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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 2013

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 2013 as follows:

Consolidated Income Statement

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|------------------------------------------------------------------------------------------------------------------------------|------|--------------------|------------------|
| Revenue | 2 | 1,868,990 | 1,640,416 |
| Cost of sales | 5 | (1,685,100) | (1,498,896) |
| Gross profit | | 183,890 | 141,520 |
| Other income | 3 | 3,981 | 3,643 |
| Other gains, net | 4 | 14,277 | 18,384 |
| Distribution costs | 5 | (62,032) | (51,563) |
| Administrative expenses | 5 | (95,377) | (90,687) |
| Operating profit | | 44,739 | 21,297 |
| Finance income | | 335 | 310 |
| Finance costs | | (9,072) | (10,242) |
| Finance costs, net | 6 | (8,737) | (9,932) |
| Profit before income tax | | 36,002 | 11,365 |
| Income tax expense | 7 | (11,554) | (8,230) |
| Profit for the year | | 24,448 | 3,135 |
| Attributable to: | | | |
| Equity holders of the Company | | 22,059 | 1,365 |
| Non-controlling interests | | 2,389 | 1,770 |
| | | 24,448 | 3,135 |
| Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cent per share) | | | |
| – Basic | 9 | 5.97 | 0.37 |
| – Diluted | 9 | 5.97 | 0.37 |

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|----------------------------------------------------------------------------------------------------------|------------------|------------------|
| Profit for the year | 24,448 | 3,135 |
| Other comprehensive income: | | |
| <u>Items that may be reclassified subsequently to income statement:</u> | | |
| Revaluation gain of property, plant and equipment on transfer to investment properties, net of tax | 1,893 | 115 |
| Revaluation gain of an available-for-sale financial asset | 413 | 188 |
| Currency translation differences | 7,934 | 7,069 |
| Other comprehensive income for the year | 10,240 | 7,372 |
| Total comprehensive income for the year | 34,688 | 10,507 |
| Total comprehensive income attributable to: | | |
| – Equity holders of the Company | 32,264 | 8,675 |
| – Non-controlling interests | 2,424 | 1,832 |
| | 34,688 | 10,507 |

Consolidated Balance Sheet

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|-----------------------------------------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 139,285 | 141,235 |
| Leasehold land and land use rights | | 22,939 | 15,547 |
| Investment properties | | 76,325 | 53,775 |
| Intangible assets | | — | — |
| Available-for-sale financial asset | | 1,730 | 1,317 |
| Deferred tax assets | | 4,924 | 5,428 |
| Deposit for acquisition of properties | | — | 8,827 |
| Prepayments for property, plant and equipment and renovation costs | | 2,991 | 4,741 |
| | | <u>248,194</u> | <u>230,870</u> |
| Current assets | | | |
| Inventories | | 301,442 | 281,501 |
| Trade and bills receivables | 10 | 318,411 | 280,928 |
| Other receivables, prepayments and deposits | | 21,950 | 17,326 |
| Tax recoverable | | 119 | 524 |
| Derivative financial instruments | | 570 | 233 |
| Cash and bank balances | | 112,082 | 93,349 |
| | | <u>754,574</u> | <u>673,861</u> |
| Total assets | | <u>1,002,768</u> | <u>904,731</u> |
| 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 | | 81,619 | 71,414 |
| Retained earnings | | 294,735 | 276,368 |
| | | <u>475,740</u> | <u>447,168</u> |
| Non-controlling interests | | <u>22,419</u> | <u>23,613</u> |
| Total equity | | <u>498,159</u> | <u>470,781</u> |

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|------------------------------------------------|------|------------------|------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 4,457 | 5,400 |
| Current liabilities | | | |
| Trade payables | 11 | 120,352 | 111,032 |
| Other payables, deposits received and accruals | | 19,246 | 15,046 |
| Bank borrowings | | 344,938 | 294,367 |
| Derivative financial instruments | | 5,014 | 2,730 |
| Tax payable | | 10,602 | 5,375 |
| | | 500,152 | 428,550 |
| Total liabilities | | 504,609 | 433,950 |
| Total equity and liabilities | | 1,002,768 | 904,731 |
| Net current assets | | 254,422 | 245,311 |
| Total assets less current liabilities | | 502,616 | 476,181 |

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 judgement in the process of applying the Group’s accounting policies.

(a) Effect of adopting amendments to standards

- (i) The Group has adopted the following amendment to standard which is mandatory for the Group’s financial year beginning on 1st July 2012:

| | |
|------------------------------------------------------------|-----------------------------------------------------|
| Hong Kong Accounting Standard (“HKAS”) 1 (Amendment) | Presentation of Items of Other Comprehensive Income |
|------------------------------------------------------------|-----------------------------------------------------|

The adoption of the above amendment to standard has had no material effect on the Group’s result and financial position, except for certain disclosures in respect of the amendment of HKAS 1.

- (ii) In December 2010, the HKICPA amended 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.

- (b) The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended 30th June 2013 and have not been early adopted:

| | |
|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| HKFRS 1 (Amendment) | Government Loans ¹ |
| HKFRS 7 (Amendment) | Disclosures – Offsetting Financial Assets and Financial Liabilities ¹ |
| HKFRS 9 | Financial Instruments ³ |
| HKFRS 10 | Consolidated Financial Statements ¹ |
| HKFRS 11 | Joint Arrangements ¹ |
| HKFRS 12 | Disclosure of Interests in Other Entities ¹ |
| HKFRS 13 | Fair Value Measurement ¹ |
| HKAS 19 (2011) | Employee Benefits ¹ |
| HKAS 27 (2011) | Separate Financial Statements ¹ |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures ¹ |
| HKAS 32 (Amendment) | Offsetting Financial Assets and Financial Liabilities ² |
| HKAS 36 (Amendment) | Recoverable Amount Disclosures for Non-Financial Assets ² |
| HKAS 39 (Amendment) | Novation of Derivatives and Continuation of Hedge Accounting ² |
| Hong Kong International Financial Reporting Interpretations Committee (“HK (IFRIC)”) - Int 20 | Stripping Costs in the Production Phase of a Surface Mine ¹ |
| HK (IFRIC) - Int 21 | Levies ² |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory Effective Date at HKFRS 9 and Transition Disclosures ³ |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other entities: Transition Guidance ¹ |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment Entities ² |
| HKFRSs (Amendment) | Annual Improvements 2009 – 2011 Cycle ¹ |

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

² Effective for the Group for annual period beginning on 1st July 2014

³ Effective for the Group for annual period beginning on 1st July 2015

The Directors anticipate that the adoption of above 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

| | 2013 | 2012 |
|--------------------------------|-------------------------|-------------------------|
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Sales of goods | 1,867,192 | 1,639,990 |
| Provision of logistic services | 1,798 | 426 |
| | <u>1,868,990</u> | <u>1,640,416</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 2013 is as follows:

| | Trading HK\$'000 | Colorants HK\$'000 | Engineering plastics HK\$'000 | Others HK\$'000 | Group HK\$'000 |
|--------------------------------------------------------------------------------------------|---------------------|-----------------------|-------------------------------------|--------------------|-------------------|
| Turnover | | | | | |
| – Gross revenue | 1,350,782 | 401,943 | 213,730 | 2,443 | 1,968,898 |
| – Inter-segment revenue | (95,162) | (2,987) | (1,759) | — | (99,908) |
| Revenue from external customers | <u>1,255,620</u> | <u>398,956</u> | <u>211,971</u> | <u>2,443</u> | <u>1,868,990</u> |
| Segment results | <u>(34,825)</u> | <u>48,772</u> | <u>17,971</u> | <u>12,821</u> | <u>44,739</u> |
| Finance income | 60 | 263 | 12 | — | 335 |
| Finance costs | (6,316) | (1,714) | (924) | (118) | (9,072) |
| (Loss)/profit before income tax | (41,081) | 47,321 | 17,059 | 12,703 | 36,002 |
| Income tax expense | | | | | (11,554) |
| Profit for the year | | | | | 24,448 |
| Non-controlling interests | | | | | (2,389) |
| Profit attributable to equity holders of the Company | | | | | <u>22,059</u> |
| Other information: | | | | | |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 9,952 | 5,847 | 5,814 | 196 | 21,809 |
| Depreciation of property, plant and equipment | 528 | 7,245 | 8,672 | 1,147 | 17,592 |
| Amortisation of leasehold land and land use rights | 278 | 207 | 32 | 78 | 595 |
| Provision for/(reversal of) impairment of inventories | 474 | 734 | (1,170) | (235) | (197) |
| Provision for impairment of trade receivables | 1,101 | — | — | — | 1,101 |
| Write-off of other receivables | — | 596 | — | — | 596 |
| Provision for impairment of deposit for acquisition of properties | — | 9,051 | — | — | 9,051 |
| Unrealised fair value loss on derivative financial instruments | <u>1,947</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,947</u> |

The segment information provided to the CODM for the reportable segments as at 30th June 2013 is as follows:

| | Trading | Colorants | Engineering plastics | Others | Group |
|---------------------|-----------------|------------------|---------------------------------|-----------------|-------------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment assets | 460,648 | 292,030 | 160,658 | 89,432 | <u>1,002,768</u> |
| Total assets | | | | | <u><u>1,002,768</u></u> |
| Segment liabilities | 105,589 | 30,702 | 17,748 | 5,632 | 159,671 |
| Borrowings | 281,813 | 20,127 | 39,323 | 3,675 | <u>344,938</u> |
| Total liabilities | | | | | <u><u>504,609</u></u> |

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

| | Trading HK\$'000 | Colorants HK\$'000 | Engineering plastics HK\$'000 | Others HK\$'000 | Group 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 | 680 | — | — | — | 680 |

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

| | Trading HK\$'000 | Colorants HK\$'000 | Engineering plastics HK\$'000 | Others HK\$'000 | Group 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 entity is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong for the year ended 30th June 2013 is approximately HK\$998,902,000 (2012: HK\$986,956,000), and the total of its revenue from external customers from other locations (mainly the People's Republic of China (the "PRC")) is approximately HK\$870,088,000 (2012: HK\$653,460,000).

At 30th June 2013, 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\$139,646,000 (2012: HK\$124,514,000), and the total of these non-current assets located in other locations (mainly the PRC) is approximately HK\$101,894,000 (2012: HK\$99,611,000).

3. Other income

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------|---------------------|---------------------|
| Rental income | <u><u>3,981</u></u> | <u><u>3,643</u></u> |

Outgoings in respect of investment properties amounted to approximately HK\$127,000 (2012: HK\$139,000).

4. Other gains, net

| | 2013 HK\$'000 | 2012 HK\$'000 |
|----------------------------------------------------------------------------------------|------------------|------------------|
| Fair value gains on investment properties | 18,670 | 13,073 |
| Derivative financial instruments | | |
| – forward foreign exchange contracts and interest rate swap contracts held for trading | | |
| – unrealised | (1,947) | (680) |
| – realised | 4,424 | 4,958 |
| Net exchange gains | 2,181 | 1,153 |
| Provision for impairment of deposit for acquisition of properties (Note) | (9,051) | — |
| Loss on disposal of a subsidiary | — | (120) |
| | <u>14,277</u> | <u>18,384</u> |

Note:

In prior year, the Group paid a deposit of RMB7,150,000 (equivalent to HK\$9,051,000) for the acquisition of certain properties in Mainland China. However, the transaction has not been completed for years as defects in certain title documents are yet to be rectified despite continuous efforts had been spent in the past. During the year, management evaluated all circumstances, including the period of time involved since signing the acquisition agreement, the costs and benefits to proceed with the transaction, the likelihood of completion in the foreseeable future, and the possibility of obtaining refund from the seller in cash, concluded that there are significant uncertainties about the recoverability of the deposit as at 30th June 2013. Consequently, a full provision was made on the deposit for the year ended 30th June 2013.

5. Expenses by nature

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------------------------------------------------------------|------------------|------------------|
| Cost of inventories sold excluding manufacturing costs | 1,611,998 | 1,433,890 |
| Amortisation of leasehold land and land use rights | 595 | 344 |
| Auditor's remuneration | 2,506 | 2,391 |
| Depreciation: | | |
| – Owned property, plant and equipment | 17,592 | 16,951 |
| – Property, plant and equipment under finance leases | — | 342 |
| Provision for impairment of trade receivables | 1,101 | 182 |
| Write-off of other receivables | 596 | — |
| Reversal of impairment of inventories | (197) | (682) |
| (Gain)/loss on disposal of property, plant and equipment | (1) | 289 |
| Employee benefit expenses, including Directors' emoluments | 109,385 | 97,960 |
| Operating lease rentals in respect of land and buildings | 7,316 | 8,327 |
| Repairs and maintenance expenses | 3,306 | 3,513 |
| Transportation and packaging expenses | 24,552 | 20,151 |
| Travelling and office expenses | 9,363 | 8,090 |
| Utility expenses | 13,872 | 12,098 |
| Other expenses | 40,525 | 37,300 |
| | <hr/> | <hr/> |
| Total cost of sales, distribution costs and administrative expenses | 1,842,509 | 1,641,146 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Representing: | | |
| Cost of sales | 1,685,100 | 1,498,896 |
| Distribution costs | 62,032 | 51,563 |
| Administrative expenses | 95,377 | 90,687 |
| | <hr/> | <hr/> |
| | 1,842,509 | 1,641,146 |
| | <hr/> <hr/> | <hr/> <hr/> |

6. Finance income and costs

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------------------------------------------------------------|------------------|------------------|
| Finance income: | | |
| – Interest income from bank deposits | 335 | 310 |
| Finance costs: | | |
| – Interest on bank borrowings wholly repayable within five years | (11,230) | (10,604) |
| – Interest element of finance leases | — | (2) |
| – Net exchange gains on financing activities | 2,158 | 364 |
| | (9,072) | (10,242) |
| Finance costs, net | (8,737) | (9,932) |

7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on the Group's subsidiaries established and operating 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:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Current tax: | | |
| Hong Kong profits tax | 3,197 | 3,400 |
| PRC corporate income tax | 8,252 | 4,255 |
| Under-provision in previous years | 474 | 213 |
| | 11,923 | 7,868 |
| Deferred tax | (369) | 362 |
| | 11,554 | 8,230 |

8. Dividends

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------------------------------------------------------|------------------|------------------|
| Interim, paid, of HK1.0 cent (2012: Nil) per ordinary share | 3,692 | — |
| Final, proposed, of HK1.0 cent (2012: Nil) per ordinary share | 3,692 | — |
| | <u>7,384</u> | <u>—</u> |

Notes:

- (a) At a meeting held on 25th February 2013, the Directors declared an interim dividend of HK1.0 cent per share, totalling HK\$3,692,000 for the six months ended 31st December 2012, which was paid during the year ended 30th June 2013, and has been reflected as an appropriation of retained earnings for the year ended 30th June 2013.
- (b) At a meeting held on 27th February 2012, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2011.
- (c) At a meeting held on 26th September 2013, the Directors proposed a final dividend of HK1.0 cent per share, totaling HK\$3,692,000. This proposed dividend was not reflected as dividend payable in these financial statements and will be reflected as an appropriation of retained earnings for the year ending 30th June 2014.
- (d) At a meeting held on 21st September 2012, the Directors resolved not to declare any final dividend 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.

| | 2013 | 2012 |
|-----------------------------------------------------------------|--------------------|--------------------|
| Profit attributable to equity holders of the Company (HK\$'000) | <u>22,059</u> | <u>1,365</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>5.97</u> | <u>0.37</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 2013 and 2012 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

10. Trade and bills receivables

| | Group | |
|-----------------------------------------------|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Trade receivables | 303,348 | 261,774 |
| Less: provision for impairment of receivables | (3,395) | (2,282) |
| | 299,953 | 259,492 |
| Bills receivable | 18,458 | 21,436 |
| | 318,411 | 280,928 |

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 | |
|---------------|-----------------|----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Below 90 days | 285,099 | 239,254 |
| 91 - 180 days | 9,406 | 15,609 |
| Over 180 days | 8,843 | 6,911 |
| | 303,348 | 261,774 |

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\$2,320,000 (2012: HK\$2,083,000) with recourse in exchange for cash as at 30th June 2013. 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 | |
|---------------|-----------------------|----------------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Below 90 days | 118,716 | 109,536 |
| 91 - 180 days | 722 | 715 |
| Over 180 days | 914 | 781 |
| | <u>120,352</u> | <u>111,032</u> |

12. Commitments

(a) Capital commitments

At 30th June 2013, the Group had the following capital commitments for addition of property, plant and equipment:

| | 2013 | 2012 |
|---------------------------------|---------------------|--------------|
| | HK\$'000 | HK\$'000 |
| Contracted but not provided for | <u>7,481</u> | <u>6,909</u> |

(b) Commitment under operating leases

As at 30th June 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | 2013 | 2012 |
|---------------------------------------------------|---------------------|--------------|
| | HK\$'000 | HK\$'000 |
| Not later than one year | 4,628 | 4,135 |
| Later than one year and not later than five years | 1,218 | 2,321 |
| Later than five years | 486 | — |
| | <u>6,332</u> | <u>6,456</u> |

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK1.0 cent per share for the year ended 30th June 2013 (2012: Nil). The proposed final dividend, together with the interim dividend of HK1.0 cent (2012: Nil) paid on 9th April 2013, will make a total distribution of HK2.0 cents per share for the year (2012: Nil). The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company to be held on 22nd November 2013 (the “AGM”), will be payable in cash on or about 10th December 2013 to members whose names appear on the register of members of the Company on 3rd December 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20th November 2013 to Friday, 22nd November 2013 (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 AGM. In order to be eligible to attend and vote at the AGM, 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 Tuesday, 19th November 2013.

The register of members of the Company will be closed from Friday, 29th November 2013 to Tuesday, 3rd December 2013 (both dates inclusive) during which period no transfer of shares will be registered for determining the shareholders who are entitled to the proposed final dividend for the year ended 30th June 2013. In order to qualify for the proposed final dividend for the year ended 30th June 2013, 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, 28th November 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, as the global economy stabilised and opportunities emerged from steady growth in Mainland China’s domestic market, the Group recorded an outstanding sales performance. For the year ended 30th June 2013, the Group’s turnover in China’s market surged 33%, boosting overall turnover by 13.9% to a record high of HK\$1,868,990,000. The China segment occupied around 46.6% of the Group’s total turnover. Sales volume also increased by 9.2% from the same period last year.

During the year, stability in both plastic material and oil prices helped product pricing. The Group's gross profit rose 29.9% to HK\$183,890,000 (2012: HK\$141,520,000). Besides, the China economy started to pick up after the smooth transition of the PRC leadership, which helped the Group to increase market share there as well as gross profit in Mainland China market. At the same time, the gross profit margin for the year increased from 8.6% last year to 9.8%. Thanks to effective cost control measures, taking into account other income such as a revaluation gain of investment properties, profit before taxation climbed three times to HK\$36,002,000, and profit attributable to equity holders jumped sixteen times to HK\$22,059,000 (2012: profit attributable to equity holders HK\$1,365,000). Basic earnings per share were HK5.97 cents (2012: Basic earnings per share HK0.37 cents).

To reward shareholders for their support, the Board of Directors recommended the payment of a final dividend of HK1.0 cent per share (2012: Nil). Together with the interim dividend of HK1.0 cent per share (2012: Nil), total dividend for the year will be HK2.0 cents (2012: Nil).

Among the three major businesses of the Group, the colorants, pigments and compound plastic resin business segment achieved the most satisfactory performance. Turnover grew by 10.6% to HK\$398,956,000 year-on-year. During the year the Group's Shanghai subsidiary has successfully entered the international toy and personal healthcare brand market and further enhanced its penetration in the food packaging and automobile markets in Eastern China. The Group has also entered the construction materials market by providing anti-UV materials to customers. Elsewhere, operations in Southern China have reported a satisfactory sales contribution to the Group. The performance of the above two regions have driven turnover growth within this business segment. Moreover, the Group has employed stringent control of costs and procedures in a bid to achieve greater economies of scale. Consequently, gross profit margin increased by 2.7 percentage points and profit before taxation surged by 43% to HK\$47,321,000.

With the global economy stabilising, the Group's engineering plastics business which targets domestic along with European and US export customers, showed improvement in the second half of the year over the first half. Turnover for the year dropped by only 10% to HK\$211,971,000 when compared to the same period last year. The Group deployed greater efforts to develop the domestic market for this business segment during the year. Since orders from customers in Mainland China normally are more profitable, gross profit margin rose slightly by 2% and profit before taxation amounted to HK\$17,059,000. During the period under review, the Group has developed application technology utilising engineering plastics to replace the usage of wood and metal. This has enabled the Group to successfully enter the furniture and automobile markets, making contribution to sales. Full operation of the new production line in Shanghai has not only boosted the Group's overall operating efficiency, its leading-edge product technology has also enhanced its competitive advantage, meeting the increasing standards of Mainland customers for greater product quality. In addition, the Group intends to adopt its successful business model for Shanghai's colorant, pigments and compounded plastic resins market, and actively expand its sales network in Mainland China to capture the opportunities there.

Since the competition in the plastics trading business targeting local, and European and US export customers is intensifying, product prices have dropped accordingly. However, benefitting from the strong market demand in Mainland China and steady growth of its customer base, sales of the Group's products rose, in turn increasing turnover by 20% to HK\$1,255,620,000 when compared to last year. Gross profit margin was similar to that of last year. Loss attributable to shareholders narrowed to HK\$41,081,000. During the period under review, the Group has developed new product lines, in particular providing specialty plastics for electronic meters, automatic electronic appliances and automobile parts in order to expand into these segments with growth potential. Meanwhile, the Group's Chongqing sales office targeting Northwestern China has commenced service which should further enlarge the Group's market share.

PROSPECTS

With the unresolved Eurozone crisis and related poor economic performance across many European countries and the ongoing slowdown in Mainland China's economic growth, the Group will continue to face challenges in the second half of 2013. However, recovery of the US economy has helped stabilise exports in China, which the management believes will present opportunities to the global market and the price of raw materials should become stable. This will help consolidate the Group's overall profitability.

As for the overall business strategy, Mainland China remains the Group's key development focus in the future, in particular Northeastern and Western China. The Group aims to further increase the proportion of business from Mainland China within the Group's total revenue. The Group will also accelerate the expansion of its sales network there. It will build on its successful sales bases in Eastern and Southern China, extending its reach to Northeastern and Western China, as well as integrating the sales network of its various businesses to realise greater synergies and ultimately increase the Group's penetration throughout the country.

In respect to its colorant and compounded plastic resin products, through the close ties with the International Colour Alliance, the Group has secured orders from internationally-renowned brands in the toy, personal healthcare products and automobile parts sectors. Looking ahead, the Group intends to work towards long-term cooperation with more international brands while enriching its product mix, which should prove favourable to the healthy growth of its business.

As for the engineering plastics business, the Group will initiate contact directly with overseas manufacturers so as to improve its bargaining power and explore business possibilities with more potential export customers. The Group will also expand into markets in Italy, Germany and across Southwestern Europe to build a more diversified and international customer base, thereby reducing the risk of relying on a very few markets. In addition, the Group will develop products with higher profit margins to drive its profit growth.

Overall, the management expects the Group will benefit from the rebound in export data in China and the gradual recovery of the US economy. Thus, the Group's outstanding and professional management team will continue to chart a pragmatic yet aggressive business course while flexibly adjusting its business strategies to capture more 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 2013 the Group has available aggregate banking facilities of approximately HK\$570,743,000, of which approximately HK\$359,422,000 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 2013 amounted to approximately HK\$112,082,000. The Group's gearing ratio as at 30th June 2013 was approximately 72.5%, based on the total bank borrowings of approximately HK\$344,938,000 and the shareholders' funds of approximately HK\$475,740,000.

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 2013, 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:

| | 2013 | 2012 |
|--------------------------------|-------------------------|------------------|
| | HK\$'000 | HK\$'000 |
| Sell HK dollars for US dollars | <u>1,518,114</u> | <u>2,747,940</u> |
| Sell US dollars for HK dollars | <u>8,870</u> | <u>171,600</u> |
| Sell US dollars for Renminbi | <u>653,640</u> | <u>175,500</u> |

EMPLOYEE INFORMATION

As at 30th June 2013, the Group had approximately 708 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 Friday, 22nd November 2013 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Listing Rules in due course.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to the establishment of good corporate governance practices and procedures which serve as an important element of risk management throughout the growth and expansion of the Company. The Company emphasises on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Company has complied with all the applicable code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the “CG Code”) throughout the year ended 30th June 2013, except for the deviation as mentioned below.

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer (chief executive for CG Code) should be separate and should not be performed by the same individual. Up to the date of this announcement, the Board 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.

AUDIT COMMITTEE

The Audit Committee of the Company (the “Audit Committee”) provides an important link between the Board and the Company’s auditor in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three independent non-executive Directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung 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 2013 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 2013.

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 two meetings during the year ended 30th June 2013 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 two meetings during the year ended 30th June 2013 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, 26th September 2013

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.