NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

Website: http://www.nhh.com.hk

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH JUNE 2019

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 2019 as follows:

Consolidated Income Statement

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue from contracts with customers	*3*	**1,852,680**	1,995,313
Cost of sales	*6*	**(1,659,821)**	(1,741,381)
Gross profit		**192,859**	253,932
Rental income	*4*	**7,442**	6,603
Other gains, net	*5*	**19,634**	16,101
Distribution costs	*6*	**(77,352)**	(80,493)
Administrative expenses	*6*	**(109,764)**	(115,706)
Operating profit		**32,819**	80,437
Finance income		**1,043**	553
Finance costs		**(19,165)**	(14,561)
Finance costs, net	*7*	**(18,122)**	(14,008)
Profit before income tax		**14,697**	66,429
Income tax expense	*8*	**(3,419)**	(16,307)
Profit for the year		**11,278**	50,122
Attributable to:			
Equity holders of the Company		**7,806**	46,171
Non-controlling interests		**3,472**	3,951
		11,278	50,122
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cent per share)			
– Basic and diluted	*10*	**2.11**	12.51

Consolidated Statement of Comprehensive Income

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**11,278**	50,122
Other comprehensive (loss)/income:		
Item that will not be reclassified subsequently to income statement:		
Revaluation gain on property, plant and equipment upon transfer to investment properties, net of tax	**1,687**	—
Fair value loss of financial asset at fair value through other comprehensive income	**(323)**	—
Items that may be reclassified subsequently to income statement:		
Currency translation differences	**(21,336)**	14,684
Other comprehensive (loss)/income for the year	**(19,972)**	14,684
Total comprehensive (loss)/income for the year	**(8,694)**	64,806
Total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	**(11,746)**	60,679
– Non-controlling interests	**3,052**	4,127
	(8,694)	64,806

Consolidated Balance Sheet

	Note	**2019**	2018
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**118,278**	129,143
Leasehold land and land use rights		**16,000**	18,399
Investment properties		**159,973**	141,380
Intangible assets		**—**	—
Financial asset at fair value through other comprehensive income		**1,677**	—
Available-for-sale financial asset		**—**	2,000
Deferred income tax assets		**10,018**	7,497
Deposits and prepayments for property, plant and equipment and renovation costs		**1,503**	3,635
		307,449	302,054
Current assets			
Inventories		**319,251**	290,158
Trade and bills receivables	*11*	**234,446**	284,292
Other receivables, prepayments and deposits		**29,431**	19,466
Income tax recoverable		**560**	110
Restricted bank deposits		**35,135**	35,799
Cash and bank balances		**93,601**	117,716
		712,424	747,541
Total assets		**1,019,873**	1,049,595
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		**37,302**	57,948
Retained earnings		**352,031**	351,881
		488,719	509,215
Non-controlling interests		**23,874**	24,826
Total equity		**512,593**	534,041

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**6,723**	6,917
Provision for reinstatement costs		**—**	884
		6,723	7,801
Current liabilities			
Trade and bills payables	*12*	**56,979**	86,059
Other payables, deposits received and accruals		**28,913**	38,213
Bank borrowings		**406,977**	375,529
Derivative financial instruments		**74**	—
Income tax payable		**7,614**	7,952
		500,557	507,753
Total liabilities		**507,280**	515,554
Total equity and liabilities		**1,019,873**	1,049,595

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") issues by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and 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, available-for-sale financial asset, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related amendments
Amendments to Hong Kong Accounting Standard ("HKAS") 40	Transfers of Investment Property
Hong Kong International Financial Reporting Interpretations Committee ("HK(IFRIC)") – Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual improvements to HKFRSs 2014-2016 cycle	Amendments to HKFRS 1 and HKAS 28

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15 (Note 2). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) The following new standards and amendments to standards have been issued but are not effective for the annual period beginning 1st July 2018 and have not been early adopted:

Annual improvements to HKFRSs 2015–2017 cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 [1]
HKAS 19	Plan Amendments, Curtailment or Settlement (amendments) [1]
HKAS 28	Long-term Interests in Associates and Joint Ventures (amendments) [1]
HKFRS 9	Prepayment Features with Negative Compensation (amendments) [1]
HKFRS 16	Leases [1]
HKFRS 17	Insurance Contracts [3]
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments [1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [2]
Amendments to HKAS 1 and HKAS 8	Definition of Material [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

(1) Effective for annual periods beginning on or after 1st January 2019
(2) Effective for annual periods beginning on or after 1st January 2020
(3) Effective for annual periods beginning on or after 1st January 2021
(4) To be determined

The Group 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, except the following set out below:

HKFRS 16, Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease.

As at 30th June 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$9,156,000. Of these commitments, HK$1,227,000 relate to short-term and low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets and lease liabilities of HK$7,315,000 on 1st July 2019. Overall net current assets will be HK$3,551,000 lower due to the presentation of a portion of the liability as a current liability.

The Group will apply the standard from its mandatory adoption date of 1st July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to the first adoption.

There are no other new, amended or revised standards that are not yet effective that are expected to have any impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. Change in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

(a) Impact on the financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	30th June 2018, as originally presented *HK$'000*	HKFRS 9 *HK$'000*	HKFRS 15 *HK$'000*	1st July 2018, restated *HK$'000*
Consolidated balance sheet (extracted)				
Non-current assets				
Available-for-sale ("AFS") financial asset	2,000	(2,000)	–	–
Financial asset at fair value through other comprehensive income ("FVOCI")	–	2,000	–	2,000
Deferred income tax assets	7,497	84	–	7,581
Current assets				
Trade and bills receivables	284,292	(367)	–	283,925
Non-current liabilities				
Deferred income tax liabilities	6,917	(6)	–	6,911
Current liabilities				
Other payables, deposit received and accruals - contract liabilities	6,613	–	(6,613)	–
Other payables, deposit received and accruals - deposit received	–	–	6,613	6,613
Equity				
Retained earnings	351,881	(272)	–	351,609
Non-controlling interest	24,826	(5)	–	24,821
AFS financial asset reserve	1,310	(1,310)	–	–
Financial asset at FVOCI reserve	–	1,310	–	1,310

(b) HKFRS 9, Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of HKFRS 9 from 1st July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of its equity investments previously classified as AFS financial asset, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, an asset with a fair value of HK$2,000,000 was reclassified from AFS financial asset to financial asset at FVOCI and accumulated fair value gains of HK$1,310,000 were reclassified from the AFS financial asset reserve to the financial asset at FVOCI reserve on 1st July 2018.

There is no impact on the Group's accounting for financial liabilities.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the new expected credit loss ("ECL") model of the HKFRS 9:

– Trade receivables; and

– Other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note 2(a) above.

While short-term deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected provision for impairment for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance on trade receivables as at 1st July 2018 was determined.

The loss allowance on trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past histories, existing market conditions as well as forward looking estimates at the end of each reporting period.

The loss allowance on trade receivables as at 30th June 2018 reconcile to the opening provision for impairment on 1st July 2018 as follows:

	Loss allowance on trade receivables *HK$'000*
At 30th June 2018 calculated under HKAS 39	(4,389)
Amount restated through opening retained earnings	(367)
Opening loss allowance on trade receivables as at 1st July 2018 calculated under HKFRS 9	(4,756)

Other financial assets at amortised cost

Other financial assets at amortised cost include bills and other receivables. The Group has assessed the expected credit loss model apply to the bills and other receivables as at 1st July 2018 and the change in impairment methodologies has no impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations.

The Group has adopted HKFRS 15 from 1st July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions of HKFRS 15, the Group has adopted the modified retrospective application, under which the cumulative effect of the initial application is adjusted to the opening balance of retained profits on 1st July 2018 and no comparative figures are restated.

HKFRS 15 replaces the provisions of HKAS 18, which resulted in changes in presentation of contract assets and contract liabilities. As at 1st July 2018, deposits received of HK$6,613,000 has been reclassified as contract liabilities, included in other payable and accruals.

The adoption of HKFRS 15 has no material impact to the Group's consolidated financial statements other than changes in disclosures.

3. Revenue from contracts with customers and segment information

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of goods	**1,852,680**	1,994,880
Provision of logistic services	—	433
	1,852,680	1,995,313

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:

	As at 30th June 2019
	HK$'000
Contract liabilities, included in other payables and accruals	**4,053**

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

	2019
	HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**6,613**

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 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 2019 is as follows:

	Trading	Colorants	Engineering plastics	Others	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
– Gross revenue	**1,392,245**	**299,667**	**218,008**	—	**1,909,920**
– Inter-segment revenue	**(55,143)**	**(1,963)**	**(134)**	—	**(57,240)**
Revenue from external customers	**1,337,102**	**297,704**	**217,874**	—	**1,852,680**
Operating (loss)/profit	**(12,857)**	**15,365**	**19,130**	**11,181**	**32,819**
Finance income	**104**	**934**	**5**	—	**1,043**
Finance costs	**(16,242)**	**(1,227)**	**(1,508)**	**(188)**	**(19,165)**
(Loss)/profit before income tax	**(28,995)**	**15,072**	**17,627**	**10,993**	**14,697**
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	**732**	**3,461**	**5,058**	**76**	**9,327**
Depreciation of property, plant and equipment	**922**	**7,933**	**9,043**	**516**	**18,414**
Amortisation of leasehold land and land use rights	**357**	**186**	**32**	**78**	**653**
Provision for impairment of inventories, net	**4,074**	**45**	**24**	**741**	**4,884**
Loss allowance on trade receivables	**114**	**10**	**10**	**(8)**	**126**
Fair value gains on derivative financial instruments	**(1,695)**	—	—	—	**(1,695)**
Fair value losses/(gains) on investment properties	**405**	**(1,364)**	—	**(15,050)**	**(16,009)**

The segment information provided to the CODM for the reportable segments as at 30th June 2019 is as follows:

	Trading	**Colorants**	**Engineering plastics**	**Others**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**431,322**	**301,566**	**143,505**	**143,480**	**1,019,873**
Total assets					**1,019,873**
Segment liabilities	**(55,540)**	**(27,072)**	**(13,735)**	**(3,956)**	**(100,303)**
Borrowings	**(357,672)**	**(23,275)**	**(26,030)**	**—**	**(406,977)**
Total liabilities	**(413,212)**	**(50,347)**	**(39,765)**	**(3,956)**	**(507,280)**

The segment information provided to the CODM for the reportable segments for the year ended 30th June 2018 is as follows:

	Trading	Colorants	Engineering plastics	Others	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
– Gross revenue	1,491,695	327,781	239,759	441	2,059,676
– Inter-segment revenue	(60,217)	(3,051)	(1,087)	(8)	(64,363)
Revenue from external customers	1,431,478	324,730	238,672	433	1,995,313
Operating profit	37,138	12,536	25,258	5,505	80,437
Finance income	95	444	14	—	553
Finance costs	(11,539)	(1,247)	(1,570)	(205)	(14,561)
Profit before income tax	25,694	11,733	23,702	5,300	66,429
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	827	12,352	11,150	422	24,751
Depreciation of property, plant and equipment	877	6,763	8,655	513	16,808
Amortisation of leasehold land and land use rights	374	195	32	78	679
Provision for impairment of inventories, net	323	2,171	1,005	—	3,499
Loss allowance on trade receivables	—	58	—	1,130	1,188
Fair value gains on derivative financial instruments	(1,834)	—	—	—	(1,834)
Fair value losses/(gains) on investment properties	171	(238)	—	(12,630)	(12,697)

The segment information provided to the CODM for the reportable segments as at 30th June 2018 is as follows:

	Trading *HK$'000*	Colorants *HK$'000*	Engineering plastics *HK$'000*	Others *HK$'000*	Group *HK$'000*
Segment assets	450,909	307,647	161,283	129,756	1,049,595
Total assets					1,049,595
Segment liabilities	(89,916)	(26,946)	(19,257)	(3,906)	(140,025)
Borrowings	(315,947)	(23,810)	(27,896)	(7,876)	(375,529)
Total liabilities	(405,863)	(50,756)	(47,153)	(11,782)	(515,554)

The entity is domiciled in Hong Kong. The revenue from external customers from Hong Kong for the year ended 30th June 2019 is approximately HK$950,763,000 (2018: HK$987,243,000), and the total of its revenue from external customers from other locations (mainly Mainland China) is approximately HK$901,917,000 (2018: HK$1,008,070,000).

At 30th June 2019, the total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is approximately HK$179,050,000 (2018: HK$169,796,000), and the total of these non-current assets located in other locations (mainly Mainland China) is approximately HK$116,704,000 (2018: HK$122,761,000).

4. Rental income

	2019 ***HK$'000***	2018 *HK$'000*
Rental income	**7,442**	6,603

Outgoings in respect of investment properties that generate rental income amounted to approximately HK$362,000 (2018: HK$1,656,000).

5. Other gains, net

	2019 ***HK$'000***	2018 *HK$'000*
Fair value gains on investment properties	**16,009**	12,697
Fair value gains/(losses) on forward foreign exchange contracts held for trading		
– Realised	**1,769**	1,834
– Unrealised	**(74)**	—
Gain on disposal of a subsidiary	—	398
Government grant *(Note)*	**1,418**	1,148
Net exchange gains	**481**	24
Others	**31**	—
	19,634	16,101

Note:

Pursuant to Mainland China local government policies, the Group received government grant amounted to cash of RMB1,248,000 (2018: RMB964,000), equivalent to approximately HK$1,418,000 (2018: HK$1,148,000), from Mainland China local government authorities to support the operations in certain Mainland China regions with no special conditions attached.

6. Expenses by nature

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold excluding manufacturing costs	**1,561,561**	1,646,422
Amortisation of leasehold land and land use rights	**653**	679
Auditor's remuneration		
– Audit services	**2,310**	2,285
– Non-audit services	**603**	542
Depreciation of property, plant and equipment	**18,414**	16,808
Loss allowance on trade receivables	**126**	1,188
Provision for impairment of inventories, net	**4,884**	3,499
Gain on disposal of property, plant and equipment	**(67)**	(108)
Employee benefit expenses, including Directors' emoluments	**131,149**	138,160
Operating lease rentals in respect of land and buildings	**10,450**	9,361
Repairs and maintenance expenses	**4,038**	5,850
Transportation and packaging expenses	**26,137**	30,164
Travelling and office expenses	**9,141**	9,323
Utility expenses	**13,782**	15,215
Other expenses	**63,756**	58,192
Total cost of sales, distribution costs and administrative expenses	**1,846,937**	1,937,580
Representing:		
Cost of sales	**1,659,821**	1,741,381
Distribution costs	**77,352**	80,493
Administrative expenses	**109,764**	115,706
	1,846,937	1,937,580

7. Finance income and costs

	2019	2018
	HK$'000	*HK$'000*
Finance income:		
– Interest income from bank deposits	**1,043**	553
	1,043	553
Finance costs:		
– Interest on bank borrowings	**(17,013)**	(13,086)
– Net exchange loss on financing activities	**(2,152)**	(1,475)
	(19,165)	(14,561)
Finance costs, net	**(18,122)**	(14,008)

8. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 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% (2018: 25%), other than 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 2018 to 2020. 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:

	2019	2018
	HK$'000	*HK$'000*
Current income tax:		
Hong Kong profits tax	**2,113**	2,011
Mainland China corporate income tax	**4,892**	16,154
(Over)/under-provision in prior years	**(362)**	96
	6,643	18,261
Deferred income tax	**(3,224)**	(1,954)
	3,419	16,307

9. Dividends

	2019	2018
	HK$'000	*HK$'000*
Interim, paid, of Nil (2018: HK1.0 cent) per ordinary share	—	3,692
Final, proposed, of Nil (2018: HK2.0 cents) per ordinary share	—	7,384
	—	11,076

Notes:

(a) On 26th February 2018, the Directors declared an interim dividend of HK1.0 cent per share, totaling HK$3,692,000 for the six months ended 31st December 2017, which was paid during the year ended 30th June 2018.

(b) On 27th September 2018, the Directors proposed a final dividend of HK2.0 cents per share, totalling HK$7,384,000 for the year ended 30th June 2018, which was paid during the year ended 30th June 2019, and has been reflected as an appropriation of retained earnings for the year ended 30th June 2019.

(c) On 27th February 2019, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2018.

(d) On 27th September 2019, the Directors resolved not to declare any final dividend for the year ended 30th June 2019.

10. Earnings per share

Basic

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

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**7,806**	46,171
Weighted average number of ordinary shares in issue	**369,200,000**	369,200,000
Basic earnings per share (HK cents per share)	**2.11**	12.51

Diluted

Dilutive earnings per share for the years ended 30th June 2019 and 2018 equal basic earnings per share as there was no dilutive potential ordinary share as at the years ended 30th June 2019 and 2018.

11. Trade and bills receivables

	2019 ***HK$'000***	2018 *HK$'000*
Trade receivables	**217,103**	266,367
Less: loss allowance	**(4,760)**	(4,389)
	212,343	261,978
Bills receivable	**22,103**	22,314
	234,446	284,292

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

	2019 ***HK$'000***	2018 *HK$'000*
HK$	**70,042**	80,686
RMB	**113,417**	143,429
USD	**33,644**	42,252
	217,103	266,367

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.

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

	2019	2018
	HK$'000	*HK$'000*
HK$	**1,843**	1,211
USD	**3,904**	3,507
RMB	**16,356**	17,596
	22,103	22,314

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$10,660,000 (2018: HK$2,997,000) with recourse in exchange for cash as at 30th June 2019. 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 (2018: same). Other than the bank's acceptance bills collateralised as bank advances, the Group does not hold any collateral as security.

12. Trade and bills payables

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

	2019	2018
	HK$'000	*HK$'000*
Below 90 days	**55,454**	84,434
91 – 180 days	**13**	111
Over 180 days	**1,512**	1,514
	56,979	86,059

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

	2019	2018
	HK$'000	*HK$'000*
HK$	**114**	3,402
RMB	**23,962**	39,211
USD	**32,903**	43,446
	56,979	86,059

13. Commitments

(a) Capital commitments

At 30th June 2019, the Group had the following capital commitments for addition of property, plant and equipment:

	2019	2018
	HK$'000	*HK$'000*
Contracted but not provided for	**1,221**	2,550

(b) Commitment under operating leases

As at 30th June 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2019	2018
	HK$'000	*HK$'000*
Not later than one year	**4,834**	6,391
Later than one year and not later than five years	**4,322**	8,559
	9,156	14,950

Note:

On 15th June 2017, the Group entered into a non-cancellable operating lease agreement with an agent of the local Mainland China government authority to lease an industrial building premise for 5 years with a minimum lease payment of RMB8.5 per square meter. During the non-cancellable lease period, the Group commits an annual tax payment of RMB3,000,000 (equivalent to approximately HK$3,409,000), including the corporate income tax and value added tax, from its business operation in the region to the local Mainland China government authority. Any shortfall on the committed tax payment would be paid in form of cash to the agent of the local Mainland China government authority. The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rentals payable, if any, when future tax payment falls short of the pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

14. Contingent liabilities

During the year ended 30th June 2016, the Group received a claim from a customer in respect of the sales of alleged defective goods with claim amount approximately RMB5,000,000 (equivalent to approximately HK$5,682,000).

On 28th August 2018, an appeal (the "Appeal") was lodged with the Wenling City People's Court of Zhejiang Province (the "Court") against the judgement made during year ended 30th June 2018 invalidating the claim. On 7th May 2019, the Court has made a judgement to invalidate the Appeal.

DIVIDEND

The Directors have resolved not to declare any final dividend for the year ended 30th June 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18th November 2019 to Thursday, 21st November 2019 (both dates inclusive) during which period no transfer of shares will be registered for determining the shareholders who are entitled to attend and vote at the forthcoming Annual General Meeting to be held on 21st November 2019. 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 not later than 4:00 p.m. on Friday, 15th November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, though oil price stabilised after plummeting, it still declined when compared with the previous year, and plastic material prices came down correspondingly. As for the macroeconomic environment, with the looming China-US trade war showing no sign of resolving in the near future, overall trade sentiment was adversely affected. Fluctuation of the Renminbi exchange rate and rising production costs in Mainland China also added to the pressure on businesses. To cope with direct impact of the tough operating environment and seeing a dim economic outlook, enterprises were keen to secure orders and opted to compete on product price, thus had profit squeezed. With customers strategically keeping inventory low, the Group was more prudent in taking orders to lower credit risk. Other factors such as higher borrowing costs and price adjustment also bore negatively on the Group's business. Hence, the Group's total turnover for the year ended 30 June 2019 decreased by 7.1% year-on-year to HK$1,852,680,000 (2018: HK$1,995,313,000).

Facing such a challenging business environment, the Group strictly implemented cost control measures during the year. However, its overall gross profit and gross profit margin lowered by 24.1% and 2.3 percentage points to HK$192,859,000 (2018: HK$253,932,000) and 10.4% respectively. Profit attributable to equity holders of the Company amounted to HK$7,806,000 (2018: HK$46,171,000). Basic earnings per share was HK2.11 cents (2018: HK12.51 cents).

To reserve sufficient capital for business development, the Board does not recommend payment of a final dividend for the year.

Among the Group's three major business segments, the colorants, pigments and compounded plastic resins segment stood out in the performance during the year. The government of Mainland China has launched major tax and fee cuts targeting to trim overall tax receipt by RMB2 trillion, in its bid to stabilise economic growth and employment, as well as stimulate domestic consumption. The Group thus strategically strengthened production of high quality sanitary products and has continued to push to enlarge its market share in the food packaging-related product market in Mainland China. It has also actively controlled costs and enhanced the operational efficiency of all its factories. However, sales of automobile application and electric vehicle related products has been inevitably affected by the sluggish global economic environment and the deadlock of the China-US trade talks. At the Group's appropriate strategies, the business segment recorded turnover of HK$297,704,000, with gross profit margin down by a slight one percentage point, while profit before taxation surged by 28.5%. Moreover, alive to the strong demand in the Internet-of-Things smart home market in Mainland China, the Group has actively developed related market to open up new income sources and develop new clienteles.

During the year under review, plastic material prices continued to slide rather sharply in particular in the second half year. The drop in oil price, among other factors, continued to affect the profit of the engineering plastic business segment. The weak demand in the Mainland China market did not help either. As a result, turnover of the business segment amounted to HK$217,874,000, with gross profit margin down by 1.2 percentage points. Profit before taxation reduced by 25.6% to HK$17,627,000. Heeding the global trade situation, the Group strategically expanded into other export markets. At the same time, it strived to enrich its product mix and actively liaised with end-customers, enabling it to maintain stable income. Going forward, the Group will maintain this strategy and explore opportunities in steady pace to work more closely with end-customers, thereby secure new income sources.

The Group's operational model of rallying and working with world-renowned fast food restaurant chains is mature, bringing in bulk orders of stable volume, enabling the Group to effectively lower inventory risks. However, with the China-US trade war seriously affecting the export markets, affecting negatively the economic environment, customers generally turned conservative in ordering. In addition, with operating costs up due to the Federal Reserve raising interest rate in the first half year, turnover of the plastics trading business segment dropped by 6.6% to HK$1,337,102,000, while gross profit margin narrowed by approximately 2.4 percentage points and loss before taxation was incurred. Apart from continuing to implement stringent cost control measures, the Group will continue to maintain close ties with existing customers and, with the domestic market for daily use products as promotional focus, apply its best competitive advantages, with the aim of achieving a stable business growth.

PROSPECTS

Looking ahead at the second half of 2019 and the first half of 2020, although the global and Chinese economies will still be uncertain, there are also some favourable conditions which will present opportunities to the industry. For example, oil price is stabilising and interest rate is coming back down. Hence, the management is cautiously optimistic about development of the Group in the future.

Regarding business development, on top of producing conventional home appliances and maintaining stable relationship with large toy companies, the Group has stepped up a direct liaison with end-customers, and put more resources into exploring end-customers of sanitary products, matching the country's policy to promote the domestic consumption market. The Group has also strengthened the development of food contact products, including setting up dedicated production and packaging workshops, investing in special water cooling system to gain the confidence of customers with a high sanitary requirement on colour masterbatch, thereby increase sales to the food, drugs and cosmetics industries.

Moreover, the advent of 5G will open the era of interconnectivity and create business opportunities for different industries. The Group has checked at appropriate time latest market trends, that it may prepare to unearth new income sources. To do so, the Group has strategically worked with new technology providers, investing in research and development together with them to develop high value adding and high margin 5G and smart home products.

To optimise risk management and mitigate the impact of the China-US trade war, the Group is actively pushing to develop business in the Greater Bay Area, while seizing development opportunities in other markets, so as to generate a long-term stable income and improve its overall profitability.

As for the cost control, the Group will continue to implement strict cost control measures, including cutting administrative, and distribution and production costs. Furthermore, it will strive to enhance and raise overall administrative efficiency, as well as strengthen the effectiveness of its operations.

In the close to 50 years since set up, the Group has made it through many economic cycles. It has been able to sustain development thanks to its professional management team with years of experience in the industry leading it in overcoming different challenges. As always, the Group will apply its business strategy targeting for strong and stable growth and also practise prudent financial management to the ultimate end of delivering stable business growth and reward to shareholders in the long run.

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 2019 the Group has available aggregate banking facilities of approximately HK$586,659,000, of which approximately HK$397,328,000 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 bank balances as at 30th June 2019 amounted to approximately HK$93,601,000. The Group's gearing ratio as at 30th June 2019 was approximately 83.3%, based on the total bank borrowings of approximately HK$406,977,000 and the shareholders' funds of approximately HK$488,719,000.

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 2019, the Group had outstanding commitments in respect of forward contracts in order to manage the Group's exposure in foreign currencies from its operations as follows:

	2019	2018
	HK$'000	*HK$'000*
Sell HK dollars for US dollars	**156,000**	148,200

EMPLOYEE INFORMATION

As at 30th June 2019, the Group had approximately 659 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, 21st November 2019 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 2019, 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 annual report, 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.

AUDIT COMMITTEE AND REVIEW OF RESULTS

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. CHAN Dit Lung and Mr. CHING Yu Lung. 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 2019 with the Directors.

The figures in respect of the Group's consolidated balance sheet as at 30th June 2019, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30th June 2019 as set out in the results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

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. CHAN Dit Lung and Mr. CHING Yu Lung 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 three meetings during the year ended 30th June 2019.

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. CHAN Dit Lung and Mr. CHING Yu Lung 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 three meetings during the year ended 30th June 2019 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. CHAN Dit Lung, and Mr. CHING Yu Lung.

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 three meetings during the year ended 30th June 2019 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 (http://www.hkexnews.hk) and the Company (http://www.nhh.com.hk). The annual report will be despatched to the shareholders and will be available on the websites of HKSE (http://www.hkexnews.hk) and the Company (http://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 2019

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. CHAN Dit Lung and Mr. CHING Yu Lung.