guarantees issued by the Company and legal charges on certain property, plant and equipment, leasehold land and land use rights, 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 2024 amounted to approximately HK\$104,233,000. The Group's gearing ratio as at 30th June 2024 was approximately 77.6%, based on the total borrowings of approximately HK\$385,873,000 and the shareholders' funds of approximately HK\$497,127,000.

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 2024, 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:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sell HK dollars for US dollars	<u>304,200</u>	<u>156,000</u>

EMPLOYEE INFORMATION

As at 30th June 2024, the Group had approximately 628 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 C3 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, 14th November 2024 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 C1 of the Listing Rules (the “CG Code”) throughout the year ended 30th June 2024, except for the deviation as mentioned below.

According to the code provision C.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 2024 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 2024 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 four meetings during the year ended 30th June 2024.

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 2024 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 2024 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, 27th September 2024

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.