

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



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 2020

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 2020 as follows:

Consolidated Income Statement

	Note	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers	3	1,578,998	1,852,680
Cost of sales	6	(1,390,269)	(1,659,821)
Gross profit		188,729	192,859
Rental income	4	7,509	7,442
Other (losses)/gains, net	5	(1,668)	19,634
Distribution costs	6	(70,799)	(77,352)
Administrative expenses	6	(103,368)	(109,764)
Operating profit		20,403	32,819
Finance income		1,109	1,043
Finance costs		(18,122)	(19,165)
Finance costs, net	7	(17,013)	(18,122)
Profit before income tax		3,390	14,697
Income tax expense	8	(5,814)	(3,419)
(Loss)/profit for the year		(2,424)	11,278
Attributable to:			
Equity holders of the Company		(6,212)	7,806
Non-controlling interests		3,788	3,472
		(2,424)	11,278
(Loss)/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	(1.68)	2.11

Consolidated Statement of Comprehensive Income

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit for the year	(2,424)	11,278
Other comprehensive loss:		
<u>Item that will not be reclassified subsequently to income statement:</u>		
Revaluation gain on property, plant and equipment upon transfer to investment properties, net of tax	—	1,687
Fair value gain/(loss) of financial asset at fair value through other comprehensive income	186	(323)
<u>Items that may be reclassified subsequently to income statement:</u>		
Currency translation differences	(17,625)	(21,336)
Other comprehensive loss for the year	(17,439)	(19,972)
Total comprehensive loss for the year	(19,863)	(8,694)
Total comprehensive loss attributable to:		
– Equity holders of the Company	(23,397)	(11,746)
– Non-controlling interests	3,534	3,052
	(19,863)	(8,694)

Consolidated Balance Sheet

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		105,307	118,278
Right-of-use assets		25,167	—
Leasehold land and land use rights		—	16,000
Investment properties		155,292	159,973
Intangible assets		—	—
Financial asset at fair value through other comprehensive income		1,863	1,677
Deferred income tax assets		13,841	10,018
Deposits and prepayments for property, plant and equipment and renovation costs		7,951	1,503
		309,421	307,449
Current assets			
Inventories		292,804	319,251
Trade and bills receivables	<i>11</i>	195,245	234,446
Other receivables, prepayments and deposits		36,005	29,431
Income tax recoverable		372	560
Restricted bank deposits		34,898	35,135
Cash and bank balances		126,094	93,601
		685,418	712,424
Total assets		994,839	1,019,873
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		20,117	37,302
Retained earnings		345,819	352,031
		465,322	488,719
Non-controlling interests		25,199	23,874
Total equity		490,521	512,593

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		6,559	6,723
Lease liabilities		3,216	—
Provision for reinstatement costs		884	—
		<u>10,659</u>	<u>6,723</u>
Current liabilities			
Trade and bills payables	<i>12</i>	87,257	56,979
Other payables, deposits received and accruals		27,656	28,913
Lease liabilities		3,803	—
Bank borrowings		365,377	406,977
Derivative financial instruments		1,246	74
Income tax payable		8,320	7,614
		<u>493,659</u>	<u>500,557</u>
Total liabilities		<u>504,318</u>	<u>507,280</u>
Total equity and liabilities		<u>994,839</u>	<u>1,019,873</u>

Notes:

1. Basis of preparation

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

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

The Group has applied the following new standards, amendments to standards and interpretation for the first time for the annual period beginning on 1st July 2019:

Annual improvements to HKFRSs 2015 - 2017 cycle	Amendments to HKFRS 3, HKFRS 11, Hong Kong Accounting Standard (“HKAS”) 12 and HKAS 23
HKAS 19	Plan Amendments, Curtailment or Settlement (amendments)
HKAS 28	Long-term Interests in Associates and Joint Ventures (amendments)
HKFRS 9	Prepayment Features with Negative Compensation (amendments)
HKFRS 16	Leases
Hong Kong International Financial Reporting Interpretation Committee (“HK(IFRIC)”) - Interpretation 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 16 (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 2019 and have not been early adopted:*

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKFRS 3	References to the Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Hedge Accounting (amendments) ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	COVID-19 Related Rent Concessions ²
HKFRS 17	Insurance Contracts ⁴
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
Annual improvements to HKFRSs 2018 - 2020 cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 ³

(1) Effective for annual periods beginning on or after 1st January 2020

(2) Effective for annual periods beginning on or after 1st June 2020

(3) Effective for annual periods beginning on or after 1st January 2022

(4) Effective for annual periods beginning on or after 1st January 2023

(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. Change in accounting policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s consolidated financial statements.

As indicated in Note 1 above, the Group has adopted HKFRS 16 “Leases” retrospectively from 1st July 2019, but has not restated comparatives for the year ended 30th June 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1st July 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1st July 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1st July 2019 was 5%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application. There were no remeasurements to the lease liabilities upon the adoption of HKFRS 16.

(i) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 “Determining whether an Arrangement contains a Lease”.

(ii) *Measurement of lease liabilities*

	As at 1st July 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 30th June 2019	9,156
Discounted using the lessee's annual incremental borrowing rate of at the date of initial application	7,798
Less:	
Short-term leases recognised on a straight-line basis as expenses	(342)
Low-value leases recognised on a straight-line basis as expenses	(90)
	<u>7,366</u>
Lease liabilities recognised as at 1st July 2019	<u>7,366</u>
Of which are:	
Lease liabilities - non-current	3,654
Lease liabilities - current	3,712
	<u>7,366</u>

(iii) *Measurement of right-of-use assets*

Right-of-use assets for properties leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the consolidated balance sheet as at 30th June 2019. Other right-of-use assets arise from leases previously classified as finance leases and were measured at their carrying amounts immediately before transition at the date of initial application.

(iv) *Impact on consolidated financial statements*

	30th June 2019 As originally presented <i>HK\$'000</i>	HKFRS 16 <i>HK\$'000</i>	1st July 2019 Restated <i>HK\$'000</i>
Consolidated balance sheet (extracted)			
Non-current assets			
Property, plant and equipment	118,278	(3,587)	114,691
Leasehold land and land use rights	16,000	(16,000)	—
Right-of-use assets	—	26,953	26,953
Non-current liabilities			
Lease liabilities	—	(3,654)	(3,654)
Current liabilities			
Lease liabilities	—	(3,712)	(3,712)

The adoption of HKFRS 16 has no significant impact on loss per share for the year ended 30th June 2020.

3. Revenue from contracts with customers and segment information

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of goods	<u>1,578,998</u>	<u>1,852,680</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract liabilities, included in other payables and accruals	<u>3,880</u>	<u>4,053</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>4,053</u>	<u>6,613</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 2020 is as follows:

	Trading	Colorants	Engineering	Others	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>plastics</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>		
Turnover					
– Gross revenue	1,141,834	312,562	177,237	—	1,631,633
– Inter-segment revenue	(50,948)	(1,501)	(186)	—	(52,635)
Revenue from external customers	<u>1,090,886</u>	<u>311,061</u>	<u>177,051</u>	<u>—</u>	<u>1,578,998</u>
Operating (loss)/profit	<u>(15,039)</u>	<u>19,765</u>	<u>20,920</u>	<u>(5,243)</u>	<u>20,403</u>
Finance income	116	968	25	—	1,109
Finance costs	(15,682)	(1,495)	(945)	—	(18,122)
(Loss)/profit before income tax	<u>(30,605)</u>	<u>19,238</u>	<u>20,000</u>	<u>(5,243)</u>	<u>3,390</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,172	15,190	3,522	4	19,888
Depreciation of property, plant and equipment	821	7,952	7,399	390	16,562
Depreciation of right-of-use assets	315	4,094	196	206	4,811
Amortisation of leasehold land and land use rights	—	—	—	—	—
Provision for impairment of inventories, net	1,914	928	300	—	3,142
Loss allowance/(reversal of loss allowance) on trade receivables	1,977	117	(92)	—	2,002
Fair value losses on derivative financial instruments	667	—	—	—	667
Fair value losses on investment properties	<u>612</u>	<u>612</u>	<u>—</u>	<u>2,340</u>	<u>3,564</u>

The segment information provided to the CODM for the reportable segments as at 30th June 2020 is as follows:

	Trading	Colorants	Engineering	Others	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>plastics</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>		
Segment assets	<u>424,868</u>	<u>296,882</u>	<u>132,536</u>	<u>140,553</u>	<u>994,839</u>
Segment liabilities	(91,706)	(29,958)	(13,530)	(3,747)	(138,941)
Segment borrowings	(327,445)	(22,907)	(15,025)	—	(365,377)
	<u>(419,151)</u>	<u>(52,865)</u>	<u>(28,555)</u>	<u>(3,747)</u>	<u>(504,318)</u>

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

	Trading <i>HK\$'000</i>	Colorants <i>HK\$'000</i>	Engineering plastics <i>HK\$'000</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover					
– Gross revenue	1,392,245	299,667	218,008	—	1,909,920
– Inter-segment revenue	<u>(55,143)</u>	<u>(1,963)</u>	<u>(134)</u>	<u>—</u>	<u>(57,240)</u>
Revenue from external customers	<u>1,337,102</u>	<u>297,704</u>	<u>217,874</u>	<u>—</u>	<u>1,852,680</u>
Operating (loss)/profit	<u>(12,857)</u>	<u>15,365</u>	<u>19,130</u>	<u>11,181</u>	<u>32,819</u>
Finance income	104	934	5	—	1,043
Finance costs	<u>(16,242)</u>	<u>(1,227)</u>	<u>(1,508)</u>	<u>(188)</u>	<u>(19,165)</u>
(Loss)/profit before income tax	<u>(28,995)</u>	<u>15,072</u>	<u>17,627</u>	<u>10,993</u>	<u>14,697</u>
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
Depreciation of right-of-use assets	—	—	—	—	—
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/(reversal of 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	<u>405</u>	<u>(1,364)</u>	<u>—</u>	<u>(15,050)</u>	<u>(16,009)</u>

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

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

The entity is domiciled in Hong Kong. The revenue from external customers from Hong Kong for the year ended 30th June 2020 is approximately HK\$698,213,000 (2019: HK\$950,763,000), and the total of its revenue from external customers from other locations (mainly Mainland China) is approximately HK\$880,785,000 (2019: HK\$901,917,000).

At 30th June 2020, the total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is approximately HK\$175,586,000 (2019: HK\$179,050,000), and the total of these non-current assets located in other locations (mainly Mainland China) is approximately HK\$118,131,000 (2019: HK\$116,704,000).

4. Rental income

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	<u>7,509</u>	<u>7,442</u>

Outgoings in respect of investment properties that generate rental income amounted to approximately HK\$179,000 (2019: HK\$362,000).

5. Other (losses)/gains, net

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value (losses)/gains on investment properties	(3,564)	16,009
Fair value (losses)/gains on forward foreign exchange contracts held for trading		
– Realised	505	1,769
– Unrealised	(1,172)	(74)
Government grant (Note)	1,631	1,418
Net exchange gains	724	481
Others	208	31
	<u>(1,668)</u>	<u>19,634</u>

Note:

Pursuant to Mainland China local government policies, the Group received government grant amounted to RMB1,493,000 (2019: RMB1,248,000), equivalent to approximately HK\$1,631,000 (2019: HK\$1,418,000), from Mainland China local government authorities to support the operations in certain Mainland China regions with no special conditions attached.

6. Expenses by nature

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold excluding manufacturing costs	1,310,278	1,561,561
Auditor's remuneration		
– Audit services	2,870	2,310
– Non-audit services	267	603
Depreciation of property, plant and equipment	16,562	18,414
Depreciation of right-of-use assets	4,811	—
Amortisation of leasehold land and land use rights	—	653
Loss allowance on trade receivables	2,002	126
Provision for impairment of inventories, net	3,142	4,884
Gain on disposal of property, plant and equipment	(72)	(67)
Employee benefit expenses, including Directors' emoluments	120,935	131,149
Rental expenses of short-term leases in respect of land and buildings	6,814	—
Operating lease rentals in respect of land and buildings	—	10,450
Repairs and maintenance expenses	3,411	4,038
Transportation and packaging expenses	25,298	26,137
Travelling and office expenses	7,119	9,141
Utility expenses	12,653	13,782
Other expenses	48,346	63,756
	<u>1,564,436</u>	<u>1,846,937</u>
Total cost of sales, distribution costs and administrative expenses	<u>1,564,436</u>	<u>1,846,937</u>
Representing:		
Cost of sales	1,390,269	1,659,821
Distribution costs	70,799	77,352
Administrative expenses	103,368	109,764
	<u>1,564,436</u>	<u>1,846,937</u>

7. Finance income and costs

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	1,109	1,043
	<u>1,109</u>	<u>1,043</u>
Finance costs:		
– Interest on lease liabilities	(334)	—
– Interest on bank borrowings	(17,048)	(17,013)
– Net exchange loss on financing activities	(740)	(2,152)
	<u>(18,122)</u>	<u>(19,165)</u>
Finance costs, net	<u>(17,013)</u>	<u>(18,122)</u>

8. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable loss/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% (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax:		
Hong Kong profits tax	1,519	2,113
Mainland China corporate income tax	8,946	4,892
Over-provision in prior years	(578)	(362)
	<u>9,887</u>	<u>6,643</u>
Deferred income tax	<u>(4,073)</u>	<u>(3,224)</u>
	<u><u>5,814</u></u>	<u><u>3,419</u></u>

9. Dividends

- (a) On 27th February 2019, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2018.
- (b) On 27th September 2019, the Directors resolved not to declare any final dividend for the year ended 30th June 2019.
- (c) On 27th February 2020, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2019.
- (d) On 29th September 2020, the Directors resolved not to declare any final dividend for the year ended 30th June 2020.

10. (Loss)/earnings per share

Basic

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

	2020	2019
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(6,212)</u>	<u>7,806</u>
Weighted average number of ordinary shares in issue	<u>369,200,000</u>	<u>369,200,000</u>
Basic (loss)/earnings per share (HK cents per share)	<u>(1.68)</u>	<u>2.11</u>

Diluted

Dilutive (loss)/earnings per share for the years ended 30th June 2020 and 2019 equal basic (loss)/earnings per share as there was no dilutive potential ordinary share as at the years ended 30th June 2020 and 2019.

11. Trade and bills receivables

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	175,944	217,103
Less: loss allowance	<u>(4,797)</u>	<u>(4,760)</u>
	171,147	212,343
Bills receivables	<u>24,098</u>	<u>22,103</u>
	<u>195,245</u>	<u>234,446</u>

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	42,546	70,042
RMB	109,515	113,417
USD	<u>23,883</u>	<u>33,644</u>
	<u>175,944</u>	<u>217,103</u>

The carrying value of trade receivables approximates their fair values.

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

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

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	—	1,843
USD	1,078	3,904
RMB	23,020	16,356
	24,098	22,103

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\$16,584,000 (2019: HK\$10,660,000) with recourse in exchange for cash as at 30th June 2020. 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 (2019: 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 90 days	85,622	55,454
91 - 180 days	1,279	13
Over 180 days	356	1,512
	87,257	56,979

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	—	114
RMB	20,284	23,962
USD	66,973	32,903
	87,257	56,979

13. Commitments

(a) *Capital commitments*

At 30th June 2020, the Group had the following capital commitments for addition of property, plant and equipment:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted but not provided for	<u>3,629</u>	<u>1,221</u>

(b) *Other commitments*

On 15th June 2017, 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 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\$3,279,000), 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 be paid in form of cash to the agent of the Mainland China local 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\$5,464,000). On 7th May 2019, Wenling City People's Court of Zhejiang Province (the "Court") has made a judgement to invalidate the claim.

During the year ended 30th June 2020, the customer had further lodged a claim with amount approximately RMB5,000,000 (equivalent to approximately HK\$5,464,000) in respect of originally closed claim disclosed as above. The matter is currently being considered by the Court after the first hearing on 13th May 2020.

Considering the current appeal is still in progress, the judgements from the past appeals as well as the advice from its legal representative, the Directors does not consider any provision in respect of the case to be necessary.

DIVIDEND

The Directors have resolved not to declare any final dividend for the year ended 30th June 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16th November 2020 to Thursday, 19th November 2020 (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, 13th November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2020, the Coronavirus Disease 2019 (COVID-19) pandemic swiftly swiped the whole world, leading to the further fall in oil prices and plastic material prices remaining weak in the year, while the economic stagnation in various countries could ultimately trigger a global recession. Fortunately, oil prices have ceased falling recently, conducive to the stabilisation of plastic material prices.

In the year under review, cities in Mainland China were locked down for nearly two months due to the pandemic, bringing a halt to most of the domestic economic activities in February and March. Then the situation overseas deteriorated in March and April, which dealt a blow to the global economies. Companies experienced operating difficulties, while the Group's customers, no matter for domestic or foreign sales, were affected to different extents. Their prudent order placements and low inventory policy directly affected the Group's orders and as such both the inventory turnover days and the trade receivables turnover days were lengthened by eight days and four days respectively. Although economic activities in China gradually resumed to normal in late March and early April when the pandemic was coming under control, the Group was inevitably impacted despite rapidly imposing various remedial measures. For the year ended 30 June 2020, its total turnover decreased by 14.8% year-on-year to HK\$1,578,998,000 (2019: HK\$1,852,680,000).

In response to the severe business environment, the Group acted prudently in its order taking and imposed stringent cost control measures to counteract negative influence such as lower sales amount and volume, and higher costs and expenses. Overall gross profit dropped by 2.1% to HK\$188,729,000 (2019: HK\$192,859,000). As the Group actively optimised product mix in the year, reduced the proportion of trading business segment, enhanced the production of higher margin products, and also effectively trimmed costs and administrative expenses, its gross profit margin climbed 1.5 percentage points to 12% from the previous year. If excluding the fair value loss of investment properties, overall performance of core operations improved compared to last year. Loss attributable to equity holders of the Company was HK\$6,212,000 (2019: profit attributable to equity holders of the Company HK\$7,806,000). Basic loss per share were HK 1.68 cents (2019: earnings per share HK 2.11 cents).

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

As the pandemic affected development in Mainland China during the first half of 2020, the government focused on stimulating local consumption of the domestic market in the second half of 2019. Also, as the pandemic was coming under control in Mainland China and economic activities gradually returned to normal in late March and early April, orders started to rebound. Working from home in China and overseas had boosted demand in the food packaging and basic necessity market, bringing more orders to the Group's colorants, pigments and compounded plastic resins segment with main focus on the China market, thus making it the outstanding performer among three major businesses in the year. In view of the growing demand in Mainland China, the Group continued to expand its domestic sales of food packaging products, and extend its reach to daily necessities such as instant food and drinking water. Besides, demand for high-end sanitary products grew along with new homes built in Mainland China, boosting the Group's sales performance of related products. In order to secure more new orders, the Group not only expanded the production capacity of its Xiamen and Qingdao plants, but also brought the production technologies of high-end sanitary products from its Xiamen plant to the Northern China market, which had also started producing related products. Thanks to the Group's appropriate strategy, turnover of the segment grew by 4.5% year-on-year to HK\$311,061,000 despite the unfavourable operating environment. Gross profit margin rose slightly by 0.6 percentage point and profit before taxation also increased by 27.6%.

In the year under review, as plastic material prices continued to fall and orders from the Group's domestic automobile manufacturer customers declined on China-US trade negotiations, sales of the engineering plastic business was affected. As a result, the segment recorded turnover of HK\$177,051,000. The Group effectively controlled costs and the segment's gross profit margin increased by 5.3 percentage points. Profit before taxation also grew by 13.5% compared to the same period last year to HK\$20,000,000. Apart from maintaining its orders from the internationally-renowned brands, the Group had also continued to enrich its product portfolio, utilise its business advantages, focus on promoting higher margin products, and actively approach and engage in discussions with end customers, all in a bid to explore new income streams and expand its client base. The logistics industry experienced rapidly increasing demand amid the pandemic. The purchase amount of heavy and commercial vehicles in China also increased accordingly. By capitalising on its more than 50 years of industry experience and excellent reputation, the Group is set to secure more engineering plastic orders relating to heavy and commercial vehicles and broaden its existing customer portfolio.

The plastic trading business was adversely affected by the China-US trade negotiations, domestic economic slowdown and falling prices of raw materials. The outbreak of pandemic in the first half of 2020 had seriously hit the export-oriented customers, making them more cautious in the placing of orders. As a result, turnover of the business segment reduced by 18.4% to HK\$1,090,886,000. Despite these challenges, the Group continued to implement set strategies and maintain close ties with existing customers. That plus the more mature operation model of cooperating with internationally famous fast food restaurant chains contributed stable orders to the Group. Besides, the Group strived to provide materials for the developers of smart products, household goods and high-end kitchenware, thus opening up new income sources. In addition, the Group effectively reduced and controlled inventory, hence gross profit margin slightly rising 0.5 percentage point during the year. Apart from continuously implementing its stringent cost control measures, the Group will explore more ways to expand income streams and secure higher margin orders in order to maintain stable business.

PROSPECTS

Despite the gradual stabilising of oil prices, the stable prices of raw materials and part of the Group's businesses being boosted by the domestic consumption market recently, serious impacts posed on the global economy by the pandemic that lasted for almost half a year will take time to recover. Besides, the pandemic is not yet completely under control in the world and has even rebounded in many places. As such, it is difficult to anticipate the recovery of global economy. Given that there are still negative factors including uncertainties from Mainland China and abroad, which impact the export-oriented clients in Southern China, the management remains cautious towards future development in the long run.

In such a turbulent time as this year has been, the Group is more aware of difficulties and risks while enjoying stability for the moment. Adhering to its corporate philosophy of focusing on underlying business, the Group will keep abreast of the market trends, prepare sufficient risk prevention and management measures, including stringent inventory control, and maintain capital strength, so as to meet the challenges and opportunities in tougher times. On top of producing conventional home appliances and maintaining stable relations with large toy companies, the Group has stepped up direct liaison with end-customers, further allocating resources for signing up prospective end-customers of sanitary products and actively enlarging its market share in domestic consumption. Furthermore, the Group will continue to broaden its customer base, open up more income sources and explore more markets and regions with good potential. Meanwhile, it will also proactively approach international brands and also develop high value-added and high margin products clients such as kitchenware and smart equipment. As for cost control, the Group will continue to implement stringent cost control measures, including the reduction of administrative, distribution and production costs. It will also strive to enhance overall administrative efficiency through the sharing of internal resources, with the aim of achieving greater synergies in its operations.

In addition, new opportunities have been brought by the pandemic. Apart from the large online consumption market, the working from home model will become a new normal, driving the demand for smart home products. With years of experience in the industry, the Group will accurately target new opportunities to explore more new income sources. For example, it will proceed strategically to develop high value-added and high margin products clients such as smart home products to further optimise its product portfolio.

Coincidentally, this year marks the Group's 50th anniversary. The Group has continued to move forward after overcoming ups and downs in the past. The management team will continue to lead all staff to step forward and make another fifty years of success! In face of the challenges over the past year, the Group was able to achieve sustainable growth given the strong dedication of the Group's professional management team over the past years and the diligence and contribution of all staff. The Group, as always, will continue to make relentless efforts and strive to achieve long-term and stable growth as well as delivering long-term shareholder value.

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 2020 the Group has available aggregate banking facilities of approximately HK\$633,530,000 of which approximately HK\$364,608,000 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 2020 amounted to approximately HK\$126,094,000. The Group's gearing ratio as at 30th June 2020 was approximately 78.5%, based on the total bank borrowings of approximately HK\$365,377,000 and the shareholders' funds of approximately HK\$465,322,000.

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 2020, 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 as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sell HK dollars for US dollars	<u>507,000</u>	<u>156,000</u>

EMPLOYEE INFORMATION

As at 30th June 2020, the Group had approximately 634 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, 19th November 2020 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 2020, 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.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet as at 30th June 2020, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30th June 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance 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. CHAN Dit Lung (*Resigned on 31st March 2020*), Mr. CHING Yu Lung and Mr. YU Chi Kwong (*Appointed on 1st April 2020*). 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 2020 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. CHAN Dit Lung (*Resigned on 31st March 2020*), Mr. CHING Yu Lung and Mr. YU Chi Kwong (*Appointed on 1st April 2020*) 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 2020.

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 (*Resigned on 31st March 2020*), Mr. CHING Yu Lung and Mr. YU Chi Kwong (*Appointed on 1st April 2020*) 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 2020 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 (*Resigned on 31st March 2020*), Mr. CHING Yu Lung and Mr. YU Chi Kwong (*Appointed on 1st April 2020*).

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 2020 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, 29th September 2020

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.