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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 2022

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 2022 as follows:

Consolidated Income Statement

	Note	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers	2	1,738,775	1,971,074
Cost of sales	5	(1,435,641)	(1,623,857)
Gross profit		303,134	347,217
Other income	3	6,797	7,219
Other losses, net	4	(249)	(2,279)
Distribution costs	5	(88,273)	(86,125)
(Provision for)/reversal of loss allowance on trade receivables		(535)	430
Administrative expenses	5	(124,375)	(136,050)
Operating profit		96,499	130,412
Finance income		898	1,137
Finance costs		(8,470)	(9,952)
Finance costs, net	6	(7,572)	(8,815)
Profit before income tax		88,927	121,597
Income tax expense	7	(22,483)	(25,178)
Profit for the year		66,444	96,419
Attributable to:			
Equity holders of the Company		56,598	89,865
Non-controlling interests		9,846	6,554
		66,444	96,419
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cent per share)			
– Basic and diluted	9	15.33	24.34

Consolidated Statement of Comprehensive Income

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	66,444	96,419
Other comprehensive income:		
<u>Item that will not be reclassified subsequently to income statement:</u>		
Fair value gain of financial asset at fair value though other comprehensive income (“FVOCI”)	717	363
<u>Item that may be reclassified subsequently to income statement:</u>		
Currency translation differences	44	41,242
Other comprehensive income for the year	761	41,605
Total comprehensive income for the year	67,205	138,024
Total comprehensive income attributable to:		
– Equity holders of the Company	57,148	130,479
– Non-controlling interests	10,057	7,545
	67,205	138,024

Consolidated Balance Sheet

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		111,503	113,126
Right-of-use assets		30,826	27,107
Investment properties		155,160	155,013
Intangible assets		—	—
Financial asset at fair value through other comprehensive income		2,943	2,226
Deferred income tax assets		9,090	8,132
Deposits and prepayments for property, plant and equipment and renovation costs		4,118	3,458
		313,640	309,062
Current assets			
Inventories		413,468	238,324
Trade and bills receivables	10	233,142	276,823
Other receivables, prepayments and deposits		48,824	32,240
Income tax recoverable		861	784
Restricted bank deposits		38,797	38,344
Cash and cash equivalents		178,926	206,579
		914,018	793,094
Total assets		1,227,658	1,102,156
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		61,281	60,731
Retained earnings		464,592	428,300
		625,259	588,417
Non-controlling interests		33,787	31,727
Total equity		659,046	620,144

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		6,261	4,496
Lease liabilities		8,201	4,014
Provision for reinstatement costs		884	23
		<u>15,346</u>	<u>8,533</u>
Current liabilities			
Trade and bills payables	11	87,336	78,252
Other payables, deposits received and accruals		51,506	57,655
Lease liabilities		5,013	4,784
Bank borrowings		392,827	319,708
Derivative financial instruments		296	23
Income tax payable		16,288	13,057
		<u>553,266</u>	<u>473,479</u>
Total liabilities		<u>568,612</u>	<u>482,012</u>
Total equity and liabilities		<u>1,227,658</u>	<u>1,102,156</u>

Notes:

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial asset at fair value through other comprehensive income and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

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.

(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 2021:

Amendments to Hong Kong Accounting Standard (“HKAS”) 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
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Amendments to HKFRS 16	COVID-19 Related Rent Concessions Beyond 30th June 2021
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The adoption of the above new standards, amendments to standards and interpretation did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *The following new standards and amendments to standards have been issued but are not effective for the annual period beginning 1st July 2021 and have not been early adopted:*

Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 ¹
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 17	Amendments to HKFRS 17 ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction ²
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

⁽²⁾ Effective for annual periods beginning on or after 1st January 2023

⁽³⁾ To be determined

The Group has completed an assessment of the impact of the new standards and amendments to standards on its results of operations and financial position. However, none of the above new standards and amendments to standards is expected to have a significant effect on the financial statements.

2. Revenue from contracts with customers and segment information

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of goods	<u>1,738,775</u>	<u>1,971,074</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities, included in other payables and accruals	<u>9,510</u>	<u>8,355</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>8,355</u>	<u>3,880</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 2022 is as follows:

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

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

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

The segment information provided to the CODM for the reportable segments for the year ended 30th June 2021 is as follows:

	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	Group HK\$'000
Turnover					
– Gross revenue	1,402,379	376,556	263,048	—	2,041,983
– Inter-segment revenue	(68,964)	(1,820)	(125)	—	(70,909)
Revenue from external customers	<u>1,333,415</u>	<u>374,736</u>	<u>262,923</u>	<u>—</u>	<u>1,971,074</u>
Operating profit/(loss)	<u>61,250</u>	<u>30,102</u>	<u>39,578</u>	<u>(518)</u>	<u>130,412</u>
Finance income	178	804	155	—	1,137
Finance costs	(7,944)	(1,187)	(821)	—	(9,952)
Profit/(loss) before income tax	<u>53,484</u>	<u>29,719</u>	<u>38,912</u>	<u>(518)</u>	<u>121,597</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	114	12,172	9,644	—	21,930
Depreciation of property, plant and equipment	791	9,256	7,610	384	18,041
Depreciation of right-of-use assets	343	4,195	897	206	5,641
(Reversal of)/provision for impairment of inventories, net	(6,803)	191	(181)	—	(6,793)
Provision for/(reversal of) loss allowance on trade receivables	100	(444)	(86)	—	(430)
Fair value gains on derivative financial instruments	(1,476)	—	—	—	(1,476)
Fair value losses/(gains) on investment properties	<u>3,607</u>	<u>(220)</u>	<u>—</u>	<u>(710)</u>	<u>2,677</u>

The segment information provided to the CODM for the reportable segments as at 30th June 2021 is as follows:

	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	Group HK\$'000
Segment assets	<u>396,127</u>	<u>367,330</u>	<u>196,950</u>	<u>141,749</u>	<u>1,102,156</u>
Segment liabilities	(88,863)	(37,487)	(32,256)	(3,698)	(162,304)
Borrowings	<u>(272,504)</u>	<u>(9,524)</u>	<u>(37,680)</u>	<u>—</u>	<u>(319,708)</u>
	<u>(361,367)</u>	<u>(47,011)</u>	<u>(69,936)</u>	<u>(3,698)</u>	<u>(482,012)</u>

The entity is domiciled in Hong Kong. The revenue from external customers from Hong Kong for the year ended 30th June 2022 is approximately HK\$785,599,000 (2021: HK\$923,925,000), and the total of its revenue from external customers from other locations (mainly Mainland China) is approximately HK\$953,176,000 (2021: HK\$1,047,149,000).

At 30th June 2022, the total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is approximately HK\$175,233,000 (2021: HK\$176,983,000), and the total of these non-current assets located in other locations (mainly Mainland China) is approximately HK\$126,374,000 (2021: HK\$121,721,000).

3. Other income

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	6,741	7,219
Other income	56	—
	<u>6,797</u>	<u>7,219</u>

Outgoings in respect of investment properties that generate rental income amounted to approximately HK\$749,000 (2021: HK\$520,000).

4. Other losses, net

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value gains/(losses) on investment properties	147	(2,677)
Fair value gains on forward foreign exchange contracts held for trading		
– Realised	292	186
– Unrealised	(273)	1,290
Government grant (Note)	—	451
Net exchange losses	<u>(415)</u>	<u>(1,529)</u>
	<u>(249)</u>	<u>(2,279)</u>

Note:

During the year ended 30th June 2021, pursuant to Mainland China local government policies, the Group received government grant amounted to RMB379,000, equivalent to approximately HK\$451,000, from Mainland China local government authorities to support the operations in certain Mainland China regions with no special conditions attached.

5. Expenses by nature

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold excluding manufacturing costs	1,342,641	1,538,983
Auditor's remuneration		
– Audit services	2,094	2,742
– Non-audit services	639	359
Depreciation of property, plant and equipment	18,565	18,041
Depreciation of right-of-use assets	5,850	5,641
Provision for/(reversal of) impairment of inventories, net	1,904	(6,793)
Loss on disposal of property, plant and equipment	539	1
Employee benefit expenses, including Directors' emoluments (Note (i))	150,713	159,148
Operating lease rentals in respect of buildings	6,830	6,125
Provision for claim related to a legal case (Note (ii))	—	3,802
Repairs and maintenance expenses	5,349	6,451
Transportation and packaging expenses	29,183	31,300
Travelling and office expenses	6,410	7,473
Utility expenses	15,908	16,061
Other expenses	61,664	56,698
	1,648,289	1,846,032
Representing:		
Cost of sales	1,435,641	1,623,857
Distribution costs	88,273	86,125
Administrative expenses	124,375	136,050
	1,648,289	1,846,032

Notes:

- (i) During the year ended 30th June 2022, the Hong Kong Special Administrative Region Government has launched the "Employment Support Scheme" (ESS) providing wage subsidies to eligible subsidiaries of the Group. Government grants amounted to HK\$48,000 (2021: HK\$4,043,000) are deducted in the employee benefit expenses. There are no unfulfilled conditions or other contingencies attached to the grants.
- (ii) In accordance to a judgement dated 29th January 2021 from Wenling City People's Court of Zhejiang Province, the Group was held liable to pay a customer compensation amounted to RMB3,193,000 (equivalent to approximately HK\$3,802,000). Full provision against such amount has been made.

6. Finance income and costs

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	898	1,087
– Net exchange gains on financing activities	—	50
	<u>898</u>	<u>1,137</u>
Finance costs:		
– Interest on lease liabilities	(345)	(439)
– Interest on bank borrowings	(8,125)	(9,513)
	<u>(8,470)</u>	<u>(9,952)</u>
Finance costs, net	<u>(7,572)</u>	<u>(8,815)</u>

7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 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% (2021: 25%), except that certain subsidiaries are subject to preferential tax rates ranging from 5% to 15% (2021: 5% to 15%) and other preferential tax treatments. A subsidiary in Dongguan which was certified as High and New Technology Enterprises and is entitled to a concessionary tax rate of 15% for three consecutive years from 2020 to 2023. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	4,359	3,970
– Mainland China corporate income tax	17,324	18,504
– Over-provision in prior years	(7)	(1,506)
	<u>21,676</u>	<u>20,968</u>
Deferred income tax	<u>807</u>	<u>4,210</u>
	<u>22,483</u>	<u>25,178</u>

8. Dividends

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim, paid, of HK1.5 cents (2021: HK1.0 cent) per ordinary share	5,538	3,692
Special, paid, of Nil (2021: HK1.0 cent) per ordinary share	—	3,692
Final, proposed, of HK2.0 cents (2021: HK1.0 cent) per ordinary share	7,384	3,692
Special, proposed, of Nil (2021: HK3.0 cents) per ordinary share	—	11,076
	<u>12,922</u>	<u>22,152</u>

- (a) On 25th February 2021, the Directors declared an interim dividend of HK1.0 cent per share, totalling HK\$3,692,000 for the six months ended 31st December 2020.
- (b) On 25th February 2021, the Directors declared a special dividend of HK1.0 cent per share, totalling HK\$3,692,000 for the six months ended 31st December 2020.
- (c) On 28th September 2021, the Directors proposed a final dividend of HK1.0 cent per share, totalling HK\$3,692,000 for the year ended 30th June 2021, which was paid during the year ended 30th June 2022, and has been reflected as an appropriation of retained earnings for the year ended 30th June 2022.
- (d) On 28th September 2021, the Directors proposed a special dividend of HK3.0 cents per share, totalling HK\$11,076,000 for the year ended 30th June 2021, which was paid during the year ended 30th June 2022, and has been reflected as an appropriation of retained earnings for the year ended 30th June 2022.
- (e) On 24th February 2022, the Directors declared an interim dividend of HK1.5 cents per share, totalling HK\$5,538,000 for the six months ended 31st December 2021.
- (f) On 29th September 2022, the Directors proposed a final dividend of HK2.0 cents per share, totalling HK\$7,384,000. This proposed dividend was not reflected as a dividend payable in the financial statements and will be reflected as an appropriation of retained earnings for the year ending 30th June 2023.

9. 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.

	2022	2021
Profit attributable to equity holders of the Company (HK\$'000)	<u>56,598</u>	<u>89,865</u>
Weighted average number of ordinary shares in issue	<u>369,200,000</u>	<u>369,200,000</u>
Basic earnings per share (HK cents per share)	<u>15.33</u>	<u>24.34</u>

Diluted

Dilutive earnings per share for the years ended 30th June 2022 and 2021 equal basic earnings per share as there was no dilutive potential ordinary share as at the years ended 30th June 2022 and 2021.

10. Trade and bills receivables

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	214,196	248,141
Less: loss allowance	<u>(5,305)</u>	<u>(4,770)</u>
	208,891	243,371
Bills receivables	<u>24,251</u>	<u>33,452</u>
	<u>233,142</u>	<u>276,823</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$	76,978	98,843
RMB	111,507	117,296
USD	<u>25,711</u>	<u>32,002</u>
	<u>214,196</u>	<u>248,141</u>

The carrying value of trade receivables approximates their fair values.

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

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Below 90 days	197,952	231,983
91 - 180 days	11,083	11,351
Over 180 days	<u>5,161</u>	<u>4,807</u>
	<u>214,196</u>	<u>248,141</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$	446	573
USD	583	4,138
RMB	<u>23,222</u>	<u>28,741</u>
	<u>24,251</u>	<u>33,452</u>

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

Certain subsidiaries of the Group transferred certain bank's acceptance bills amounting to approximately HK\$12,735,000 (2021: HK\$11,031,000) with recourse in exchange for cash as at 30th June 2022. 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 (2021: same). The Group does not hold any collateral as security.

11. Trade and bills payables

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Below 90 days	85,730	76,975
91 - 180 days	750	367
Over 180 days	856	910
	<u>87,336</u>	<u>78,252</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
RMB	35,326	28,126
USD	52,010	50,126
	<u>87,336</u>	<u>78,252</u>

12. Commitments

(a) Capital commitments

At 30th June 2022, the Group had the following capital commitments for addition of property, plant and equipment:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted but not provided for	<u>976</u>	<u>4,392</u>

(b) Other commitments

On 15th June 2022, the Group entered into a non-cancellable operating lease agreement with an agent of the Mainland China local government authority to lease an industrial building premise for 5 years with a minimum lease payment of RMB11 per square meter. During the non-cancellable lease period, the Group commits an accumulated three years tax payment of RMB10,000,000 (equivalent to approximately HK\$11,905,000), including the corporate income tax and value added tax, from its business operation in the region to the Mainland China local government authority. Any shortfall on the committed tax payment would cause 15% increase in monthly lease payment in the subsequent year.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK2.0 cents (2021: a final dividend of HK1.0 cent and a special dividend of HK3.0 cents) per share for the year ended 30th June 2022. The proposed final dividend, together with the interim dividend HK1.5 cents (2021: an interim dividend of HK1.0 cent and a special dividend of HK1.0 cent) per share already paid, will make a total distribution of HK3.5 cents per share for the year under review (2021: HK6.0 cents). The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company to be held on Thursday, 17th November 2022 (the “AGM”), will be payable in cash on Friday, 9th December 2022 to members whose names appear on the register of members of the Company on Monday, 28th November 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14th November 2022 to Thursday, 17th November 2022 (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, 11th November 2022.

The register of members of the Company will be closed from Thursday, 24th November 2022 to Monday, 28th November 2022 (both dates inclusive) during which period no transfer of shares will be registered for determining the shareholders of the Company who are entitled to the proposed final dividend for the year ended 30th June 2022. In order to qualify for the proposed final dividend for the year ended 30th June 2022, 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 Wednesday, 23rd November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global landscape in 2021/22 was complex and volatile, with geopolitical tensions and a weak overall market and economy. In the first half of 2022, affected by supply risk concerns brought by the situation in Russia and Ukraine, international crude oil prices continued to rise, further pushing up plastic raw material prices. International shipping and supply chains have not yet recovered to pre-pandemic levels and the ongoing COVID-19 epidemic has also hindered economic recovery.

Due to the uncertain economic environment, customers remained cautious about placing orders and adopted low inventory strategies, which affected the overall sales volume of the Group. For the year ended 30th June 2022, the Group’s total turnover was HK\$1,738,775,000 (2021: HK\$1,971,074,000), a decrease of 11.8% over the previous year.

During the year under review, the Group's overall gross profit decreased by 12.7% year-on-year to HK\$303,134,000 (2021: HK\$347,217,000), mainly due to the decline in overall sales volume. The gross profit margin decreased slightly by 0.2 percentage points from the same period last year to 17.4%. Profit attributable to equity holders of the Company was HK\$56,598,000 (2021: HK\$89,865,000), the decrease was primarily due to the fall in turnover. Basic earnings per share were HK15.33 cents (2021:HK24.34 cents).

To reward shareholders for their unwavering support for the Group, the Board of Directors has recommended the payment of a final dividend of HK2.0 cents per share (2021: a final dividend of HK1.0 cent per share and a special dividend of HK3.0 cents per share).

During the year under review, the turnover of the engineering plastic business increased by 8.5% year-on-year to HK\$285,249,000 (2021: HK\$262,923,000). The gross profit margin fell modestly by 1.6 percentage points, and profit before income tax increased by 19.1% year-on-year to HK\$46,339,000 (2021: HK\$38,912,000). The continued high prices of raw material have led some customers to actively seek alternatives. As engineering plastics are tailored for customers' needs, they can be used to replace certain raw materials as well as to improve product performance, production capacity and efficiency. The pandemic has raised public awareness of infection prevention and hygiene, creating new opportunities for the Group. As such, the Group has flexibly adjusted its business scope, actively expanded its customer base and cooperated with local manufacturers to launch anti-epidemic products, which enabled it to secure orders from new local customers. At the same time, more companies are adopting flexible work-from-home arrangements. The change in people's living and working patterns has stimulated demand for general household appliances such as kitchenware, thus orders for household appliances and high-end kitchenware remained stable.

The Group's production and operation activities were partly affected by the anti-epidemic policy in Mainland China during the year, and its production capacity was not fully released. Turnover of the colorant, pigment and compounded plastic resin business decreased by 5.2% year-on-year to HK\$355,172,000 (2021: HK\$374,736,000). The gross profit margin also decreased by 1.2 percentage points. Moreover, the strong US dollar pushed up procurement costs, which in turn resulted in a decline in profit before income tax of 32.3% to HK\$20,106,000 (2021: HK\$29,719,000). The colorant, pigment and compounded plastic resin business has, however, built a stable customer base in sectors such as automotive applications, food packaging and construction materials. Although the completion area of residential properties in Mainland China declined when compared with last year and the demand for construction materials softened, the Group believes that high-end sanitary products still have development potential, hence it will continue to develop related markets going forward so as to secure more orders with higher gross profit margins.

Turnover from the plastic trading business declined by 17.6% year-on-year to HK\$1,098,354,000 (2021: HK\$1,333,415,000), mainly due to the slowdown in Mainland China's economic growth in the first half of 2022, the slump in demand for raw materials from the traditional automobile and construction material industries, and the delay in international shipping during the year. As a result, customers adopted a prudent ordering strategy which has affected the Group's sales volume and led to a decline in turnover. The gross profit margin was basically similar to the same period last year. In addition, the Group has implemented a more cautious inventory provision estimation in view of recent economic uncertainties. As a result, profit before income tax decreased by 56.4% to HK\$23,308,000 (2021: HK\$53,484,000).

PROSPECTS

The global economy remained uncertain in the second half of 2022. With many countries in Europe and the US entering the interest rate hike cycle and the US dollar continuing to strengthen, the market is concerned about a possible slowdown in economic recovery as a result of anti-inflation measures, while the ongoing war between Russia and Ukraine has intensified geopolitical risks. In Mainland China, economic growth slowed down in the first half year as a result of the pandemic. However, with a rise in vaccination rates and the improving pandemic situation, the overall economy is expected to pick up starting from the end of this year or early next year. The Group will continue to keep a close watch on market changes.

The current international shipping situation is much smoother than last year, but has not yet returned to its normal, pre-pandemic state, and freight rates also continue to hover at high levels. In the past two years, surging international oil prices have kept plastic material prices high. This, coupled with factors such as shipping delays, has caused customers to increase their inventory levels. The Group has also noticed that an increasing number of customers are adopting a more conservative approach to placing orders under the current challenging operating environment. However, the Group had made preparations in the first half year and adopted flexible strategies to more effectively manage its production, operations, logistics, supply chain and financial management. It has also worked closely with customers and suppliers and ensured stable business development by taking a prudent approach.

Over the past two years, the Group has been actively expanding into new customer segments and, as a result, has obtained orders from end-customers for products with higher added-value and high margins such as premium kitchenware and smart devices. While recent raw material prices have fallen slightly, the Group is aware that customers are still looking for alternatives and it believes that engineering plastics can replace more and wider array of raw materials in the future. The Group will continue to explore other business opportunities drawing on its wealth of experience. Believing that sustainable materials will be one of the future trends, it has stepped up efforts in conducting projects pertaining to environmentally friendly plastic materials, in the hope of providing customers with products that can meet market expectations.

It is the support of the management team and customers, as well as the diligence and contributions of all staff members, that has allowed the Group to overcome various challenges amid the pandemic. I would like to express my sincere gratitude to aforementioned parties. As always, led by a professional management team, the Group will continue to execute sound, pragmatic and aggressive business strategies and utilize its years of industry experience to stand out in the market and bring long-term returns to shareholders.

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 2022, the Group has available aggregate banking facilities of approximately HK\$570,548,000 of which approximately HK\$382,814,000 have been utilised and were secured by corporate guarantees issued by the Company and legal charges on certain leasehold land and buildings, investment properties and restricted bank deposits in Mainland China and Hong Kong owned by the Group. The Group's cash and cash equivalents as at 30th June 2022 amounted to approximately HK\$178,926,000. The Group's gearing ratio as at 30th June 2022 was approximately 62.8%, based on the total bank borrowings of approximately HK\$392,827,000 and the shareholders' funds of approximately HK\$625,259,000.

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.

As at 30th June 2022, the maximum notional amount for the outstanding settlement committed by the Group in respect of forward contracts in order to manage the Group's exposure in foreign currencies from its operations is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sell HK dollars for US dollars	<u>358,800</u>	<u>78,000</u>

EMPLOYEE INFORMATION

As at 30th June 2022, the Group had approximately 618 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, 17th November 2022 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 2022, except for the deviation as mentioned below.

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30th June 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee of the Company (the “Audit Committee”) provides an important link between the Board and the Company’s auditor in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three independent non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual financial statements for the year ended 30th June 2022 with the Directors.

REMUNERATION COMMITTEE

The Company has formulated written terms of reference for the remuneration committee of the Company (the “Remuneration Committee”) which stated clearly its authorities and duties in accordance with the requirements of HKSE. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong and an executive Director, Mr. HUI Sai Chung.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive Directors and senior management. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives. The Remuneration Committee held two meetings during the year ended 30th June 2022.

NOMINATION COMMITTEE

A nomination committee of the Company (the “Nomination Committee”) was established on 26th March 2012 with written terms of reference in accordance with the requirements of HKSE. The Nomination Committee consists of three independent non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong and an executive Director, Mr. HUI Sai Chung.

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

The Nomination Committee meets at least once a year to assess the structure, size and composition of the Board. The Nomination Committee held two meetings during the year ended 30th June 2022 to review the structure, size and composition (including the skills, knowledge and experience) of the Board.

CORPORATE GOVERNANCE COMMITTEE

A corporate governance committee of the Company (the “Corporate Governance Committee”) was established on 26th March 2012 with written terms of reference in accordance with the CG Code. The Corporate Governance Committee consists of all independent non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong.

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

The Corporate Governance Committee meets at least once a year to review the corporate governance functions. The Corporate Governance Committee held two meetings during the year ended 30th June 2022 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 2022

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.