



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 2008

The Board of Directors of Ngai Hing Hong Company Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30th June 2008 as follows:

Consolidated Income Statement

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	2	1,580,225	1,405,507
Cost of sales	5	<u>(1,439,676)</u>	<u>(1,272,038)</u>
Gross profit		140,549	133,469
Other income	3	2,899	1,563
Other gains, net	4	27,018	9,276
Distribution costs	5	(42,584)	(41,086)
Administrative expenses	5	<u>(85,085)</u>	<u>(74,105)</u>
Operating profit		42,797	29,117
Finance income		397	542
Finance costs		<u>(11,221)</u>	<u>(9,157)</u>
Finance costs – net	6	(10,824)	(8,615)
Profit before taxation		31,973	20,502
Taxation	7	<u>(1,294)</u>	<u>(7,459)</u>
Profit for the year		<u>30,679</u>	<u>13,043</u>
Attributable to:			
Equity holders of the Company		24,193	14,975
Minority interests		<u>6,486</u>	<u>(1,932)</u>
		<u>30,679</u>	<u>13,043</u>
Dividends	8	<u>7,384</u>	<u>7,200</u>
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cent per share)			
– Basic	9	<u>6.64</u>	<u>4.16</u>
– Diluted	9	<u>6.64</u>	<u>4.16</u>

Consolidated Balance Sheet

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		106,700	103,313
Leasehold land and land use rights		16,446	14,756
Investment properties		24,720	17,400
Intangible assets		3,200	—
Available-for-sale financial assets		2,000	—
Deposits for acquisition of an investment property		8,125	6,250
Deferred tax assets		5,618	527
		<u>166,809</u>	<u>142,246</u>
Current assets			
Inventories		204,362	152,802
Trade and bills receivables	10	293,799	316,316
Other receivables, prepayments and deposits		16,429	15,058
Tax recoverable		2,876	3,418
Derivative financial instruments		1,274	1,575
Cash and cash equivalents		78,882	59,217
		<u>597,622</u>	<u>548,386</u>
Assets held for sale	11	—	21,417
		<u>597,622</u>	<u>569,803</u>
Total assets		<u><u>764,431</u></u>	<u><u>712,049</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		36,920	36,000
Share premium		62,466	57,611
Other reserves		51,024	24,614
Retained earnings		246,605	229,796
Proposed dividends		3,692	3,600
		<u>400,707</u>	<u>351,621</u>
Minority interests		<u>17,397</u>	<u>7,444</u>
Total equity		<u><u>418,104</u></u>	<u><u>359,065</u></u>

		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long-term bank loans		6,523	—
Obligations under finance leases		2,743	5,536
Deferred tax liabilities		2,680	3,343
		<u>11,946</u>	<u>8,879</u>
Current liabilities			
Trade payables	12	104,207	128,888
Other payables and deposits received		10,324	26,884
Accruals		11,726	12,624
Long-term bank loans - current portion		2,000	—
Obligations under finance leases – current portion		2,764	5,711
Short-term borrowings		199,956	164,461
Derivative financial instruments		352	603
Tax payable		3,052	4,934
		<u>334,381</u>	<u>344,105</u>
Total liabilities		<u>346,327</u>	<u>352,984</u>
Total equity and liabilities		<u>764,431</u>	<u>712,049</u>
Net current assets		<u>263,241</u>	<u>225,698</u>
Total assets less current liabilities		<u>430,050</u>	<u>367,944</u>

Notes:

1. Basis of preparation

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

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

The following standard, amendment and interpretations to existing standards are mandatory for the financial year ended 30th June 2008:

Hong Kong Accounting Standard (“HKAS”) 1(Amendment)	Presentation of financial statements – capital disclosures
HKFRS 7	Financial instruments: disclosures
Hong Kong International Financial Reporting Interpretations Committee (“HK(IFRIC”)-Int 10	Interim financial reporting and impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and treasury share transactions

The adoption of above standard, amendment and interpretations to existing standards did not have any significant financial impact to the Group.

Certain comparatives have been reclassified to conform to the current year’s presentation.

The following new standard, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. The Group anticipates that the adoption of these standard, amendments to standards and interpretations would not result in a significant impact on the results and financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 23 (Amendment)	Borrowing Costs (effective for annual periods beginning on or after 1st January 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1st January 2009)

HK(IFRIC)-Int 12	Service Concession Arrangements (effective for annual periods beginning on or after 1st January 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1st July 2008)
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1st January 2008)
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate (effective for annual period beginning on or after 1st January 2009)
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1st October 2008)

In addition, the following amendments to standards have also been issued but are not effective and have not been early adopted by the Group.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective from annual period beginning on or after 1st July 2009)
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations arising on Liquidation (effective from 1st January 2009)
HKFRS 2 (Amendment)	Share-based Payment - Vesting Condition and Cancellations (effective from 1st January 2009)
HKFRS 3 (Revised)	Business Combinations (effective from 1st July 2009)

The Group has already commenced an assessment of the impact of these changes. The expected impact is still being assessed in detail by management.

2. Turnover and segment information

The principal activity of the Company is investment holding, its subsidiaries are principally engaged in the trading and manufacturing of plastic materials, pigments, colorants, compounded plastic resins and engineering plastic products.

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sale of goods	<u>1,580,225</u>	<u>1,405,507</u>

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

	2008		
	The People's Republic of China excluding Hong Kong ("The PRC")		
	Hong Kong	("The PRC")	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover			
– Gross segment	1,246,902	452,552	1,699,454
– Inter-segment	<u>(74,130)</u>	<u>(45,099)</u>	<u>(119,229)</u>
	<u>1,172,772</u>	<u>407,453</u>	<u>1,580,225</u>
Segment results	<u>21,907</u>	<u>11,535</u>	33,442
Unallocated costs			<u>(1,469)</u>
Profit before taxation			31,973
Taxation			<u>(1,294)</u>
Profit for the year			30,679
Minority interests			<u>(6,486)</u>
Profit attributable to equity holders of the Company			<u>24,193</u>

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

	2008		
	Hong Kong	The PRC	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	419,174	334,763	753,937
Unallocated assets			10,494
Total assets			<u>764,431</u>
Segment liabilities	85,152	40,975	126,127
Borrowings			213,986
Other unallocated liabilities			6,214
Total liabilities			<u>346,327</u>
Other information:			
Capital expenditure	9,114	4,013	13,127
Depreciation of property, plant and equipment	4,728	10,538	15,266
Amortisation of leasehold land and land use rights	228	186	414
Amortisation of technical know-how	800	—	800
Impairment of receivables	899	50	949
(Reversal of provision)/provision for impairment of inventories	<u>(1,011)</u>	<u>2,055</u>	<u>1,044</u>

An analysis of the Group's turnover and results for the year ended 30th June 2007 by geographical segment is as follows:

	2007		
	Hong Kong	The PRC	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover			
– Gross segment	1,180,930	333,513	1,514,443
– Inter-segment	<u>(66,766)</u>	<u>(42,170)</u>	<u>(108,936)</u>
	<u>1,114,164</u>	<u>291,343</u>	<u>1,405,507</u>
Segment results	<u>9,558</u>	<u>13,747</u>	23,305
Unallocated costs			<u>(2,803)</u>
Profit before taxation			20,502
Taxation			<u>(7,459)</u>
Profit for the year			13,043
Minority interests			<u>1,932</u>
Profit attributable to equity holders of the Company			<u>14,975</u>

The segment assets and liabilities at 30th June 2007 and other segment information for the year ended are as follows:

	Hong Kong	2007 The PRC	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	443,410	264,476	707,886
Unallocated assets			4,163
			<u>712,049</u>
Total assets			<u>712,049</u>
Segment liabilities	130,799	37,725	168,524
Borrowings			175,708
Other unallocated liabilities			8,752
			<u>352,984</u>
Total liabilities			<u>352,984</u>
Other information:			
Capital expenditure	4,582	6,050	10,632
Depreciation of property, plant and equipment	7,043	9,054	16,097
Amortisation of leasehold land and land use rights	240	163	403
Impairment of receivables	33	850	883
Reversal of provision for impairment of inventories	—	(600)	(600)
	<u>—</u>	<u>(600)</u>	<u>(600)</u>

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

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

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

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

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

3. **Other income**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	<u>2,899</u>	<u>1,563</u>

Outgoings in respect of investment properties amounted to approximately HK\$307,000 (2007: HK\$284,000).

4. **Other gains, net**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value gains on investment properties	8,477	426
Derivative financial instruments		
– Forward foreign exchange contracts - realised	2,382	2,440
– Forward foreign exchange contracts - unrealised	(50)	999
Net exchange gains	3,260	3,138
Gain on disposal of an investment property	443	—
Gain on disposal of a business	13,235	—
Impairment of receivables relating to a disposed business	(729)	—
Negative goodwill arising from acquisition of additional interests in a subsidiary	<u>—</u>	<u>2,273</u>
	<u>27,018</u>	<u>9,276</u>

5. Expenses by Nature

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold excluding manufacturing costs	1,370,041	1,207,630
Amortisation of leasehold land and land use rights	414	403
Amortisation of technical know-how	800	—
Auditor's remuneration	1,573	1,354
Depreciation:		
– Owned property, plant and equipment	12,815	11,844
– Property, plant and equipment under finance leases	2,451	4,253
Provision for impairment of trade receivables	220	883
Provision / (reversal of provision) for impairment of inventories	1,044	(600)
Loss/(gain) on disposal of property, plant and equipment	34	(14)
Employee benefit expenses, including		
directors' emoluments	83,080	72,998
Operating lease rentals in respect of land and buildings	8,730	7,743
Repair and maintenance expense	4,726	4,011
Transportation and packaging expenses	22,360	20,735
Travelling and office expense	13,573	12,499
Utility expenses	13,965	12,796
Other expenses	31,519	30,694
	<hr/>	<hr/>
Total costs of sales, distribution costs and administrative expenses	1,567,345	1,387,229
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Cost of sales	1,439,676	1,272,038
Distribution costs	42,584	41,086
Administrative expenses	85,085	74,105
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6. Finance income and costs

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	397	542
	-----	-----
Finance costs:		
– Interest on bank borrowings wholly repayable within five years	(10,812)	(8,347)
– Interest element of finance leases	(409)	(810)
	-----	-----
	(11,221)	(9,157)
	-----	-----
Finance costs – net	(10,824)	(8,615)
	=====	=====

7. Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on the Group's subsidiaries established and operate in the PRC has been calculated at the rates of taxation as applicable to the relevant subsidiaries.

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation:		
Hong Kong profits tax	3,216	2,540
PRC corporate income tax	5,267	1,913
Overprovision in previous years	(1,435)	(155)
	-----	-----
	7,048	4,298
Deferred taxation	(5,754)	1,743
Additional provision made as a result of development of tax rules	—	1,418
	-----	-----
	1,294	7,459
	=====	=====

8. Dividends

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK1.0 cent (2007: HK 1.0 cent) per ordinary share	3,692	3,600
Final, proposed, of HK1.0 cent (2007: HK 1.0 cent) per ordinary share (note)	<u>3,692</u>	<u>3,600</u>
	<u><u>7,384</u></u>	<u><u>7,200</u></u>

Note:

At a meeting held on 3rd October 2008, the Directors proposed a final dividend of HK1.0 cent per ordinary share. This proposed dividend is 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 2009.

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.

	2008	2007
Profit attributable to equity holders of the Company (HK\$'000)	<u>24,193</u>	<u>14,975</u>
Weighted average number of ordinary shares in issue	<u>364,343,000</u>	<u>360,000,000</u>
Basic earnings per share (HK cents per share)	<u>6.64</u>	<u>4.16</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 2008 and 2007 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

10. Trade and bills receivables

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	271,369	291,883
Less: provision for impairment of receivables	<u>(2,824)</u>	<u>(1,734)</u>
	268,545	290,149
Bills receivable	<u>25,254</u>	<u>26,167</u>
	<u><u>293,799</u></u>	<u><u>316,316</u></u>

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Below 90 days	241,097	262,774
91 - 180 days	19,650	23,910
Over 180 days	<u>10,622</u>	<u>5,199</u>
	<u><u>271,369</u></u>	<u><u>291,883</u></u>

Bills receivable are mainly with maturity period of within 90 days.

A subsidiary of the Group transferred certain bills of exchange amounting to approximately HK\$10,563,000 (2007: HK\$7,083,000) with recourse in exchange for cash as at 30th June 2008. The transactions have been accounted for as collateralised bank advances.

11. Assets held for sale

Pursuant to an agreement entered into between the Group and certain third parties dated 19th October 2006, the Group agreed to dispose of certain assets, representing the business of Ngai Hing PlastChem Company Limited, a subsidiary of the Group, to the relevant parties. Details of these assets held for sale as a disposal group at 30th June 2007 were as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipments	—	7,460
Inventories	—	4,588
Prepayments	—	115
Cash and cash equivalents	—	9,254
	<u> </u>	<u> </u>
	—	21,417
	<u> </u>	<u> </u>

Immediately before the completion of the disposal, the carrying value of the relevant assets held for sale as a disposal group and the costs directly attributable to the disposal amounted to HK\$29,877,000. The disposal was completed on 31st December 2007 at a final consideration of HK\$43,112,000. Consequently a gain on disposal of a business amounting to HK\$13,235,000 was recorded for the year.

12. 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:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 90 days	103,085	124,547
91 - 180 days	432	3,895
Over 180 days	690	446
	<u> </u>	<u> </u>
	104,207	128,888
	<u> </u>	<u> </u>

13. Commitments

(a) Capital commitments

At 30th June 2008, the Group had the following capital commitments for addition of property, plant and equipment:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Contracted but not provided for	7,236	6,863
Authorised but not contracted for	—	—
	<u>7,236</u>	<u>6,863</u>

(b) Commitment under operating leases

As at 30th June 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Not later than one year	8,910	2,630
Later than one year and not later than five years	16,637	3,079
Later than five years	295	97
	<u>25,842</u>	<u>5,806</u>

DIVIDENDS

The directors have resolved to recommend the payment of a final dividend of HK1.0 cent per share for the year ended 30th June 2008 (2007: HK1.0 cent). The proposed final dividend, together with the interim dividend of HK1.0 cent (2007: HK1.0 cent) paid on 10th April 2008, will make a total distribution of HK2.0 cents per share for the year. The proposed final dividend, if approved at the forthcoming Annual General Meeting, will be payable in cash on or about 3rd December 2008 to members whose names appear on the Register of Members of the Company on 26th November 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 21st November 2008 to Wednesday, 26th November 2008 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend to be approved at the meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Rooms 1901-02 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 20th November 2008.

BUSINESS REVIEW

In the year under review, the Group's turnover rose 12% to HK\$1,580,225,000 as compared with last year, attributable mainly to the increased sales of plastics trading and engineering plastic products. Its gross profit also increased by 5% year-on-year to HK\$140,549,000. Of the profit attributable to equity holders amounting to HK\$24,193,000, an over 60% increase compared to that of last year, approximately HK\$13,235,000 was gain from disposal of the subsidiary in PVC business to PolyOne Corporation ("PolyOne") completed in December 2007. The Group also recorded a property revaluation gain of approximately HK\$8,477,000.

It was a challenging year for the industry with oil and material prices climbing to record highs and the US economic downturn affecting consumption sentiment around the world. In China, the implementation of the new labour contract law and reduction in rebates in custom tariffs and preferential taxes pushing up production costs and causing challenges for manufacturers to maintain profitability. However, by applying effective cost control measures and raising product prices to balance the effect due to cost increase, the Group managed to maintain gross profit margin at an average of 9%. Counting on its years of experience, the management was able to map out prudent yet flexible business strategies that navigated the Group across difficult times, maintain its competitiveness and profitability and generate reasonable returns for shareholders.

The three major businesses of the Group all reported stable growth in sales for the year. Revenue from plastics trading business increased by 12% as compared with the same period last year, accounting for about 60% of the Group's total turnover, making the business the major revenue contributor of the Group. During the period under review, revenue from domestic sales had most notable growth, more than double that of the same period last year, mainly caused by the Mainland customers becoming more demanding on quality, especially the quality of imported plastic products after outbreaks of quality problems of China produced plastic products, which favoured the Group's plastic trading business. Furthermore, the Group managed to secure exclusive Greater China region distributorship of some of the products of international brand name plastic manufacturers, which started to bring satisfactory returns to the Group during the year. In addition, the Group gradually increased the selling prices of its products to maintain gross profit margin at a reasonable level to alleviate cost pressure from inflation.

The two major manufacturing businesses managed proportionate growth in turnover, accounting each for about 20% of the total turnover of the Group. Engineering plastics manufacturing business's turnover is 9% higher than that of the same period last year, with gross profit margin maintained high at 17%. Located close to customers in Mainland China, the R&D center of the Group is able to tailor-make products for them and contributed to the double-digit growth in revenue in Eastern China for the review period. However, despite that colorants and compounded plastic resins business recorded 24% growth in turnover, surge in raw material prices, increased expenses resulting from cancellation of certain rebates in customs and preferential taxes and the implementation of the new labour contract law causing increase in cost, resulting in slight loss in these businesses.

During the year under review, the Group completed the disposal of certain assets of its subsidiary to the Dongguan subsidiary of PolyOne, a listed company on the New York Stock Exchange. The transaction generated a gain of HK\$13,235,000 for the Group. This transaction has benefited both parties as it allowed PolyOne to quicken its entry into the China PVC market and the Group to focus resources on developing its core plastics manufacturing and trading business. Subsequent to the disposal, the Group is now holding 5% stake in the Dongguan subsidiary of PolyOne.

PROSPECTS

Based on the current oil price trend, many analysts expect oil price to return to a more reasonable level and related raw materials prices to follow. This will favour the entire plastics industry. By reason thereof the Group holds a positive view in its future business development for it anticipates increase in profitability due to decrease in cost elements.

For the engineering plastics business, encouraged by positive outlook of sales in Mainland China, the Group plans to set up in Shanghai its first engineering plastics plant in Mainland China next year. Apart from enhancing its R&D capabilities and reducing production and transportation expenses, the Group will also be close to its customers hence able to offer tailor made products and services to designated customers, in order to take advantage of the business opportunities offered by the booming economies in Eastern China with Shanghai as its threshold.

The Group will continue to implement cost control measures to achieve greater cost effectiveness to enhance overall operational efficiency. At the same time, the Group will adopt aggressive sales and marketing strategies to broaden its customer base especially among large enterprises.

The implementation of new customs regulations and labour contract law had significantly driven up the Group's labour cost and tax expenses. To enhance competitiveness and reduce costs, the Group, after detail study and consideration, planned to relocate some of the production lines of the processing business in Southern China to Hong Kong, which will benefit the long-term development of its business. Furthermore, the Group will also monitor closely any change in policies in both the Mainland China and Hong Kong, to ensure prompt adjustments to business strategies will be made to adopt itself to the ever-changing market.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. As at 30th June 2008, the Group has available aggregate bank loan facilities of approximately HK\$298,089,000, of which approximately HK\$203,423,000 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 2008 amounted to approximately HK\$78,882,000. The Group's gearing ratio as at 30th June 2008 was approximately 53%, based on the total bank borrowings of approximately HK\$208,479,000, together with obligations under finance leases of approximately HK\$5,507,000 and the shareholders' funds of approximately HK\$400,707,000.

FOREIGN EXCHANGE RISK

The Group's borrowings and cash balances are primarily denominated in Hong Kong dollars, Reminbi 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 2008, 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:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sell/purchase HK dollars for US dollars	<u>1,571,000</u>	<u>839,280</u>

EMPLOYEE INFORMATION

As at 30th June 2008, the Group had approximately 820 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group has an incentive scheme which is geared to the profit of the Group and the performance of its employees, as an incentive to motivate its employees to increase their contribution to the Group. The Group also provides social or medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("HKSE"). Having made specific enquiry to all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the period.

CORPORATE GOVERNANCE PRACTICE

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

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout year ended 30th June 2008, except for deviation of the code provisions A.2.1 and A.4.1 of the Code as mentioned below.

According to the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this annual report, the Board has not appointed an individual to the post of chief executive officer. The roles of the chief executive officer have been performed collectively by all the executive directors, including the chairman, of the Company. The Board considers that this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company’s policies and strategies. Going forward, the Board will periodically review the effectiveness of this arrangement and considers appointing an individual to chief executive officer when it thinks appropriate.

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

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

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board of Directors and the Company's auditor in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-executive Directors, namely Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit 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 2008 with the Directors.

REMUNERATION COMMITTEE

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

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive Directors and senior management. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives. The remuneration committee held one meeting during the year ended 30th June 2008.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITE OF HKSE

The final results announcement is published on the websites of HKSE (<http://www.hkex.com.hk>) and the Company (<http://www.nhh.com.hk>). The annual report will be despatched to the shareholders and will be available on the websites of HKSE (<http://www.hkex.com.hk>) and the Company (<http://www.nhh.com.hk>) in due course.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong, 3rd October 2008

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