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NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER 2023

The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2023 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended	
		31st December	
		2023	2022
	Note	HK\$'000	HK\$'000
Revenue from contracts with customers	3	649,296	637,858
Cost of sales		(559,383)	(565,862)
Gross profit		89,913	71,996
Other income		4,231	6,263
Other gains, net	4	184	4,099
Distribution costs		(42,815)	(42,533)
Administrative expenses		(55,036)	(60,853)
Operating loss	5	(3,523)	(21,028)
Finance income	6	683	597
Finance costs	6	(12,158)	(8,290)
Finance costs, net		(11,475)	(7,693)
Loss before income tax		(14,998)	(28,721)
Income tax expense	7	(4,474)	(6,588)
Loss for the period		(19,472)	(35,309)

		Unaudited	
		Six months ended 31st	
		December	
		2023	2022
Note		<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
	Equity holders of the Company	(18,412)	(34,092)
	Non-controlling interests	<u>(1,060)</u>	<u>(1,217)</u>
		<u>(19,472)</u>	<u>(35,309)</u>
Loss per share for loss attributable to the equity holders of the Company during the period (expressed in HK cent per share)			
	– Basic	9 <u>(4.99)</u>	<u>(9.23)</u>
	– Diluted	9 <u>(4.99)</u>	<u>(9.23)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended	
	31st December	
	2023	2022
	HK\$'000	HK\$'000
Loss for the period	(19,472)	(35,309)
Other comprehensive loss:		
<u>Item that will not be reclassified subsequently to income statement:</u>		
Fair value loss of financial asset at fair value through other comprehensive income (“FVOCI”)	(292)	(452)
<u>Item that may be reclassified subsequently to income statement:</u>		
Currency translation differences	—	(39,042)
Other comprehensive loss for the period	(292)	(39,494)
Total comprehensive loss for the period	(19,764)	(74,803)
Total comprehensive loss attributable to:		
Equity holders of the Company	(18,622)	(72,496)
Non-controlling interests	(1,142)	(2,307)
	(19,764)	(74,803)

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 31st December 2023 <i>HK\$'000</i>	Audited 30th June 2023 <i>HK\$'000</i>
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		95,550	99,714
Right-of-use assets		22,359	25,333
Investment properties		155,426	155,426
Intangible assets		—	—
Financial asset at fair value through other comprehensive income		2,052	2,344
Financial asset at fair value through profit and loss		5,822	—
Deferred income tax assets		10,789	9,102
Deposits and prepayment for property, plant and equipment and renovation costs		5,636	3,024
		297,634	294,943
Current assets			
Inventories		255,071	266,938
Trade and bills receivables	10	235,087	217,246
Other receivables, prepayments and deposits		36,860	24,868
Income tax recoverable		4,325	555
Restricted bank deposits		36,345	36,082
Cash and bank balances		108,968	150,637
		676,656	696,326
Total assets		974,290	991,269

		Unaudited 31st December 2023 <i>HK\$'000</i>	Audited 30th June 2023 <i>HK\$'000</i>
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		6,552	6,762
Retained earnings		390,301	405,201
		<u>496,239</u>	<u>511,349</u>
Non-controlling interests		19,389	25,155
Total equity		<u><u>515,628</u></u>	<u><u>536,504</u></u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		5,027	6,275
Lease liabilities		1,870	4,154
Provision for reinstatement costs		907	23
		<u>7,804</u>	<u>10,452</u>
Current liabilities			
Trade payables	11	68,049	56,769
Other payables, deposits received and accruals		44,248	36,996
Lease liabilities		4,724	5,774
Bank borrowings		326,877	338,922
Derivative financial instruments		335	135
Income tax payable		6,625	5,717
		<u>450,858</u>	<u>444,313</u>
Total liabilities		<u><u>458,662</u></u>	<u><u>454,765</u></u>
Total equity and liabilities		<u><u>974,290</u></u>	<u><u>991,269</u></u>
Net current assets		<u><u>225,798</u></u>	<u><u>252,013</u></u>
Total assets less current liabilities		<u><u>523,432</u></u>	<u><u>546,956</u></u>

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 31st December 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. This condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30th June 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30th June 2023, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2.1 *New and amended standards adopted by the Group*

The Group has applied the following new standards and amendments to standards for the first time for the annual period beginning on 1st July 2023:

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

The adoption of the above new standards and amendments to standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 Impact of standards issued but not yet applied by the Group

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1st July 2023 and have not been early adopted:

HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current ¹
HKAS 1 (Amendment)	Non-current liabilities with Covenants ¹
HKFRS 16 (Amendment)	Lease Liability in a Sales and Leaseback ¹
Hong Kong - Interpretation 5 (2020) (Amendment)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements ¹
HKAS 21 (Amendment)	Lack of Exchangeability ²
HKFRS 10 and HKAS 28 (Amendment)	Sale 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 2024

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

⁽³⁾ To be determined

The Group has commenced, but not yet 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 Group's financial performance and position.

3 Revenue from contracts with customers and segment information

	Unaudited	
	Six months ended 31st December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sales of goods	<u>649,296</u>	<u>637,858</u>

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

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

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 plastic”) 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 condensed consolidated interim financial information.

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

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2023 is as follows:

	Unaudited				Group <i>HK\$'000</i>
	Trading <i>HK\$'000</i>	Colorants <i>HK\$'000</i>	Engineering plastic <i>HK\$'000</i>	Others <i>HK\$'000</i>	
Revenue from contracts with customers					
– Gross revenue	428,976	186,307	65,136	—	680,419
– Inter-segment revenue	(30,185)	(938)	—	—	(31,123)
Revenue from external customers	<u>398,791</u>	<u>185,369</u>	<u>65,136</u>	<u>—</u>	<u>649,296</u>
Operating (loss)/profit	<u>(13,543)</u>	<u>14,883</u>	<u>(1,253)</u>	<u>(3,610)</u>	<u>(3,523)</u>
Finance income	388	281	14	—	683
Finance costs	(10,524)	(742)	(789)	(103)	(12,158)
(Loss)/profit before income tax	<u>(23,679)</u>	<u>14,422</u>	<u>(2,028)</u>	<u>(3,713)</u>	<u>(14,998)</u>
Other information:					
Capital expenditures	269	3,845	2,365	8	6,487
Depreciation of property, plant and equipment	172	4,225	2,723	570	7,690
Depreciation of rights-of-use assets	157	2,221	492	104	2,974
Provision for impairment of inventories, net	718	216	4,861	—	5,795
Reversal of provision for loss allowance on trade receivables	(489)	(948)	(122)	—	(1,559)
Fair value gains on derivative financial instruments	<u>100</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>100</u>

The segment information provided to the CODM for the reportable segments as at 31st December 2023 is as follows:

	Unaudited				Group <i>HK\$'000</i>
	Trading <i>HK\$'000</i>	Colorants <i>HK\$'000</i>	Engineering plastic <i>HK\$'000</i>	Others <i>HK\$'000</i>	
Segment assets	<u>373,554</u>	<u>326,829</u>	<u>123,606</u>	<u>150,301</u>	<u>974,290</u>
Segment liabilities	(75,389)	(38,047)	(14,492)	(3,857)	(131,785)
Segment borrowings	(268,480)	(34,009)	(19,809)	(4,579)	(326,877)
	<u>(343,869)</u>	<u>(72,056)</u>	<u>(34,301)</u>	<u>(8,436)</u>	<u>(458,662)</u>

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2022 is as follows:

	Unaudited				Group HK\$'000
	Trading HK\$'000	Colorants HK\$'000	Engineering plastic HK\$'000	Others HK\$'000	
Revenue from contracts with customers					
– Gross revenue	446,175	157,061	64,279	—	667,515
– Inter-segment revenue	(28,812)	(835)	(10)	—	(29,657)
Revenue from external customers	<u>417,363</u>	<u>156,226</u>	<u>64,269</u>	<u>—</u>	<u>637,858</u>
Operating (loss)/profit	<u>(25,018)</u>	<u>7,332</u>	<u>(1,048)</u>	<u>(2,294)</u>	<u>(21,028)</u>
Finance income	378	194	25	—	597
Finance costs	(6,888)	(392)	(696)	(314)	(8,290)
(Loss)/profit before income tax	<u>(31,528)</u>	<u>7,134</u>	<u>(1,719)</u>	<u>(2,608)</u>	<u>(28,721)</u>
Other information:					
Capital expenditures	24	4,550	2,072	36	6,682
Depreciation of property, plant and equipment	274	4,632	2,999	223	8,128
Depreciation of rights-of-use assets	224	2,276	486	55	3,041
Provision for/(reversal of) impairment of inventories, net	2,849	(240)	742	—	3,351
(Reversal of)/provision for loss allowance on trade receivables, net	(548)	422	87	—	(39)
Fair value gains on derivative financial instruments	<u>560</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>560</u>

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

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

The entity is domiciled in Hong Kong. The revenue from external customers from Hong Kong for the six months ended 31st December 2023 is approximately HK\$169,033,000 (six months ended 31st December 2022: HK\$197,096,000) and the total of its revenue from external customers from other locations (mainly in Mainland China) is approximately HK\$480,263,000 (six months ended 31st December 2022: HK\$440,762,000).

At 31st December 2023, the total of non-current assets other than financial instruments and deferred income tax assets located in Hong Kong is approximately HK\$171,992,000 (as at 30th June 2023: HK\$173,281,000) and the total of these non-current assets located in other locations (mainly in Mainland China) is approximately HK\$106,979,000 (as at 30th June 2023: HK\$110,216,000).

4 Other gains, net

	Unaudited	
	Six months ended 31st December	
	HK\$'000	HK\$'000
Net exchange (loss)/gain	(772)	2,534
Fair value gains from derivative financial instruments	100	560
Fair value losses from financial asset through profit and loss	(1,535)	—
Others	2,391	1,005
	<u>184</u>	<u>4,099</u>

5 Operating loss

Operating loss is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended 31st December	
	2023	2022
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses included in cost of sales	506,806	511,405
Depreciation of property, plant and equipment	7,690	8,128
Depreciation of rights-of-use assets	2,974	3,041
Short-term lease rentals in respect of land and buildings	4,050	4,849
Employee benefit expenses, including Directors' emoluments	65,839	67,199
Reversal of provision for loss allowance on trade receivables	(1,559)	(39)
Provision for impairment of inventories, net	5,795	3,351
	<u>5,795</u>	<u>3,351</u>

6 Finance income and costs

	Unaudited	
	Six months ended 31st December	
	2023	2022
	HK\$'000	HK\$'000
Finance income:		
– Interest income from bank deposits	338	273
– Net exchange gains on financing activities	345	324
	<u>683</u>	<u>597</u>
	-----	-----
Finance costs:		
– Interests on bank borrowings	(11,981)	(8,049)
– Interests on lease liabilities	(177)	(241)
	<u>(12,158)</u>	<u>(8,290)</u>
	-----	-----
Finance costs, net	<u>(11,475)</u>	<u>(7,693)</u>

7 Income tax expense

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the period (2022: same). Income tax on the Group's subsidiaries established and operate in Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation as applicable to the relevant subsidiaries.

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

	Unaudited	
	Six months ended 31st December	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	—	—
– Mainland China corporate income tax	7,409	3,900
	<u>7,409</u>	<u>3,900</u>
Deferred income tax (credit)/charge	<u>(2,935)</u>	<u>2,688</u>
	-----	-----
	<u>4,474</u>	<u>6,588</u>

Deferred income tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31st December 2023, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to HK\$439,608,000 (as at 30th June 2023: HK\$396,567,000). Aside from tax losses generated from certain subsidiaries incorporated in Mainland China amounted to HK\$55,718,000 (as at 30th June 2023: HK\$42,776,000) with expiry dates from 2022 to 2026, the remaining tax losses have no expiry date. The potential deferred income tax assets in respect of these tax losses which have not been recognised amounted to approximately HK\$77,217,000 (as at 30th June 2023: HK\$69,070,000).

8 Dividends

On 29th September 2022, the Directors proposed a final dividend of HK2.0 cents per share, totalling HK\$7,384,000 for the year ended 30th June 2022, which was paid during the six months 31st December 2022.

On 27th February 2023, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2022.

On 28th September 2023, the Directors resolved not to declare any final dividend for the year ended 30th June 2023.

On 28th February 2024, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2023.

9 Loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the period of HK\$18,412,000 (six months ended 31st December 2022: HK\$34,092,000) and 369,200,000 (six months ended 31st December 2022: 369,200,000) ordinary shares in issue during the period.

Dilutive loss per share for the period ended 31st December 2023 and 2022 equal basic loss per share as there was no dilutive potential ordinary share as at the period ended 31st December 2023 and 2022.

10 Trade and bills receivables

	Unaudited 31st December 2023 HK\$'000	Audited 30th June 2023 HK\$'000
Trade receivables	194,006	184,072
Less: loss allowance	<u>(3,130)</u>	<u>(4,689)</u>
	190,876	179,383
Bills receivables	<u>44,211</u>	<u>37,863</u>
	<u>235,087</u>	<u>217,246</u>

At 31st December 2023, the aging analysis of trade receivables, based on invoice date, is as follows:

	Unaudited 31st December 2023 HK\$'000	Audited 30th June 2023 HK\$'000
Below 90 days	189,608	173,159
91-180 days	1,268	6,208
Over 180 days	<u>3,130</u>	<u>4,705</u>
	<u>194,006</u>	<u>184,072</u>

The majority of the Group's sales are with credit terms of 30 to 90 days. The remaining amounts are on letter of credit or documents against payment.

Bill receivables are mainly with maturity period within 180 days.

At 31st December 2023, there are bills of exchange of HK\$33,106,000 (as at 30th June 2023: HK\$9,660,000) transferred to banks with recourse in exchange for cash. The transactions had been accounted for as collateralised bank advances.

11 Trade payables

At 31st December 2023, the aging analysis of trade payables, based on invoice date, is as follows:

	Unaudited 31st December 2023 HK\$'000	Audited 30th June 2023 HK\$'000
Below 90 days	66,201	55,692
91-180 days	888	70
Over 180 days	<u>960</u>	<u>1,007</u>
	<u>68,049</u>	<u>56,769</u>

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31st December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the second half of 2023, substantial changes happened in the global political, economic and energy landscapes. International turmoil was escalating, developed economies rushed to tighten monetary policies and interest rates climbed quickly in the US and Europe, weighing down the mean price of oil, and prices of plastic materials continued to stay low. During the period, although orders increased at the Group continuing to improve product quality and expand customer base, the operating environment remained under pressure due to the decline in plastic material price. The Group recorded total turnover of HK\$649,296,000 for the six months ended 31st December 2023 (2022:HK\$637,858,000), a slight increase of 1.8% against the same period last year.

During the period under review, the Group's overall gross profit increased by 24.9% to HK\$89,913,000 (2022: HK\$71,996,000). Continuing to implement stringent cost trimming measures, gross profit margin of the Group widened by 2.6 percentage points against the same period last year to 13.8%. Loss attributable to equity holders of the Company narrowed significantly by 46% year-on-year to HK\$18,412,000 (2022: loss attributable to equity holders of the Company: HK\$34,092,000). Basic loss per share was HK4.99 cents (2022: basic loss per share: HK9.23 cents).

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

For the colorant, pigment and compounded plastic resin business, geopolitical issues prompted many overseas customers to return to placing orders in China in the second half of 2023. As a result, the mainland market gradually recovered, production activities improved notably and orders quickly rebounded. The Group seized those opportunities to build a stable customer base covering such sectors as automotive applications, food packaging and new energy. During the period, turnover of the business segment increased by 18.7% to HK\$185,369,000 (2022: HK\$156,226,000), with gross profit margin increased by 3.2 percentage points. Profit before income tax more than doubled to HK\$14,422,000 (2022: HK\$7,134,000).

During the period, engineering plastic business recorded turnover of HK\$65,136,000 (2022: HK\$64,269,000), similar to that in the same period in 2022, with gross profit margin down by 2.4 percentage points. Taking into account the one-off special inventory provision of HK\$4,535,000 for internal operational adjustments made by the Group in response to market changes during the period, loss before taxation was HK\$2,028,000 (2022: HK\$1,719,000). Excluding that one-off special inventory provision, the business indeed turned around to profit for the six months ended 31st December 2023. The end products of the business include general household appliances such as household products, electrical appliances and high-end kitchenware.

During the period under review, the price of plastic materials dropped alongside plunging international crude oil price. Thus, although overall sales volume increased, turnover of the plastic raw material trading business still saw a 4.4% drop to HK\$398,791,000 against the same period last year (2022: HK\$417,363,000), with gross profit margin recording a slight increase of 1.6 percentage points. Facing weak consumption sentiment in the market, despite the continuous effort of the sales team to find new customer sources, in the high interest rate environment, financial costs stayed high. Loss before taxation of the segment narrowed to HK\$23,679,000 (2022: HK\$31,528,000).

PROSPECTS

Looking ahead at 2024, economic uncertainties worldwide and in mainland China will continue to pose challenges to the Group's business. In light of that, the Group will continue to deepen its sound business strategy and manage finance with prudence. It will promote long-term development via two main pursuits – the plans it has mapped out for its three major businesses and its expansion plan in the ASEAN region.

The colorants, pigments and compounded plastic resins business has shown clear signs of recovery. The number of customers from the food packaging and automotive application industries have grown, and order volume has been on the rise. Among them, the automotive industry has bright development prospects. In 2023, the mainland government implemented policies in favor of auto sales to promote growth of the auto market. While, in recent years, the Group has been actively rallying customers in the automotive application industry, in the hope of securing more product orders with high value-adding potential. For the engineering plastic business, the Group will closely watch market trends to prepare for the consumption rebound when market conditions recover, the interest rate hike cycle in Europe and the United States stabilizes and inflation turns steady. Stable geopolitics will be conducive to a profitable plastic raw material trading business. However, uncertainties are prevailing currently, so the Group is maintaining a conservative and cautious strategy.

Following its 2022/23 blueprint for tapping new ASEAN markets, the Group has found a stronghold in the region for exploring and building a new customer base with tremendous potential, which is expected to officially start operation in the first half of 2024. It will help the Group open up wider channels to bring in overseas customers, contributing to the Group achieving continuous business growth and expanding its business footprint.

In addition to the aforementioned business expansion strategies, global green and low-carbon transformation and innovation have become an irreversible trend. In 2023, the Group's subsidiaries had secured ISCC PLUS certification. In the future, the Group expects market suppliers to assume a stronger leading role in promoting capital and social adaptation and acceptance of environmentally friendly materials, as such, it believes demand for environmentally friendly materials will keep growing.

The Group has grown its business in the industry for more than 50 years, able to push forward relentlessly and overcome various difficulties, all owed to the support from customers and shareholders and the hard work and dedication of the management team and staff. It expresses its heartfelt gratitude to them all. In the future, the Group will uphold its professional and prudent management strategy and pragmatic approach, and as always continue to strive for long-term development and optimum 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 31st December 2023, the Group has available aggregate bank loan facilities of approximately HK\$632,878,000 of which HK\$293,771,000 have been utilised and were secured by corporate guarantee issued by the Group and legal charges on certain leasehold land and buildings, investment properties and machinery and equipment in Mainland China and Hong Kong owned by the Group. The Group's cash and bank balances as at 31st December 2023 amounted to approximately HK\$108,968,000. The Group's gearing ratio as at 31st December 2023 was approximately 65.9%, based on the total bank borrowings of approximately HK\$326,877,000 and the shareholders' funds of approximately HK\$496,239,000.

FOREIGN EXCHANGE RISK

The Group's bank borrowings and cash and cash equivalents 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.

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:

	31st December	30th June
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sell HK dollars for US dollars	<u>109,200</u>	<u>156,000</u>

EMPLOYEE INFORMATION

As at 31st December 2023, the Group employed a total of approximately 602 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 and medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transaction. The Company has made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard of dealings set out therein during the period.

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 six months ended 31st December 2023, except for the deviation as mentioned below.

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Up to the date of this interim results announcement, the Board 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 to chief executive when it thinks appropriate.

For the purpose of enhancing the risk management and internal control systems, the Company has engaged an external consultant to assist the Board and the audit committee of the Company (the “Audit Committee”) in ongoing monitoring and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The Board has reviewed and considered the Group’s risk management and internal control systems were effective and adequate during the period. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

NOMINATION COMMITTEE

The Company has formulated written terms of reference for the nomination committee of the Company (the “Nomination Committee”) in accordance with the requirements of the Stock Exchange. The Nomination Committee consists of all 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.

Board Diversity Policy

The Board has updated a board diversity policy (the "Board Diversity Policy") in July 2022 which sets out the approach to achieve diversity on the Board.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Board has reviewed the current composition and is committed to achieve gender diversity on the Board by maintaining an appropriate level of female members on the Board and to provide the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board plans to appoint at least one female Director by 31st December 2024. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

Independence

The Board includes a balanced composition of Executive, Non-executive and Independent Non-executive Directors so that there is a strong element of independence in the Board. The Independent Non-executive Directors shall be of sufficient caliber and stature for their views to carry weight.

Gender and age

The Company is committed to maintaining an environment of respect for people regardless of their gender in all business dealings and achieving a workplace environment free of harassment and discrimination on the basis of gender, physical or mental state, race, nationality, religion, age or family status. The same principle is applied to the selection of potential candidates for appointment to the Board.

Skills and experience

The Board members should possess a balance of skills appropriate for the requirements of the business of the Group, including the Independent Non-executive Directors possessing professional accounting and other qualifications. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Group with considerable experience in a range of activities including varied industries, education, government, investment and the professions.

AUDIT COMMITTEE

The Company has formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee consists of all Independent Non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong.

The principal duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company. The terms of reference of the Audit Committee are aligned with the recommendations set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants and Listing Rules.

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 unaudited condensed consolidated interim financial information for the six months ended 31st December 2023 with the Directors.

REMUNERATION COMMITTEE

The Company has updated the written terms of reference for the remuneration committee of the Company (the “Remuneration Committee”) in September 2023 in accordance with the requirements of the Stock Exchange. 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 making recommendations to the Board on the remuneration packages of the individual executive Director and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. 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.

Remuneration Policy

The remuneration of employees (including the Directors and Senior Management) of the Group are generally structured by reference to market terms and individual merits, which is reviewed on a regular basis. The Group also provides various other benefits to designated staff, including discretionary bonus, social insurance or medical insurance, share option scheme, continuing education and training programmes. The Group also launched key performance indicators assessment scheme and annual bonus scheme to boost individual performance and operational efficiency.

CORPORATE GOVERNANCE COMMITTEE

The Company has formulated written terms of reference for the corporate governance committee of the Company (the “Corporate Governance Committee”) 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.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness. The Group has formulated and adopted a risk management process which includes risk identification, risk evaluation, risk mitigation, risk monitoring and reporting. At least on an annual basis, the management of the Company identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans are then established for those risks considered to be significant, which include regular reporting to the Audit Committee and the Board.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. In addition, the Group has established internal control protocols and control self-assessment process on major operations. Assessment results are submitted to the Board for ongoing monitoring purpose.

For the purpose of enhancing the risk management and internal control systems, the Company has engaged an external consultant to assist the Board and the Audit Committee in ongoing monitoring and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The Board has reviewed and considered the Group's risk management and internal control systems were effective and adequate during the period. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

WHISTLE BLOWING POLICY

The Group is committed to achieving and maintaining the highest standards of openness, probity and accountability. The Company has formulated the Whistle Blowing Policy in accordance with the requirements of the Stock Exchange. It was approved and adopted by the Board of Directors of the Company, with the authority and responsibility being delegated to the Audit Committee. Details of the Whistle Blowing Policy of the Company are disclosed on the Company's corporate website <https://www.nhh.com.hk>.

External parties may raise concerns about the relevant matter against the Company by using below channel:

Email: auditcommittee@nhh.com.hk

ANTI-CORRUPTION POLICY

The Group is committed to achieving the highest standards of business conduct and has zero tolerance for corruption and related malpractice. The Company has formulated the Anti-Corruption Policy and it was approved and adopted by the Board of Directors of the Company in accordance with the requirements of the Stock Exchange. Details of the Anti-Corruption Policy of the Company are disclosed on the Company's corporate website <https://www.nhh.com.hk>.

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

Hong Kong, 28th February 2024

As at the date of this announcement, the Board of Directors comprises six Executive Directors, namely Mr. HUI Sai Chung (Chairman), Mr. HUI Kwok Kwong, Mr. NG Chi Ming, Mr. HUI Yan Kuen, Mr. HUI Man Wai and Mr. HUI Yan Lung, Geoffrey and three Independent Non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. CHING Yu Lung and Mr. YU Chi Kwong.