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 2017

The Board of Directors (the "Board") of Ngai Hing Hong Company Limited (the "Company") would like to announce the audited annual consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30th June 2017 as follows:

Consolidated Income Statement

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	2	**1,580,329**	1,506,063
Cost of sales	5	**(1,362,805)**	(1,318,513)
Gross profit		**217,524**	187,550
Rental income	3	**6,503**	5,594
Other gains/(losses), net	4	**17,126**	(13,053)
Distribution costs	5	**(76,572)**	(79,744)
Administrative expenses	5	**(105,416)**	(104,882)
Operating profit/(loss)		**59,165**	(4,535)
Finance income		**1,550**	1,565
Finance costs		**(11,140)**	(11,098)
Finance costs, net	6	**(9,590)**	(9,533)
Profit/(loss) before income tax		**49,575**	(14,068)
Income tax expense	7	**(12,790)**	(11,297)
Profit/(loss) for the year		**36,785**	(25,365)
Attributable to:			
Equity holders of the Company		**34,430**	(26,492)
Non-controlling interests		**2,355**	1,127
		36,785	(25,365)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the year (expressed in HK cent per share)			
– Basic and diluted	9	**9.33**	(7.18)

Consolidated Statement of Comprehensive Income

	2017 HK$'000	2016 HK$'000
Profit/(loss) for the year	**36,785**	(25,365)
Other comprehensive loss:		
Item that will not be reclassified subsequently to income statement:		
Revaluation gain of property, plant and equipment on transfer to investment properties	**363**	—
Item that may be reclassified subsequently to income statement:		
Currency translation differences	**(4,226)**	(32,174)
Other comprehensive loss for the year	**(3,863)**	(32,174)
Total comprehensive income/(loss) for the year	**32,922**	(57,539)
Total comprehensive income/(loss) attributable to:		
– Equity holders of the Company	**30,607**	(58,273)
– Non-controlling interests	**2,315**	734
	32,922	(57,539)

Consolidated Balance Sheet

	Note	**2017** **HK$'000**	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**117,412**	118,172
Leasehold land and land use rights		**18,531**	22,397
Investment properties		**127,801**	106,050
Intangible assets		**—**	—
Available-for-sale financial asset		**2,000**	2,000
Deferred income tax assets		**5,655**	6,052
Prepayments for property, plant and equipment and renovation costs		**4,929**	1,339
		276,328	256,010
Current assets			
Inventories		**255,767**	228,571
Trade and bills receivables	10	**264,882**	248,086
Other receivables, prepayments and deposits		**26,599**	17,347
Income tax recoverable		**501**	248
Restricted bank deposits		**22,989**	23,256
Cash and bank balances		**105,947**	73,821
		676,685	591,329
Total assets		**953,013**	847,339
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		**43,960**	49,903
Retained earnings		**316,786**	286,048
		460,132	435,337
Non-controlling interests		**23,065**	20,384
Total equity		**483,197**	455,721

	Note	**2017**	2016
		HK$'000	HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**6,863**	6,151
Current liabilities			
Trade and bills payables	11	**88,513**	72,875
Other payables, deposits received and accruals		**35,127**	24,079
Bank borrowings		**331,830**	280,843
Derivative financial instruments		**29**	584
Income tax payable		**7,454**	7,086
		462,953	385,467
Total liabilities		**469,816**	391,618
Total equity and liabilities		**953,013**	847,339

Notes:

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issues by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, 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 HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Effect of adopting new standards, amendments/revises to standards and interpretation

Amendment to Hong Kong Accounting Standard ("HKAS") 16 and HKAS 38	Classification of Acceptable Methods of Depreciation and Amortisation
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012 - 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
HKFRS 14	Regulatory Deferral Accounts

The adoption of the above new standards, amendments/revises to standards and interpretation has had no material effect on the Group's result and financial position.

(b) The following new standards and amendments to standards have been issued but are not effective for the annual period beginning 1st July 2016 and have not been early adopted:

Amendments to HKAS 12	Income Taxes [1]
Amendments to HKAS 7	Statement of Cash Flows [1]
Amendment to HKFRS12	Disclosure of Interest in Other Entities [1]
HKFRS 9	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [2]
Amendment to HKFRS 1	First Time Adoption of HKFRS [2]
Amendment to HKAS 28	Investments in Associates and Joint Ventures [2]
Hong Kong International Financial Reporting Interpretations Committee ("HK (IFRIC)") Interpretation 22	Foreign Currency Transactions and Advance Consideration [2]
HKFRS 16	Leases [3]
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for annual periods beginning on or after 1st January 2017

[2] Effective for annual periods beginning on or after 1st January 2018

[3] Effective for annual periods beginning on or after 1st January 2019

[4] To be determined

The Group has commenced, but not yet completed, an assessment of the impact of the new standards and amendments to standards on its results of operations and financial position. However, none of the above new standards and amendments to standards is expected to have a significant effect on the financial statements, except the following set out below:

HKFRS 9: "Financial Instruments"

HKFRS 9 addresses the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 Financial Instruments: Recognition and Measurement. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investment will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 9 is mandatory for financial years commencing on or after 1st January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 15: "Revenue from Contracts with Customers"

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent commissions. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 is effective for annual periods beginning on or after 1st January 2018 and earlier application is permitted. The Group does not plan to early adopt HKFRS 15. The Group assessed the impact of the adoption of HKFRS 15 by analysing the Group's key revenue streams against the 5-step approach and did not expect the adoption would have a material impact at the Group's result and financial position.

HKFRS 16: "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the 30th June 2017, the Group has non-cancellable operating lease commitments of HK$15,306,000. The Directors do not expect the adoption of HKFRSs would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated balance sheet as lease liabilities.

HKFRS16 is mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2. Revenue and segment information

	2017	2016
	HK$'000	HK$'000
Revenue		
Sales of goods	**1,577,965**	1,503,199
Provision of logistic services	**2,364**	2,864
	1,580,329	1,506,063

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, including the provision of logistic services ("Others").

Each of the Group's operating segments represents a strategic business unit that is managed by different business unit leaders. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

The CODM assesses the performance of the operating segments based on a measure of revenue and operating profit, which is in a manner consistent with that of the consolidated financial statements.

The segment information provided to the CODM for the reportable segments for the year ended 30th June 2017 is as follows:

	Trading	Colorants	Engineering plastics	Others	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
– Gross revenue	**1,124,448**	**319,604**	**199,208**	**2,396**	**1,645,656**
– Inter-segment revenue	**(60,760)**	**(3,985)**	**(559)**	**(23)**	**(65,327)**
Revenue from external customers	**1,063,688**	**315,619**	**198,649**	**2,373**	**1,580,329**
Segment results	**6,029**	**39,040**	**17,616**	**(3,520)**	**59,165**
Finance income	**817**	**496**	**237**	**–**	**1,550**
Finance costs	**(8,556)**	**(1,235)**	**(1,012)**	**(337)**	**(11,140)**
(Loss)/profit before income tax	**(1,710)**	**38,301**	**16,841**	**(3,857)**	**49,575**

	Trading HK$'000	Colorants HK$'000	Engineering plastics HK$'000	Others HK$'000	Group HK$'000
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	**1,023**	**13,600**	**7,334**	**264**	**22,221**
Depreciation of property, plant and equipment	**688**	**5,542**	**7,849**	**531**	**14,610**
Amortisation of leasehold land and land use rights	**361**	**225**	**32**	**78**	**696**
(Reversal of)/provision for impairment of inventories, net	**(1,329)**	**399**	**141**	**(18)**	**(807)**
(Reversal of)/provision for impairment of trade receivables, net	**(5)**	**53**	**—**	**222**	**270**
Provision for impairment of other receivables	**—**	**—**	**—**	**2,566**	**2,566**
Reversal of impairment of deposit for acquisition of properties	**—**	**(8,218)**	**—**	**—**	**(8,218)**
Provision for impairment of property, plant and equipment	**—**	**—**	**—**	**227**	**227**
Fair value gains on derivative financial instruments, net	**(2,417)**	**—**	**—**	**—**	**(2,417)**
Fair value gains on investment properties	**(322)**	**(793)**	**—**	**(4,730)**	**(5,845)**

The segment information provided to the CODM for the reportable segments as at 30th June 2017 is as follows:

	Trading HK$'000	Colorants HK$'000	Engineering plastics HK$'000	Others HK$'000	Group HK$'000
Segment assets	**379,700**	**293,466**	**159,016**	**120,831**	**953,013**
Total assets					**953,013**
Segment liabilities	**(83,700)**	**(29,688)**	**(19,288)**	**(5,310)**	**(137,986)**
Borrowings	**(264,877)**	**(22,989)**	**(37,005)**	**(6,959)**	**(331,830)**
Total liabilities	**(348,577)**	**(52,677)**	**(56,293)**	**(12,269)**	**(469,816)**

The segment information provided to the CODM for the reportable segments for the year ended 30th June 2016 is as follows:

	Trading	Colorants	Engineering plastics	Others	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
– Gross revenue	1,046,494	343,969	183,686	2,925	1,577,074
– Inter-segment revenue	(65,300)	(3,738)	(1,918)	(55)	(71,011)
Revenue from external customers	981,194	340,231	181,768	2,870	1,506,063
Segment results	(43,130)	35,194	8,403	(5,002)	(4,535)
Finance income	1,124	143	298	—	1,565
Finance costs	(8,279)	(1,485)	(1,003)	(331)	(11,098)
(Loss)/profit before income tax	(50,285)	33,852	7,698	(5,333)	(14,068)
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	192	2,930	5,074	106	8,302
Depreciation of property, plant and equipment	744	5,934	10,990	726	18,394
Amortisation of leasehold land and land use rights	381	276	32	78	767
Provision for/(reversal of) impairment of inventories, net	3,292	(1,155)	(117)	(4)	2,016
(Reversal of)/provision for impairment of trade receivables, net	(142)	29	—	513	400
Fair value losses on derivative financial instruments, net	13,358	—	—	—	13,358
Fair value losses/(gains) on investment properties	212	—	—	(1,950)	(1,738)

The segment information provided to the CODM for the reportable segments as at 30th June 2016 is as follows:

	Trading	Colorants	Engineering plastics	Others	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	315,548	276,975	135,495	119,321	847,339
Total assets					847,339
Segment liabilities	(67,776)	(29,119)	(10,835)	(3,045)	(110,775)
Borrowings	(220,568)	(24,306)	(28,140)	(7,829)	(280,843)
Total liabilities	(288,344)	(53,425)	(38,975)	(10,874)	(391,618)

The entity is domiciled in Hong Kong. The revenue from external customers from Hong Kong for the year ended 30th June 2017 is approximately HK$703,304,000 (2016: HK$637,372,000), and the total of its revenue from external customers from other locations (mainly The People's Republic of China (the "PRC")) is approximately HK$877,025,000 (2016: HK$868,691,000).

At 30th June 2017, the total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is approximately HK$160,722,000 (2016: HK$153,244,000), and the total of these non-current assets located in other locations (mainly the PRC) is approximately HK$107,951,000 (2016: HK$94,714,000).

3 Rental income

	2017	2016
	HK$'000	HK$'000
Rental income	**6,503**	5,594

Outgoings in respect of investment properties that generate rental income amounted to approximately HK$224,000 (2016: HK$208,000).

4 Other gains/(losses), net

	2017	2016
	HK$'000	HK$'000
Fair value gains on investment properties	**5,845**	1,738
Fair value gains/(losses) on forward foreign exchange contracts held for trading, net	**2,417**	(13,358)
Reversal of impairment of deposit for acquisition of properties (Note (a))	**8,218**	—
Government grant (Note (b))	**830**	—
Net exchange losses	**(184)**	(1,433)
	17,126	(13,053)

Notes:

(a) During the year ended 30th June 2007, the Group paid a deposit of RMB7,150,000 (approximately HK$8,218,000) for the acquisition of certain properties in the PRC, in which the deposit paid represents the value of the building portion of the properties. 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 made to obtain those documents. During the year ended 30th June 2013, the management concluded that there were significant uncertainties over the recoverability of the deposit as a result, a full provision was made on the deposit.

During the year ended 30th June 2017, the Group has obtained the property right certificate of the foresaid properties. Accordingly, the impairment of the deposit of RMB7,150,000 (approximately HK$8,218,000) was reversed to consolidated income statement.

(b) Pursuant to the PRC local government policies, the Group obtained RMB722,000 (approximately HK$830,000) (2016: Nil) cash from the PRC local government authorities for the operation in certain PRC regions with no special conditions attached.

5 Expenses by nature

	2017	2016
	HK$'000	HK$'000
Cost of inventories sold excluding manufacturing costs	**1,283,753**	1,234,787
Amortisation of leasehold land and land use rights	**696**	767
Auditor's remuneration		
– Audit services	**2,192**	2,526
– Non-audit services	**536**	599
Depreciation of property, plant and equipment	**14,610**	18,394
Provision for impairment of trade receivables, net	**270**	400
Provision for impairment of other receivables (Note)	**2,566**	—
(Reversal of)/provision for impairment of inventories, net	**(807)**	2,016
Provision for impairment of property, plant and equipment	**227**	—
Loss/(gain) on disposal of property, plant and equipment	**123**	(165)
Employee benefit expenses, including Directors' emoluments	**126,800**	128,750
Operating lease rentals in respect of land and buildings	**7,755**	8,254
Repairs and maintenance expenses	**3,889**	4,127
Transportation and packaging expenses	**26,601**	26,935
Travelling and office expenses	**9,624**	10,129
Utility expenses	**15,207**	15,200
Other expenses	**50,751**	50,420
Total cost of sales, distribution costs and administrative expenses	**1,544,793**	1,503,139
Representing:		
Cost of sales	**1,362,805**	1,318,513
Distribution costs	**76,572**	79,744
Administrative expenses	**105,416**	104,882
	1,544,793	1,503,139

Note:

During the year ended 30th June 2017, one subsidiary under "Others" segment ceased its business operation. The Directors are in the opinion that the other receivables from its business operation cannot be recovered. Accordingly, provision for impairment of other receivables of HK$2,566,000 was charged to administrative expenses.

6 Finance income and costs

	2017	2016
	HK$'000	HK$'000
Finance income:		
– Interest income from bank deposits	**582**	233
– Net exchange gains on financing activities	**968**	1,332
	1,550	1,565
Finance costs:		
– Interest on bank borrowings	**(11,140)**	(11,098)
Finance costs, net	**(9,590)**	(9,533)

7 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 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 on the estimated assessable profit for the year at the rate of 25% (2016: 25%).

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

	2017	2016
	HK$'000	HK$'000
Current income tax:		
Hong Kong profits tax	**1,606**	1,875
PRC corporate income tax	**9,926**	9,359
PRC withholding tax on dividend income	**—**	219
Under/(over) -provision in previous years	**155**	(248)
	11,687	11,205
Deferred income tax	**1,103**	92
	12,790	11,297

8 Dividends

	2017	2016
	HK$'000	HK$'000
Interim, paid, of HK1.0 cent (2016: Nil) per ordinary share	**3,692**	—
Final, proposed, of HK2.0 cents (2016: Nil) per ordinary share	**7,384**	—
	11,076	—

Notes:

(a) On 25th February 2016, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2015.

(b) On 27th September 2016, the Directors resolved not to declare any final dividend for the year ended 30th June 2016.

(c) On 27th February 2017, the Directors declared an interim dividend of HK1.0 cent per share, totaling HK$3,692,000 for the six months ended 31st December 2016, which was paid during the year ended 30th June 2017.

(d) On 28th September 2017, the Directors proposed a final dividend of HK2.0 cents per share, totalling HK$7,384,000. This proposed dividend was not reflected as a dividend payable in these financial statements and will be reflected as an appropriation of retained earnings for the year ending 30th June 2018.

9 Earnings/(loss) per share

Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit/(loss) attributable to equity holders of the Company (HK$'000)	**34,430**	(26,492)
Weighted average number of ordinary shares in issue	**369,200,000**	369,200,000
Basic earnings/(loss) per share (HK cents per share)	**9.33**	(7.18)

Diluted

Dilutive earnings/(loss) per share for the years ended 30th June 2017 and 2016 equal basic earnings/(loss) per share as there was no dilutive potential ordinary share as at the years ended 30th June 2017 and 2016.

10. Trade and bills receivables

	2017	2016
	HK$'000	HK$'000
Trade receivables	**236,285**	222,098
Less: provision for impairment of receivables	**(4,902)**	(4,738)
	231,383	217,360
Bills receivable	**33,499**	30,726
	264,882	248,086

The majority of the Group's sales were made with credit terms of 30 to 90 days. The remaining amounts are on letter of credit or bank's acceptance bill. The ageing analysis of trade receivables by invoice date is as follows:

	2017	2016
	HK$'000	HK$'000
Below 90 days	**218,020**	201,736
91 - 180 days	**9,963**	11,478
Over 180 days	**8,302**	8,884
	236,285	222,098

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

Certain subsidiaries of the Group transferred certain bank's acceptance bills amounting to approximately HK$18,566,000 (2016: HK$20,594,000) with recourse in exchange for cash as at 30th June 2017. The transactions have been accounted for as collateralised bank advances.

11. Trade and bills payables

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

	2017	2016
	HK$'000	HK$'000
Below 90 days	**87,425**	71,615
91 - 180 days	**60**	172
Over 180 days	**1,028**	1,088
	88,513	72,875

12. Commitments

(a) Capital commitments

At 30th June 2017, the Group had the following capital commitments for addition of property, plant and equipment:

	2017	2016
	HK$'000	HK$'000
Contracted but not provided for	**3,187**	4,111

(b) Commitment under operating leases

As at 30th June 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2017	2016
	HK$'000	HK$'000
Not later than one year	**4,946**	4,326
Later than one year and not later than five years	**10,360**	5,529
	15,306	9,855

Note:

On 15th June 2017, the Group entered into a non-cancellable operating lease agreement with an agent of the local PRC government authority to lease an industrial building premise for 5 years with a minimum lease payment of RMB8.5 per square meter. During the non-cancellable lease period, the Group commits an annual tax payment of RMB3,000,000, including the corporate income tax and value added tax, from its business operation in the region to the local PRC government authority. Any fall short on the committed tax payment would be paid in form of cash to the agent of the local PRC government authority. The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rentals payable, if any, when future tax payment short fall a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

13. Contingent liabilities

During the year ended 30th June 2016, the Group received a claim from a customer in respect of the sales of alleged defective goods with claim amount approximately RMB5,000,000 (equivalent to HK$5,747,000). As at 30th June 2017, the legal adviser of the Group on this claim is of the opinion that the Group has a good case to defend. On this basis, the Directors consider that the claim will unlikely result in any material financial impact on the Group as at 30th June 2017.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK2.0 cents per share for the year ended 30th June 2017 (2016: Nil). The proposed final dividend, together with the interim dividend of HK1.0 cent (2016: Nil), will make a total distribution of HK3.0 cents per share for the year (2016: Nil). The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company to be held on Thursday, 23rd November 2017 (the "AGM"), will be payable in cash on Friday, 15th December 2017 to members whose names appear on the register of members of the Company on Monday, 4th December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20th November 2017 to Thursday, 23rd November 2017 (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, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 17th November 2017.

The register of members of the Company will be closed from Thursday, 30th November 2017 to Monday, 4th December 2017 (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 2017. In order to qualify for the proposed final dividend for the year ended 30th June 2017, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 29th November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the past year, international political and economic risks have remained as major concerns. However, the moderate recovery witnessed in the global economy, the steady economic growth in China along with the stable exchange rate of the Renminbi, the gradual rise of crude oil prices from last year's low level and the more balanced demand and supply situation in the global oil market all had a positive impact on the Group's business development. For the year ended 30th June 2017, the Group's total turnover was HK$1,580,329,000 (2016: HK$1,506,063,000), representing a year-on-year growth of 4.9%.

With its proven operating strategy of developing and selling higher margin products, carefully selecting customers as well as capturing the opportunities arising from increasing market demand, the Group reported an improved overall business performance with higher product sales and selling prices. Gross profit grew by 16% to HK$217,524,000 (2016: HK$187,550,000), while gross profit margin increased from 12.5% to 13.8%. Meanwhile, the Group managed to turn around its core businesses in the year by implementing strict cost control measures in order to lower administrative and distribution expenses as well as borrowing costs. By adding the reversal of the impairment of deposit for acquisition of properties, profit attributable to equity holders of the Company was HK$34,430,000 (2016: loss attributable to equity holders of the Company: HK$26,492,000) and basic earnings per share was HK9.33 cents (2016: loss per share: HK7.18 cents). The Group was encouraged by such outstanding results.

To reward shareholders for their unwavering support, the Board of Directors recommended the payment of a final dividend of HK2.0 cents per share. Together with the paid interim dividend of HK1.0 cent per share for the six months ended 31st December 2016, the total dividend for the year was HK3.0 cents per share.

Among the Group's three major businesses, the engineering plastics business delivered the most satisfactory performance. The Group's operating strategy of developing the high-end market to replace the traditional market started to yield results. More new customers were secured during the year, including overseas high-end toy and household goods brands that are required to observe higher international safety standards. The segment's turnover surged by 9.3% year-on-year to HK$198,649,000, while gross profit margin increased by 3.4 percentage points when compared with the corresponding period last year. To enhance production efficiency and reduce labour costs, the Group optimised the production facilities at its plant and carried out an extensive transformation and an upgrade of its automated production system during the year, thereby enhancing production efficiency. It also strengthened the capabilities of the research and development (R&D) centre at its factory in Dongguan. As a result, the Group now boasts top-notch technological advantages in products that enable it to meet customers' product specifications, provide better quality, high-tech and high value-added products and thus it can better stand out in the market. These advantages have attracted renowned domestic and overseas brands and have fortified the Group's position in the industry. Profit before taxation rose more than double year-on-year. In particular, the Group's Dongguan office reported an satisfactory performance with profit before taxation more than twice that in the corresponding period last year. As the Group strengthens its existing technologies and continues to expand its factory in Shanghai, it is believed that the Group's competitive edge of good product quality will steadily attract more domestic and overseas customers, thus creating more profit streams.

Regarding the colorants, pigments and compounded plastic resin business segment, turnover dropped by 7.2% to HK$315,619,000 during the year. Nonetheless the Group's operational strategy of focusing on developing higher margin products was effective and related costs were reduced, gross profit margin was 1.5 percentage points higher than the previous year and profit before taxation also grew by 13.1%. While the Group has continued to invest in market expansion and product development for medical application-related packaging and automobile-related products and services, the strong need for contemporary products and associated devices in the market and higher demand for better technology and quality create a huge potential for development. Thus, the Group has actively worked with high-end mobile device manufacturers in Mainland China during the year. On top of smartphones, it has also expanded into markets of new products such as smart electronic products, electronic healthcare products and drones. Besides, the Group's electric vehicle-related products have been qualified for acceptance by a renowned international automobile brand marking successful entry into a new energy electric vehicle market with a higher entry barrier. The Group has also liaised with companies engaging in the business of household goods and children and women's personal care products with the aim to expand its income streams and customer base. Through cooperating with mid-range and high-end smartphone customers in China, the Group believes that it can seize a larger market share. As the newly relocated plant in Xiamen has gradually ramped up operations, the Group can effectively facilitate the integration of its resources, centralise inventory management to reduce logistics costs, as well as enhance both production capacity and product quality, thereby accelerating business growth and continuously contributing to profit.

For the plastics trading business, as the Group's strategic adjustment of its sales model started to deliver results, the Renminbi exchange rate gradually stabilised, and prices of plastic raw materials climbed steadily due to rising oil prices, customers shifted from being conservative to a more aggressive approach in placing purchase orders. During the year, the Group strengthened its efforts on the Northern and Western China markets and focused on developing and producing high-end products such as automobile-related products to replace lower-margin plastic products. It also liaised with internationally renowned fast food restaurant chains regarding supplying raw materials to their designated premiums manufacturers, which brought stable large sales orders to the Group. Hence, turnover of this segment increased by 8.4% to 1,063,688,000 from last year, gross profit margin rose 2.1 percentage points and loss before taxation notably shrank to HK$1,710,000. In addition, the use of alternative plastic raw materials of the "industrial pneumatic pump" product for the application of heavy industries such as the petrochemical, automobile and construction sectors was officially launched and attracted considerable attention in the market. The Group believes the product will become a new income source. The Group will continue to explore opportunities for customers with high potential, actively discuss with end-customers for cooperation opportunities and shift to sell specialised raw materials with higher margin as demanded by customers. It will also strive to source more export customers with high potential through broadening its product mix in a bid to expand its customer base and tap the development of the market.

PROSPECTS

The outlook of the global economy has shifted from being challenging in the last year to being positive. The petroleum exporting countries, including two major petroleum producers Saudi Arabia and Russia, have agreed to decrease production and extend this agreement into the coming year. The management believes that this initiative will help the oil price remain stable and boost the demand for and prices of industrial raw materials. The stabilised Renminbi exchange rate would also be favourable for the Group's business development. However, in the second half of 2017, the global economy will continue to be affected by natural disasters and geopolitical tensions, the economic growth momentum will still face considerable risks. Given the unclear and uncertain prospects for the development of the market, the management remains cautiously optimistic about the Group's future development.

Regarding strategic business development, the Group will continue to implement its set development direction and complement its corporate strategy of focusing on developing high value-added products with high-margin and carefully selecting reputable customers, thereby enabling it to seize the development opportunities in different markets. Meanwhile, the Group will increase investment in R&D resources and enhance the quality of its products, so as to realise its first mover advantage among the peers and maintain stronger bargaining power on product prices. In addition, the Group will continue working closely with the International Colour Alliance in a bid to explore more markets with greater growth potential as well as broaden its clientele and income stream.

As for cost control, the Group will keep improving the production facilities of its factory and will transform and upgrade the automated production system, thereby boosting production efficiency and reducing labour costs. Its Shanghai plant will continue to expand while its newly relocated plant in Xiamen will commence production. With the doubling the size of the existing plant, this newly relocated factory in Xiamen not only will possess a larger production capacity, but also will better focus on inventory management and flexibly adjust its production strategy, so as to carry out speedy delivery and address the market trend in order to expand its business. It also aims to achieve greater economies of scale through implementing stringent cost control measures. The Group believes that the integration of internal and external resources and the continued execution of proven development plans will bolster overall profit performance and support the Group's long-term development.

In the face of the uncertainties in the global economy, the Group will continue to closely monitor the market conditions and adopt sound business strategies and a pragmatic and aggressive approach as in the past. Guided by the leadership of the professional management team relying on years of industry experience, it is believed that the Group can stand out from its peers in the market and bring promising returns to its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. As at 30th June 2017 the Group has available aggregate banking facilities of approximately HK$480,851,000, of which approximately HK$351,622,000 have been utilised and were secured by corporate guarantees issued by the Company and legal charges on certain leasehold land and buildings, investment properties and restricted bank deposits in the PRC and Hong Kong owned by the Group. The Group's cash and bank balances as at 30th June 2017 amounted to approximately HK$105,947,000. The Group's gearing ratio as at 30th June 2017 was approximately 72%, based on the total bank borrowings of approximately HK$331,830,000 and the shareholders' funds of approximately HK$460,132,000.

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 2017, 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:

	2017	2016
	HK$'000	HK$'000
Sell HK dollars for US dollars	**148,200**	561,600

EMPLOYEE INFORMATION

As at 30th June 2017, 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 Thursday, 23rd November 2017 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 2017, 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 AND REVIEW OF RESULTS

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 2017 with the Directors.

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 30th June 2017 as set out in the results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

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 2017.

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 would review the Board's composition from time to time where Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services.

The Nomination Committee meets at least once a year to assess the structure, size and composition of the Board. The Nomination Committee held three meetings during the year ended 30th June 2017 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 2017 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, 28th September 2017

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, Madam LIU Sau Lai, Mr NG Chi Ming and Mr HUI Yan Kuen, and three Independent Non-executive Directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung and Mr CHING Yu Lung.