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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 2009

The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) would like to announce the annual consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30th June 2009 as follows:

#### Consolidated Income Statement

	Note	2009 HK\$'000	2008 HK\$'000
Revenue	2	1,129,930	1,580,225
Cost of sales	5	(1,019,313)	(1,440,476)
Gross profit		110,617	139,749
Other income	3	2,927	2,899
Other (losses)/gains, net	4	(4,141)	27,018
Distribution costs	5	(35,487)	(42,584)
Administrative expenses	5	(79,170)	(84,285)
Operating (loss)/profit		(5,254)	42,797
Finance income		230	397
Finance costs		(7,472)	(11,221)
Finance costs – net	6	(7,242)	(10,824)
(Loss)/profit before taxation		(12,496)	31,973
Taxation	7	(5,884)	(1,294)
(Loss)/profit for the year		(18,380)	30,679
Attributable to:			
Equity holders of the Company		(20,757)	24,193
Minority interests		2,377	6,486
		(18,380)	30,679
Dividends	8	—	7,384
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year (expressed in HK cent per share)			
– Basic	9	(5.62)	6.64
– Diluted	9	(5.62)	6.64

## Consolidated Balance Sheet

	Note	2009 HK\$'000	2008 HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		<b>97,991</b>	106,700
Leasehold land and land use rights		<b>15,998</b>	16,446
Investment properties		<b>25,430</b>	24,720
Intangible assets		<b>2,400</b>	3,200
Available-for-sale financial assets		<b>850</b>	2,000
Deposits for acquisition of properties		<b>11,025</b>	8,125
Deferred tax assets		<b>8,386</b>	5,618
		<u><b>162,080</b></u>	<u>166,809</u>
Current assets			
Inventories		<b>156,605</b>	204,362
Trade and bills receivables	10	<b>170,469</b>	293,799
Other receivables, prepayments and deposits		<b>9,034</b>	16,429
Tax recoverable		<b>2,338</b>	2,876
Derivative financial instruments		<b>862</b>	1,274
Cash and cash equivalents		<b>90,652</b>	78,882
		<u><b>429,960</b></u>	<u>597,622</u>
Total assets		<u><b>592,040</b></u>	<u>764,431</u>
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital		<b>36,920</b>	36,920
Share premium		<b>62,466</b>	62,466
Other reserves		<b>45,260</b>	51,024
Retained earnings		<b>232,229</b>	250,297
		<u><b>376,875</b></u>	<u>400,707</u>
Minority interests		<u><b>19,348</b></u>	<u>17,397</u>
Total equity		<u><b>396,223</b></u>	<u>418,104</u>

	Note	2009 HK\$'000	2008 HK\$'000
<b>LIABILITIES</b>			
Non-current liabilities			
Long-term bank loans		—	6,523
Obligations under finance leases		693	2,743
Deferred tax liabilities		4,155	2,680
		<u>4,848</u>	<u>11,946</u>
Current liabilities			
Trade payables	11	63,962	104,207
Other payables, accruals and deposits received		15,660	22,050
Current portion of long-term bank loans		—	2,000
Obligations under finance leases – current portion		2,047	2,764
Short-term borrowings		98,971	199,956
Derivative financial instruments		4,742	352
Tax payable		5,587	3,052
		<u>190,969</u>	<u>334,381</u>
Total liabilities		<u>195,817</u>	<u>346,327</u>
Total equity and liabilities		<u>592,040</u>	<u>764,431</u>
Net current assets		<u>238,991</u>	<u>263,241</u>
Total assets less current liabilities		<u>401,071</u>	<u>430,050</u>

Notes:

## 1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

The following amendments and interpretations to existing standards are mandatory for the financial year ended 30th June 2009:

Hong Kong Accounting Standard (“HKAS”) 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong International Financial Reporting Interpretations Committee (“HK(IFRIC)”)–Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)–Int 12	Service Concession Arrangements
HK(IFRIC)–Int 13	Customer Loyalty Programmes
HK(IFRIC)–Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding

The adoption of these amendments and interpretations to existing standards did not have a significant financial impact on the results and financial position of the Group.

The following new standard, amendments to standards and interpretations have been issued but are not effective and have not been early adopted.

HKFRSs (Amendment)	Improvements to HKFRS 2008 <sup>#</sup>
HKFRSs (Amendment)	Improvements to HKFRS 2009 <sup>3</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRS <sup>1</sup>
HKFRS 1 and HKAS 27 (Amendments)	Cost of Investments in a Subsidiary, Jointly Controlled Entities or Associates <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>1</sup>
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC)-Int 18	Transfers of Assets from Customers <sup>2</sup>

<sup>#</sup> Effective for the Group for annual period beginning on 1st July 2009 except for the amendment to HKFRS 5, “Non-current assets held for sale and discontinued operations” which is effective for the Group for annual periods beginning on 1st July 2010.

<sup>1</sup> Effective for the Group for annual period beginning on 1st July 2009

<sup>2</sup> Effective for transfer of assets from customers received on or after 1st July 2009

<sup>3</sup> Effective for the Group for annual period beginning on 1st July 2010 except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for the Group for annual periods beginning on 1st July 2009

The effect that the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 17 will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1st July 2009. The Directors anticipate that the adoption of other new standards, amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

## 2. Revenue and segment information

The principal activity of the Company is investment holdings; its subsidiaries are principally engaged in the manufacturing and trading of plastic materials, pigments, colorants, compounded plastic resins and engineering plastic products. Revenue recognised for the year is as follows:

	<b>Group</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Turnover		
Sale of goods	<b><u>1,129,930</u></b>	<u>1,580,225</u>

An analysis of the Group's turnover and results for the year ended 30th June 2009 by geographical segment is as follows:

	<b>2009</b>		
	<b>The People's Republic of China ("PRC")</b>		
	<b>excluding</b>		
	<b>Hong Kong</b>	<b>Hong Kong</b>	<b>Group</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover			
– Gross segment	<b>872,645</b>	<b>373,805</b>	<b>1,246,450</b>
– Inter-segment	<b>(89,898)</b>	<b>(26,622)</b>	<b>(116,520)</b>
	<b><u>782,747</u></b>	<b><u>347,183</u></b>	<b><u>1,129,930</u></b>
Segment results	<b><u>(16,554)</u></b>	<b><u>15,372</u></b>	<b>(1,182)</b>
Unallocated costs			<b>(4,072)</b>
Finance income			<b>230</b>
Finance costs			<b><u>(7,472)</u></b>
Loss before taxation			<b>(12,496)</b>
Taxation			<b><u>(5,884)</u></b>
Loss for the year			<b>(18,380)</b>
Minority interests			<b><u>(2,377)</u></b>
Loss attributable to equity holders of the Company			<b><u><u>(20,757)</u></u></b>

The segment assets and liabilities at 30th June 2009 and other segment information for the year ended are as follows:

	<b>Hong Kong HK\$'000</b>	<b>2009 The PRC excluding Hong Kong HK\$'000</b>	<b>Group HK\$'000</b>
Segment assets	296,632	283,834	580,466
Unallocated assets			11,574
Total assets			<u>592,040</u>
Segment liabilities	59,570	24,258	83,828
Borrowings			101,711
Other unallocated liabilities			10,278
Total liabilities			<u>195,817</u>
Other information:			
Capital expenditure	3,047	1,542	4,589
Depreciation of property, plant and equipment	5,308	7,820	13,128
Amortisation of leasehold land and land use rights	262	186	448
Amortisation of intangible assets	800	—	800
Provision for impairment of receivables	874	—	874
Provision for impairment of inventories	1,435	1,601	3,036
Loss on liquidation of a subsidiary	419	—	419
Unrealised loss on derivative financial instruments	4,802	—	4,802

An analysis of the Group's turnover and results for the year ended 30th June 2008 by geographical segment is as follows:

	Hong Kong HK\$'000	2008 The PRC excluding Hong Kong HK\$'000	Group HK\$'000
Turnover			
– Gross segment	1,246,902	452,552	1,699,454
– Inter-segment	(74,130)	(45,099)	(119,229)
	<u>1,172,772</u>	<u>407,453</u>	<u>1,580,225</u>
Segment results	<u>28,520</u>	<u>15,746</u>	44,266
Unallocated costs			(1,469)
Finance income			397
Finance costs			<u>(11,221)</u>
Profit before taxation			31,973
Taxation			<u>(1,294)</u>
Profit for the year			30,679
Minority interests			<u>(6,486)</u>
Profit attributable to equity holders of the Company			<u>24,193</u>



The segment assets and liabilities at 30th June 2008 and other segment information for the year ended are as follows:

	Hong Kong HK\$'000	2008 The PRC excluding Hong Kong HK\$'000	Group HK\$'000
Segment assets	419,174	334,763	753,937
Unallocated assets			10,494
<b>Total assets</b>			<b>764,431</b>
Segment liabilities	85,152	40,974	126,126
Borrowings			213,986
Other unallocated liabilities			6,215
<b>Total liabilities</b>			<b>346,327</b>
Other information:			
Capital expenditure	9,114	4,013	13,127
Depreciation of property, plant and equipment	4,728	10,538	15,266
Amortisation of leasehold land and land use rights	228	186	414
Amortisation of intangible assets	800	—	800
Provision for impairment of receivables	899	50	949
(Reversal of provision)/provision for impairment of inventories	(1,011)	2,055	1,044
Unrealised loss on derivative financial instruments	50	—	50

Turnover and segment results are presented based on the operating locations of group companies. Unallocated costs mainly represent corporate expenses.

All the Group's turnover and operating results are attributable to the manufacturing and trading of plastic products and accordingly no analysis of the Group's turnover and contribution to operating results by business segment is provided.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, investment properties, intangible assets, inventories, deposits, trade and other receivables, derivatives financial instruments and cash and cash equivalents. Unallocated assets mainly comprise tax recoverable, deferred taxation and available-for-sale financial assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities mainly comprise tax payable, deferred taxation and other corporate liabilities.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights, and intangible assets.

3. **Other income**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Rental income	<u><b>2,927</b></u>	<u>2,899</u>

Outgoings in respect of investment properties amounted to approximately HK\$189,000 (2008: HK\$307,000).

4. **Other (losses)/gains, net**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Fair value gains on investment properties	<b>710</b>	8,477
Derivative financial instruments		
– forward foreign exchange contracts and interest rate swap contracts held for trading		
– unrealised	<b>(4,802)</b>	(50)
– realised	<b>851</b>	2,382
Net exchange gains	<b>669</b>	3,260
Loss on liquidation of a subsidiary	<b>(419)</b>	—
Impairment of available-for-sale financial assets	<b>(1,150)</b>	—
Gain on disposal of an investment property	—	443
Gain on disposal of a business (note)	—	13,235
Impairment of receivables relating to a disposed business	—	(729)
	<u><b>(4,141)</b></u>	<u>27,018</u>

Note:

During the year ended 30th June 2008, the Group disposed of certain assets of a subsidiary representing a business of the Group, to certain third parties at a consideration of HK\$43,112,000. Consequently a gain on disposal of a business amounting to HK\$13,235,000 was recorded for the year.

## 5. Expenses by Nature

	2009 HK\$'000	2008 HK\$'000
Cost of inventories sold excluding manufacturing costs	959,425	1,370,041
Amortisation of leasehold land and land use rights	448	414
Amortisation of intangible assets	800	800
Auditor's remuneration	1,585	1,573
Depreciation:		
– Owned property, plant and equipment	10,677	12,815
– Property, plant and equipment under finance leases	2,451	2,451
Provision for impairment of trade receivables	874	220
Provision for impairment of inventories	3,036	1,044
(Gain)/loss on disposal of property, plant and equipment	(122)	34
Employee benefit expenses, including directors' emoluments	67,285	83,080
Operating lease rentals in respect of land and buildings	10,509	8,730
Repairs and maintenance expenses	4,013	4,726
Transportation and packaging expenses	17,370	22,360
Travelling and office expenses	11,830	13,573
Utility expenses	10,766	13,965
Other expenses	33,023	31,519
	<u>1,133,970</u>	<u>1,567,345</u>
Total costs of sales, distribution costs and administrative expenses	<u>1,133,970</u>	<u>1,567,345</u>
Representing:		
Cost of sales	1,019,313	1,440,476
Distribution costs	35,487	42,584
Administrative expenses	79,170	84,285
	<u>1,133,970</u>	<u>1,567,345</u>

## 6. Finance income and costs

	2009 HK\$'000	2008 HK\$'000
Finance income:		
– Interest income from bank deposits	230	397
Finance costs:		
– Interest on bank borrowings wholly repayable within five years	(7,343)	(10,812)
– Interest element of finance leases	(129)	(409)
	<u>(7,472)</u>	<u>(11,221)</u>
Finance costs – net	<u>(7,242)</u>	<u>(10,824)</u>

## 7. Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on the Group's subsidiaries established and operate in the PRC has been calculated at the rates of taxation as applicable to the relevant subsidiaries.

The amount of taxation charged to the consolidated income statement represents:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Current taxation:		
Hong Kong profits tax	<b>2,966</b>	3,216
PRC corporate income tax	<b>4,084</b>	5,267
Under/(over) provision in previous years	<b>127</b>	(1,435)
	<u>7,177</u>	<u>7,048</u>
Deferred taxation	<b>(1,293)</b>	(5,754)
	<u><b>5,884</b></u>	<u>1,294</u>

## 8. Dividends

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Interim, paid, of HK\$ Nil (2008: HK 1.0 cent) per ordinary share	—	3,692
Final, proposed, of HK\$ Nil (2008: HK 1.0 cent) per ordinary share (note)	—	3,692
	<u>—</u>	<u>7,384</u>

Note:

At a meeting held on 25th September 2009, the Directors resolved not to declare any final dividend for the year ended 30th June 2009 (2008: HK1.0 cent per share, totalling HK\$3,692,000).

At a meeting held on 3rd October 2008, the Directors proposed a final dividend of HK1.0 cent per ordinary share. This proposed dividend was not reflected as a dividend payable in the financial statements and had been reflected as an appropriation of retained earnings for the year ended 30th June 2009.

9. **(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.

	<b>2009</b>	2008
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u><b>(20,757)</b></u>	<u>24,193</u>
Weighted average number of ordinary shares in issue	<u><b>369,200,000</b></u>	<u>364,343,000</u>
Basic (loss)/earnings per share (HK cents per share)	<u><b>(5.62)</b></u>	<u>6.64</u>

**Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares arising from the Company's share options. Dilutive (loss)/earnings per share for the years ended 30th June 2009 and 2008 equal basic (loss)/earnings per share as the exercise of the outstanding share options would be anti-dilutive.

10. **Trade and bills receivables**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>156,766</b>	271,369
Less: provision for impairment of receivables	<u><b>(3,617)</b></u>	<u>(2,824)</u>
	<b>153,149</b>	268,545
Bills receivable	<u><b>17,320</b></u>	<u>25,254</u>
	<u><b>170,469</b></u>	<u>293,799</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. The ageing analysis of trade receivables by invoice date is as follows:

	<b>Group</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Below 90 days	<b>137,474</b>	241,097
91-180 days	<b>8,542</b>	19,650
Over 180 days	<u><b>10,750</b></u>	<u>10,622</u>
	<u><b>156,766</b></u>	<u>271,369</u>

Bills receivable are mainly with maturity period of within 180 days.

A subsidiary of the Group transferred certain bills of exchange amounting to approximately HK\$2,515,000 (2008: HK\$10,563,000) with recourse in exchange for cash as at 30th June 2009. The transactions have been accounted for as collateralised bank advances.

#### 11. Trade payables

A majority of the suppliers are on open account. Certain suppliers grant credit period of 30 to 90 days to the Group.

The ageing analysis of the trade payables is as follows:

	<b>Group</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Below 90 days	<b>58,923</b>	103,085
91-180 days	<b>879</b>	432
Over 180 days	<b>4,160</b>	690
	<u><b>63,962</b></u>	<u>104,207</u>

#### 12. Commitments

##### (a) Capital commitments

At 30th June 2009, the Group had the following capital commitments for addition of property, plant and equipment:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Authorised but not contracted for	—	—
Contracted but not provided for (note)	<b>32,656</b>	7,236
	<u><b>32,656</b></u>	<u>7,236</u>

Note:

In June 2009, the Group entered into an agreement to acquire certain properties in Hong Kong from an independent third party at a cash consideration of HK\$29,000,000. As at 30th June 2009, the unpaid amount totalling HK\$26,100,000 has been included in the above as capital commitment.

(b) Commitment under operating leases

As at 30th June 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Not later than one year	<b>7,250</b>	8,910
Later than one year and not later than five years	<b>6,908</b>	16,637
Later than five years	<b>207</b>	295
	<hr/> <b>14,365</b> <hr/>	<hr/> 25,842 <hr/>

## **DIVIDENDS**

The Directors have resolved not to declare any final dividend for the year ended 30th June 2009.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 20th November 2009 to Wednesday, 25th November 2009 (both dates inclusive) during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the forthcoming Annual General 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, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 19th November 2009.

## **BUSINESS REVIEW**

In the year under review, the Group's turnover reached HK\$1,129,930,000 (2008: HK\$1,580,225,000). Loss attributable to equity holders amounted to HK\$20,757,000 (2008: profit of HK\$24,193,000). Basic loss per share was HK5.62 cents (2008: basic earnings per share of HK6.64 cents). To retain capital for future development or operational use, the Board did not recommend the payment of a final dividend.

Last year, the global financial turmoil caused a heavy blow to the US and European economies, and Mainland China and Hong Kong were also affected. Industries were dived into recession and demand for consumer products dropped, and the plastic industry suffered as a result. However, as the business environment gradually improved in the second half year and with the effective policies of the Group, performance of the Group in the second half year was better than in the first half year with loss reduced to HK\$20,757,000. The stringent cost control measures implemented during the year and the stabilised material prices in the second half year, leading to the gross profit margin of the Group for the year being improved from 9% last year to close to 10%.

During the year, our cost control measures harvested. Distribution costs decreased by 17% against last year and employee benefit expenses through natural attrition were reduced by approximately 19%. Furthermore, through strict inventory and purchasing control the Group managed to trim inventory by 23% maintaining it at a healthy level. Reducing inventory also helped overall cost control. During the year, the Group also stepped up efforts in collection of receivables, thus trade and bills receivables declined by 42%. And with interest rate, inventory and borrowings lowered, the interest expense of the Group came down by 33% against last year and the Group's gearing ratio accordingly lowered.

During the year, engineering plastics business reported the most satisfactory performance among the business operations of the Group. Profit before taxation of the business increased by 27% year-on-year to approximately HK\$15,476,000. Gross profit margin also grew to over 20%. The notable improvement in profitability was mainly attributable to the drop in raw material price and the Group's efforts to strengthen its Product Development division over the years which has enhanced its capability to produce tailor-made products. With these capabilities, the Group was able to develop and sell over 70 new higher margin products during the year including plastics with specific functions for manufacturing kitchenware and toys. Thus, although a drop in turnover of 21% was recorded, the business was still able to contribute profit to the Group.

The global financial crisis seriously dammed international trade and global consumption power and export and import activities worldwide. The Group's plastics trading business was also affected. Although the Group adopted prudent inventory strategy to reduce the impact of fluctuation in raw material prices on its business, the number of orders received by its Hong Kong business serving mainly export customers decreased. This resulted in a marked 28% drop in turnover from trading for the year, and together with the slight drop of 1% in gross profit margin, plastics trading business incurred loss.

Also affected by decreased orders for export, colorant and compounded plastic resin business reported a 27% drop in turnover. However, the Group has started to manufacture high value-added plastic products such as those for the manufacturing of digital electronic products and food packaging in recent years. This together with the drop in raw material prices led to a 3% gain in gross profit margin despite the adverse market environment.

During the year, the Group relocated certain processing production lines in Dongguan to its Taipo plant in Hong Kong. The move is not only conducive to the long-term development of the Group, but has also allowed the Group to enjoy the 6.5% custom tariff benefit under The Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"), helping it save cost and enhance competitiveness.



## PROSPECTS

Looking ahead to 2010, with the market showing signs of recovery recently, the Group believes the worst of the global financial crisis has retreated. The management expects material prices to stabilise which will enable the Group to maintain the overall gross profit margin of its business. The Group is thus cautiously optimistic about its prospects.

With the support of its staff, the Group will uphold the fundamental principle of diversifying income streams and controlling costs. It will optimise the production processes of its plants so as to create a solid foundation catering for long-term growth of its business. In the future, the Group will continue to implement cost control measures and review the credit policy of receivables regularly to minimise operating cost and risk. In addition, the Group has postponed its plan to the construction of the engineering plastics plant in Shanghai until the market improves to allow for reduction of capital expenditure and better control on cash flow. Regarding taxation, the Group will continue to examine the production processes in Mainland China and Hong Kong to realise maximum cost effectiveness as permitted by CEPA. Moreover, it will complete the purchase of the Taipo plant in Hong Kong in the fourth quarter of this year, which expects to lead to reduction in rental expenses in the future. The Group expects the capital expenditure for the new plant mentioned is approximately HK\$9,000,000.

The Group will continue to actively develop new products and markets to widen its income streams. It will also monitor closely the order trend in the traditional peak season in 2010 to facilitate adjustment of business strategy flexibly and match the market needs. For the engineering plastics business of higher profit margin, the Group has been developing plastic products for manufacturing digital electronic products and kitchen wares with the hope of grooming major steady income sources. Apart from enriching its product mix, the Group has been active in exploring new markets. In the coming year, it will grasp enormous opportunities in Northern China and expand plastics trading business to the Tianjin and nearby market with the aim of enlarging its share in the China market and broadening income source.

The management, with many years of experience in the plastic industry, will navigate the Group in overcoming the challenges in the overall operating environment and capturing every opportunity for the Group to ensure steady development of its business.

I, on behalf of the Board, would like to take this opportunity to express my gratitude to the Group's customers, suppliers and shareholders for their unfailing support, my fellow directors, executives and staff for their hard work in the past year. The Group will, as always, with prudence used its best endeavour to strive for its long-term development and the best interest of the shareholders aiming at attaining more promising results in the coming year.

## 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 2009, the Group has available aggregate banking facilities of approximately HK\$338,255,000, of which approximately HK\$99,196,000 have been utilised and were secured by corporate guarantees issued by the Company and legal charges on certain leasehold land and buildings and investment properties in the PRC and Hong Kong owned by the Group. The Group's cash and bank balances as at 30th June 2009 amounted to approximately HK\$90,652,000. The Group's gearing ratio as at 30th June 2009 was approximately 27%, based on the total bank borrowings of approximately HK\$98,971,000, together with obligations under finance leases of approximately HK\$2,740,000 and the shareholders' funds of approximately HK\$376,875,000.

## 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 2009, the Group had outstanding commitments in respect of forward contracts in order to manage the Group's exposure in foreign currencies from its operations as follows:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Sell HK dollars for US dollars	<u><b>1,107,600</b></u>	<u>1,165,400</u>
Sell US dollars for HK dollars	<u><b>195,000</b></u>	<u>405,600</u>

## EMPLOYEE INFORMATION

As at 30th June 2009, the Group had approximately 670 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.

## **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.

## **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 emphasizes on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout year ended 30th June 2009, except for deviation of the code provisions A.2.1 and A.4.1 of the Code as mentioned below.

According to the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this annual report, the Board has not appointed an individual to the post of chief executive officer. The roles of the chief executive officer 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 officer when it thinks appropriate.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to carry out on re-election. The Company's independent non-executive directors were not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

For the purpose of further enhancing the internal control systems, the Company has engaged an external consultant to carry out an on-going project to conduct independent internal review and to evaluate major operations of the Group. During the year, the Board has reviewed the effectiveness of the internal control system of the Company and its subsidiaries with no material issues noted.

### **AUDIT COMMITTEE**

The Audit Committee provides an important link between the Board of Directors and the Company's auditor in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-executive Directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung and Mr CHING Yu Lung. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual financial statements for the year ended 30th June 2009 with the Directors.

### **REMUNERATION COMMITTEE**

The Company has formulated written terms of reference for the Remuneration Committee which stated clearly its authorities and duties in accordance with the requirements of HKSE. The remuneration committee consists of three independent non-executive directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung and Mr CHING Yu Lung and an executive director, Mr HUI Sai Chung.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive Directors and senior management. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives. The remuneration committee held one meeting during the year ended 30th June 2009.

**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.hkex.com.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.hkex.com.hk>) and the Company (<http://www.nhh.com.hk>) in due course.

On behalf of the Board

**HUI Sai Chung**

*Chairman*

Hong Kong, 25th September 2009

As at the date of this announcement, the Board of Directors comprises five Executive Directors, namely Mr HUI Sai Chung (Chairman), Mr HUI Kwok Kwong, Dr WONG Chi Ying, Anthony, Mr LAI Kam Wah and Madam LIU Sau Lai and three Independent Non-executive Directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung and Mr CHING Yu Lung.