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NHH

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 2012

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 2012 as follows:

Consolidated Income Statement

	Note	2012 HK\$'000	2011 HK\$'000 (Restated)
Revenue	2	1,640,416	1,687,687
Cost of sales	5	(1,498,896)	(1,520,155)
Gross profit		141,520	167,532
Other income	3	3,643	3,364
Other gains, net	4	18,384	12,693
Distribution costs	5	(51,563)	(46,520)
Administrative expenses	5	(90,687)	(83,168)
Operating profit		21,297	53,901
Finance income		310	239
Finance costs		(10,242)	(7,614)
Finance costs - net	6	(9,932)	(7,375)
Share of loss of an associated company		—	(184)
Profit before income tax		11,365	46,342
Income tax expense	7	(8,230)	(11,161)
Profit for the year		3,135	35,181
Attributable to:			
Equity holders of the Company		1,365	31,102
Non-controlling interests		1,770	4,079
		3,135	35,181
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cent per share)			
– Basic	9	0.37	8.42
– Diluted	9	0.37	8.42

Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in Note 8.

Consolidated Statement of Comprehensive Income

	2012 HK\$'000	2011 HK\$'000 (Restated)
Profit for the year	3,135	35,181
Other comprehensive income:		
Revaluation gain of property, plant and equipment and leasehold land and land use rights on transfer to investment properties, net of tax	115	865
Revaluation gain of an available-for-sale financial asset	188	439
Currency translation differences	7,069	14,972
Other comprehensive income for the year	7,372	16,276
Total comprehensive income for the year	10,507	51,457
Total comprehensive income attributable to:		
– Equity holders of the Company	8,675	47,221
– Non-controlling interests	1,832	4,236
	10,507	51,457

Consolidated Balance Sheet

	As at 30th June 2012 HK\$'000	As at 30th June 2011 HK\$'000 (Restated)	As at 1st July 2010 HK\$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	141,235	149,205	121,740
Leasehold land and land use rights	15,547	11,313	14,700
Investment properties	53,775	42,626	30,560
Intangible assets	—	—	—
Available-for-sale financial asset	1,317	1,129	690
Deferred tax assets	5,428	5,988	4,486
Deposits for acquisition of properties	8,827	8,614	8,125
Prepayments for property, plant and equipment and renovation costs	4,741	1,513	7,129
	<u>230,870</u>	<u>220,388</u>	<u>187,430</u>
Current assets			
Inventories	281,501	330,314	278,846
Trade and bills receivables	280,928	276,615	238,545
Other receivables, prepayments and deposits	17,326	21,867	22,810
Tax recoverable	524	625	969
Derivative financial instruments	233	3,113	1,755
Cash and bank balances	93,349	95,826	82,589
	<u>673,861</u>	<u>728,360</u>	<u>625,514</u>
Total assets	<u>904,731</u>	<u>948,748</u>	<u>812,944</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	36,920	36,920	36,920
Share premium	62,466	62,466	62,466
Other reserves	71,414	64,104	47,954
Retained earnings	276,368	278,695	258,669
	<u>447,168</u>	<u>442,185</u>	<u>406,009</u>
Non-controlling interests	23,613	22,526	20,831
Total equity	<u>470,781</u>	<u>464,711</u>	<u>426,840</u>

	As at 30th June 2012 HK\$'000	As at 30th June 2011 HK\$'000 (Restated)	As at 1st July 2010 HK\$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	—	—	235
Deferred tax liabilities	5,400	5,674	1,835
	5,400	5,674	2,070
Current liabilities			
Trade payables	111,032	102,424	97,630
Other payables, deposits received and accruals	15,046	21,377	19,524
Obligations under finance leases – current portion	—	235	458
Bank borrowings	294,367	343,941	252,531
Derivative financial instruments	2,730	4,930	6,272
Tax payable	5,375	5,456	7,619
	428,550	478,363	384,034
Total liabilities	433,950	484,037	386,104
Total equity and liabilities	904,731	948,748	812,944
Net current assets	245,311	249,997	241,480
Total assets less current liabilities	476,181	470,385	428,910

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 asset, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS 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 amendments/revises to standards and interpretations

- (i) In December 2010, the HKICPA amended Hong Kong Accounting Standard (“HKAS”) 12, “Income Taxes”, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. It introduced a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held by within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendment is applicable retrospectively to annual periods beginning on or after 1st January 2012 and the Group has early adopted this amendment retrospectively for the financial year ended 30th June 2012. Prior to the amendment, deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use. The Group has reassessed the business models of the Group’s investment properties located in Hong Kong and the People’s Republic of China (the “PRC”) individually. The carrying values of investment properties held by the Group are expected to be recovered through sales.

The amendment has been applied retrospectively and the comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarised below.

The effect of the adoption of HKAS 12 (Amendment) is as follows:

Effect on consolidated balance sheet

	As at 30th June 2012 HK\$'000	As at 30th June 2011 HK\$'000	As at 1st July 2010 HK\$'000
Decrease in deferred tax liability	(5,047)	(2,433)	(3,406)
Increase in retained earnings	4,620	2,014	2,628
Increase in revaluation reserve	<u>427</u>	<u>419</u>	<u>778</u>

Effect on consolidated income statement

	For the year ended 30th June 2012 HK\$'000	For the year ended 30th June 2011 HK\$'000
Decrease/(increase) income tax expenses	2,606	(614)
Increase/(decrease) in profit attributable to equity holders the Company	<u>2,606</u>	<u>(614)</u>
Increase/(decrease) in basic earnings per share for the profit attributable to equity holders of the Company (HK cents per share)	0.71	(0.17)
Increase/(decrease) in diluted earnings per share for the profit attributable to equity holders of the Company (HK cents per share)	<u>0.71</u>	<u>(0.17)</u>

- (ii) The following amendments/revises to standards and interpretations are mandatory for the financial year ended 30th June 2012. The adoption of these amendments/revises to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRSs (Amendment)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets
HKAS 24 (Revised)	Related Party disclosures
Hong Kong International Financial Reporting Interpretations Committee (“HK(IFRIC)”) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended 30th June 2012 and have not been early adopted:

HKFRS 1 (Amendment)	Government Loans ²
HKFRS 7 (Amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities ³
HK (IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine ²
HKFRSs (Amendment)	Annual Improvement 2009-2011 Cycle ²

¹ Effective for the Group for annual period beginning on 1st July 2012

² Effective for the Group for annual period beginning on 1st July 2013

³ Effective for the Group for annual period beginning on 1st July 2014

⁴ Effective for the Group for annual period beginning on 1st July 2015

The Directors anticipate that the adoption of the new standards, amendments to standards and interpretation will not result in a significant impact on the results and financial position of the Group.

2. Revenue and segment information

	2012 HK\$'000	2011 HK\$'000
Turnover		
Sales of goods	1,639,990	1,687,434
Provision of logistics services	426	253
	<u>1,640,416</u>	<u>1,687,687</u>

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 segment information provided to the CODM for the reportable segments for the year ended 30th June 2012 is as follows:

	Trading	Colorants	Engineering plastics	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
– Gross revenue	1,058,108	374,868	247,446	2,608	1,683,030
– Inter-segment revenue	(15,906)	(14,280)	(12,428)	—	(42,614)
Revenue from external customers	<u>1,042,202</u>	<u>360,588</u>	<u>235,018</u>	<u>2,608</u>	<u>1,640,416</u>
Segment results	<u>(45,253)</u>	<u>34,128</u>	<u>18,997</u>	<u>13,425</u>	<u>21,297</u>
Finance income	54	234	16	6	310
Finance costs	(7,283)	(1,384)	(1,510)	(65)	(10,242)
(Loss)/profit before income tax	(52,482)	32,978	17,503	13,366	11,365
Income tax expense					(8,230)
Profit for the year					3,135
Non-controlling interests					(1,770)
Profit attributable to equity holders of the Company					<u>1,365</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	459	4,255	8,647	297	13,658
Depreciation of property, plant and equipment	455	7,419	8,057	1,362	17,293
Amortisation of leasehold land and land use rights	33	200	32	79	344
Provision for/(reversal of) impairment of inventories	1,579	267	(96)	(2,432)	(682)
Provision for/(reversal of) impairment of trade receivables	—	274	(92)	—	182
Unrealised fair value loss on derivative financial instruments	<u>680</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>680</u>

The segment information provided to the CODM for the reportable segments as at 30th June 2012 is as follows:

	Trading	Colorants	Engineering plastics	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	362,093	301,613	173,534	67,491	<u>904,731</u>
Total assets					<u><u>904,731</u></u>
Segment liabilities	80,737	33,378	21,953	3,515	139,583
Borrowings	229,435	17,284	45,727	1,921	<u>294,367</u>
Total liabilities					<u><u>433,950</u></u>

The segment information provided to the CODM for the reportable segments for the year ended 30th June 2011 is as follows:

	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	Group HK\$'000 (Restated)
Turnover					
– Gross revenue	1,388,226	466,638	518,621	2,171	2,375,656
– Inter-segment revenue	(281,878)	(156,964)	(249,127)	—	(687,969)
Revenue from external customers	<u>1,106,348</u>	<u>309,674</u>	<u>269,494</u>	<u>2,171</u>	<u>1,687,687</u>
Segment results	<u>8,033</u>	<u>20,179</u>	<u>26,897</u>	<u>(1,208)</u>	<u>53,901</u>
Share of loss of an associated company	—	—	—	(184)	(184)
Finance income	53	184	2	—	239
Finance costs	(4,877)	(1,335)	(1,334)	(68)	(7,614)
Profit/(loss) before income tax	3,209	19,028	25,565	(1,460)	46,342
Income tax expense					<u>(11,161)</u>
Profit for the year					35,181
Non-controlling interests					<u>(4,079)</u>
Profit attributable to equity holders of the Company					<u>31,102</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	6,203	4,731	23,342	1,086	35,362
Depreciation of property, plant and equipment	312	8,395	4,014	1,230	13,951
Amortisation of leasehold land and land use rights	77	197	32	78	384
(Reversal of)/provision for impairment of inventories	(127)	85	(167)	122	(87)
Provision for/(reversal of) impairment of trade receivables	229	(162)	—	—	67
Unrealised fair value gain on derivative financial instruments	<u>(2,700)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,700)</u>

The segment information provided to the CODM for the reportable segments for the year ended 30th June 2011 is as follows:

	Trading	Colorants	Engineering plastics	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)			(Restated)	(Restated)
Segment assets	387,632	270,932	228,068	62,116	<u>948,748</u>
Total assets					<u><u>948,748</u></u>
Segment liabilities	87,860	26,114	23,135	2,752	139,861
Borrowings	225,161	22,892	91,937	4,186	<u>344,176</u>
Total liabilities					<u><u>484,037</u></u>

The entity is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong for the year ended 30th June 2012 is approximately HK\$986,956,000 (2011: HK\$1,057,547,000), and the total of its revenue from external customers from other locations (mainly the PRC) is approximately HK\$653,460,000 (2011: HK\$630,140,000).

At 30th June 2012, the total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is approximately HK\$124,514,000 (2011: HK\$126,506,000), and the total of these non-current assets located in other locations (mainly the PRC) is approximately HK\$99,611,000 (2011: HK\$86,765,000).

3. Other income

	2012 HK\$'000	2011 HK\$'000
Rental income	<u>3,643</u>	<u>3,364</u>

Outgoings in respect of investment properties amounted to approximately HK\$139,000 (2011: HK\$125,000).

4. Other gains, net

	2012 HK\$'000	2011 HK\$'000
Fair value gains on investment properties	13,073	3,093
Derivative financial instruments		
– forward foreign exchange contracts and interest rate swap contracts held for trading		
– unrealised	(680)	2,700
– realised	4,958	2,584
Net exchange gains	1,153	4,316
Loss on disposal of a subsidiary	<u>(120)</u>	<u>—</u>
	<u>18,384</u>	<u>12,693</u>

5. Expenses by nature

	2012 HK\$'000	2011 HK\$'000
Cost of inventories sold excluding manufacturing costs	1,433,890	1,459,329
Amortisation of leasehold land and land use rights	344	384
Auditor's remuneration	2,391	2,132
Depreciation:		
– Owned property, plant and equipment	16,951	13,438
– Property, plant and equipment under finance leases	342	513
Provision for impairment of trade receivables	182	67
Reversal of impairment of inventories	(682)	(87)
Loss/(gain) on disposal of property, plant and equipment	289	(55)
Employee benefit expenses, including		
Directors' emoluments	97,960	91,345
Operating lease rentals in respect of land and buildings	8,327	13,243
Repairs and maintenance expenses	3,513	3,707
Transportation and packaging expenses	20,151	20,019
Travelling and office expenses	8,090	7,547
Utility expenses	12,098	12,272
Other expenses	37,300	25,989
	<hr/>	<hr/>
Total cost of sales, distribution costs and administrative expenses	1,641,146	1,649,843
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Cost of sales	1,498,896	1,520,155
Distribution costs	51,563	46,520
Administrative expenses	90,687	83,168
	<hr/>	<hr/>
	1,641,146	1,649,843
	<hr/> <hr/>	<hr/> <hr/>

6. Finance income and costs

	2012 HK\$'000	2011 HK\$'000
Finance income:		
– Interest income from bank deposits	310	239
Finance costs:		
– Interest on bank borrowings wholly repayable within five years	(10,604)	(7,599)
– Interest element of finance leases	(2)	(15)
– Net exchange gains of financing activities	364	—
	<u>(10,242)</u>	<u>(7,614)</u>
Finance costs, net	<u>(9,932)</u>	<u>(7,375)</u>

7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Taxation on the Group's subsidiaries established and operate in Mainland China has been calculated on the estimated assessable profit for the year at the rates of taxation as applicable to the relevant subsidiaries.

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

	2012 HK\$'000	2011 HK\$'000 (Restated)
Current tax:		
Hong Kong profits tax	3,400	1,945
PRC corporate income tax	4,255	6,930
Under-provision in previous years	213	638
	<u>7,868</u>	<u>9,513</u>
Deferred tax	362	1,648
	<u>8,230</u>	<u>11,161</u>

8. Dividends

	2012	2011
	HK\$'000	HK\$'000
Interim, paid, of Nil (2011: HK1.0 cent) per ordinary share	—	3,692
Final, proposed, of Nil (2011: HK1.0 cent) per ordinary share	—	3,692
	<u>—</u>	<u>7,384</u>

Notes:

- (a) At meetings held on 27th February 2012, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2011.
- (b) At a meeting held on 21st September 2012, the Directors resolved not to declare any final dividend for the year ended 30th June 2012.
- (c) At a meeting held on 25th February 2011, the Directors declared an interim dividend of HK1.0 cent per share, totalling HK\$3,692,000 for the six months ended 31st December 2010, which was paid during the year ended 30th June 2011, and has been reflected as an appropriation of retained earnings for the year ended 30th June 2011.
- (d) At a meeting held on 27th September 2011, the Directors proposed a final dividend of HK1.0 cent per share, totalling HK\$3,692,000, which was paid during the year and has been reflected as an appropriation of retained earnings for the year ended 30th June 2012.

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.

	2012	2011 (Restated)
Profit attributable to equity holders of the Company (HK\$'000)	<u>1,365</u>	<u>31,102</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>0.37</u>	<u>8.42</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 earnings per share for the years ended 30th June 2012 and 2011 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

10. Trade and bills receivables

	Group	
	2012	2011
	HK\$'000	HK\$'000
Trade receivables	261,774	245,901
Less: provision for impairment of receivables	(2,282)	(2,115)
	259,492	243,786
Bills receivable	21,436	32,829
	280,928	276,615

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:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Below 90 days	239,254	220,939
91 - 180 days	15,609	19,751
Over 180 days	6,911	5,211
	261,774	245,901

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

Certain subsidiaries of the Group transferred certain bills of exchange amounting to approximately HK\$2,083,000 (2011: HK\$3,883,000) with recourse in exchange for cash as at 30th June 2012. 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:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Below 90 days	109,536	101,710
91 - 180 days	715	218
Over 180 days	781	496
	<u>111,032</u>	<u>102,424</u>

12. Commitments

(a) Capital commitments

At 30th June 2012, the Group had the following capital commitments for addition of property, plant and equipment:

	2012	2011
	HK\$'000	HK\$'000
Contracted but not provided for	<u>6,909</u>	<u>7,360</u>

(b) Commitment under operating leases

As at 30th June 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2012	2011
	HK\$'000	HK\$'000
Not later than one year	4,135	5,400
Later than one year and not later than five years	2,321	3,548
Later than five years	<u>—</u>	<u>32</u>
	<u>6,456</u>	<u>8,980</u>

DIVIDEND

The Directors have resolved not to declare any final dividend for the year ended 30th June 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19th November 2012 to Thursday, 22nd November 2012 (both dates inclusive) during which period no transfer of shares will be registered for determining the shareholders who are entitled to attend and vote at the forthcoming Annual General Meeting. 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, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 16th November 2012.

BUSINESS REVIEW

The sovereign debt crisis in Europe and the US has led to a continuous slowdown in the global economy. Consequently, the Group bolstered cost control and adjusted its business strategies, which resulted in improved business performance in the second half year. Gross profit margin rose from 8.1% in the first half year to 9.2% in the second half year, whereas the full year gross profit margin dipped modestly by 1.3% year-on-year. Gross profit maintained at the level of HK\$141,520,000. The results thus marked a turnaround from a loss position in the first half year, with profit before taxation of approximately HK\$11,365,000 reported in the second half year.

During the period under review, the Group implemented strict control to lower inventory levels and adopted effective cost control measures. Such efforts enabled the Group to maintain sales volume and turnover levels that resulted in a healthier financial position. The Group's cash at bank and on hand as at 30th June 2012 increased slightly by 12% to HK\$93,349,000 when compared to that of 31st December 2011. Gearing ratio enhanced as well, declining to 65.8% and bank borrowings dropped by 14% to HK\$294,367,000 when compared to that of 30th June 2011. The Group also maintained a healthy balance sheet.

It is worth noting that the Group achieved fruitful results in terms of seeking potential customers and developing new products and markets. It secured new orders from internationally renowned brands in the automobile and electronics sectors, among others in the year under review. Although faced with uncertain economic conditions, the Group's overall turnover declined only modestly by 3% when compared with the corresponding period last year.

Rising labour cost and inflation have however caused the Group's distribution costs and administrative expenses to increase by 11% and 9%, respectively. Moreover, the borrowing interest rates in Mainland China has continued to rise during the period under review, leading to a 35% increase in finance costs. Including the Group's other gains, such as fair value gains on investment properties, net exchange gains and unrealised fair value gains and realised gains of derivative financial instruments that amounted to approximately HK\$18,504,000, profit/loss attributable to equity holders for the year was HK\$1,365,000.

Among the three major businesses of the Group, the colorants, pigments and compound plastic resin business segment achieved the most satisfactory performance during the year. Driven by outstanding sales performance from its business in Shanghai, the Group's turnover grew by 16% to HK\$360,588,000 when compared to the same period last year. The growth was driven by the Group's efforts toward nurturing ties with customers capable of delivering higher gross profit margin. Also, the Group strengthened relationship with existing customers so as to boost order bookings. Certain food packaging customers even appointed the Group as their key supplier to centralise their orders which were previously dispersed to other suppliers. All of these developments helped drive turnover growth of this business segment. Additionally, the Shanghai subsidiary successfully penetrated the automobile market during the year and secured new orders from famous automobile brands. Thanks to the persistent efforts to control expenses, the Group managed to maintain costs at a level similar with the corresponding period last year and increased gross profit margin by approximately one percentage point. The growth in turnover also enabled the Group to achieve greater economies of scale, leading to a surge in profit before taxation of 73% to HK\$32,978,000.

Uncertainties over the macro-economy and continued slowdown in exports to Europe and the US led to the decline in overall demand for engineering plastics. Turnover of this segment decreased by 13% year on year to HK\$235,018,000 while gross profit margin remained at a similar level with the corresponding period last year. Taking into account that operating expenses doubled during the period of factory relocation, profit before taxation correspondingly dropped by 32%. However, the Group believes that the impact of the factory relocation was only temporary. Once fully operational, the new factory will help boost the Group's profitability and allow it to pursue business expansion in Mainland China. Besides the new Tai Po plant in Hong Kong having commenced operation last year, the Group also has expanded the production facility in Shanghai for the engineering plastics business this year. The new production line will not only increase capacity, but will also consolidate and expand the Group's business in Southern and Eastern China, lead to greater operational efficiency and allow it to capture a larger share of the Mainland China market. The new Shanghai production facility has begun operation during the year and has received new orders since July of this year.

The plastics trading business, which targets ultimately Europe and US markets through exports from Hong Kong, was affected by the European debt crisis. Compounded by a drop in raw material prices during the period, a decrease in the selling price of products consequently resulted, in turn causing a fall in turnover of 6% to HK\$1,042,202,000. As such, the Group implemented measures to lower inventory, leading to a decline in gross profit margin. Gross profit margin decreased by around 2% year on year. During the year, apart from implementing inventory control measures, the Group also leveraged its competitive advantages to focus on promoting specialised products with stable prices and higher margins. Furthermore, the Group received new orders from heavy industry manufacturers to produce accessories for electrical devices and automobile parts, helping the Group maintain its growth momentum.

PROSPECTS

Looking at the second half of 2012, overall market conditions will continue to be affected by uncertainties over the global economy. However, price fluctuations in plastics and oil have narrowed and the management expects raw material prices will stabilise with operating costs declining for the plastics industry. Besides, the China market will continue to grow and remain as the Group's key development focus. The Group will actively entice new customers and explore new markets in Western China in order to enlarge its market share in Mainland China. In addition, the Group will continue to employ strict cost controls, broaden sources of income and reduce expenditures so as to maintain healthy business growth.

In respect of colorant and compounded plastic resin products, seeing the outstanding sales performance of the Shanghai operation, the Group will replicate the successful business model to other sales offices in Mainland China such as Guangzhou, Western China and North-eastern China. At the same time, the Group will establish closer ties with its customers, build long-term cooperative relationships with more international brands and explore opportunities via its link with the International Colour Alliance. The plant in Hong Kong will also plan to expand production lines for colorant and compounded plastic resin segment to complement business development and enhance operational efficiency.

Leveraging the successful business model from Shanghai sales office, the Group will implement aggressive strategies to expand the engineering plastics business network in Mainland China. During the year, plastic replacements for stone and wood entered the Eastern China market. In respect of the Southern China market, the Group will adopt the successful model in Hong Kong to further consolidate its market share in the region. The new plants in Shanghai and Hong Kong will not only position the Group more clearly in the Southern and Eastern China markets, but will also complement its production model and create synergies for its business. During the review year, the Shanghai plant added two production lines and received orders since July 2012. The management expects the expanded production capacity will strengthen the Group's competitive advantage and achieve greater cost efficiency.

Although uncertainties still exist in external markets, the Group will continue to sustain stable growth in the plastic trading business by controlling costs and gradually lowering inventory. The Group will also actively expand into new markets and develop the specialised plastics business with higher profit margins. Such moves will in turn enhance the Group's profitability over the long term.

Overall, the Group will continue a business direction that aims at maintaining stable growth, streamlining operations, controlling costs and lowering inventory to address changing market conditions, as well as improving operational efficiency by utilising the new production lines at the plants in Tai Po and Mainland China. With outstanding capabilities and a solid reputation, the Group's subsidiary in China secured entrusted loans from several banks during the year, allowing the Group to enjoy greater financial management. As finance cost controls are expected to deliver benefits in the second half year, this will provide ample resources for the Group to capture future opportunities.

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 2012, the Group has available aggregate banking facilities of approximately HK\$521,139,000, of which approximately HK\$323,200,000 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 2012 amounted to approximately HK\$93,349,000. The Group's gearing ratio as at 30th June 2012 was approximately 65.8%, based on the total bank borrowings of approximately HK\$294,367,000 and the shareholders' funds of approximately HK\$447,168,000.

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 2012, 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:

	2012	2011
	HK\$'000	HK\$'000
Sell HK dollars for US dollars	<u>2,747,940</u>	<u>2,304,900</u>
Sell US dollars for HK dollars	<u>171,600</u>	<u>990,600</u>
Sell US dollars for Renminbi	<u>175,500</u>	<u>—</u>

EMPLOYEE INFORMATION

As at 30th June 2012, 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.

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, 22nd November 2012 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 the applicable code provisions of the Code on Corporate Governance Practices as set out in the former Appendix 14 of the Listing Rules (the “Former CG Code”) from 1st July 2011 to 31st March 2012 and has complied with all the applicable code provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 14 of the Listing Rules (the “CG Code”) from 1st April 2012 to 30th June 2012, except for the deviations as mentioned below.

According to the code provision A.2.1 of both the Former CG Code and 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 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.

Code provision A.4.1 of the Former CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. The Company’s independent non-executive Directors were not appointed for a specific term initially but subsequent service contracts were executed during the year.

AUDIT COMMITTEE

The Audit Committee of the Company (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 2012 with the Directors.

REMUNERATION COMMITTEE

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

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive Directors and senior management. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives. The Remuneration Committee held three meetings during the year ended 30th June 2012.

NOMINATION COMMITTEE

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

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board (including the skills, knowledge and experience) on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee meets at least once a year to assess the structure, size and composition of the Board. The Nomination Committee held one meeting during the year ended 30th June 2012 to review the structure, size and composition (including the skills, knowledge and experience) of the Board.

CORPORATE GOVERNANCE COMMITTEE

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

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

The Corporate Governance Committee meets at least once a year to review the corporate governance functions. The Corporate Governance Committee held one meeting during the year ended 30th June 2012 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
HUI Sai Chung
Chairman

Hong Kong, 21st September 2012

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, Dr WONG Chi Ying, Anthony, Mr LAI Kam Wah, Madam LIU Sau Lai and Mr NG Chi Ming, and three Independent Non-executive Directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung and Mr CHING Yu Lung.