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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 2014

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 2014 as follows:

Consolidated Income Statement

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	2	1,757,296	1,868,990
Cost of sales	5	(1,565,368)	(1,685,100)
Gross profit		191,928	183,890
Other income	3	4,867	3,981
Other gains, net	4	779	14,277
Distribution costs	5	(71,632)	(62,032)
Administrative expenses	5	(99,264)	(95,377)
Operating profit		26,678	44,739
Finance income		208	335
Finance costs		(9,237)	(9,072)
Finance costs, net	6	(9,029)	(8,737)
Profit before income tax		17,649	36,002
Income tax expense	7	(13,489)	(11,554)
Profit for the year		4,160	24,448
Attributable to:			
Equity holders of the Company		3,241	22,059
Non-controlling interests		919	2,389
		4,160	24,448
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cent per share)			
– Basic	9	0.88	5.97
– Diluted	9	0.88	5.97

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

	2014	2013
	HK\$'000	HK\$'000
Profit for the year	4,160	24,448
Other comprehensive income:		
<u>Items that will not be reclassified subsequently to</u> <u>income statement:</u>		
Revaluation gain of property, plant and equipment on transfer to investment properties, net of tax	—	1,893
<u>Items that may be reclassified subsequently to</u> <u>income statement:</u>		
Revaluation gain of an available-for-sale financial asset	270	413
Currency translation differences	(8)	7,934
Other comprehensive income for the year	262	10,240
Total comprehensive income for the year	4,422	34,688
Total comprehensive income attributable to:		
– Equity holders of the Company	3,503	32,264
– Non-controlling interests	919	2,424
	4,422	34,688

Consolidated Balance Sheet

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		134,718	139,285
Leasehold land and land use rights		22,225	22,939
Investment properties		103,559	76,325
Intangible assets		—	—
Available-for-sale financial asset		2,000	1,730
Deferred tax assets		5,571	4,924
Prepayments for property, plant and equipment and renovation costs		2,348	2,991
		<u>270,421</u>	<u>248,194</u>
		-----	-----
Current assets			
Inventories		283,087	301,442
Trade and bills receivables	10	280,998	318,411
Other receivables, prepayments and deposits		21,407	21,950
Tax recoverable		14	119
Derivative financial instruments		152	570
Cash and bank balances		97,278	112,082
		<u>682,936</u>	<u>754,574</u>
		-----	-----
Total assets		<u>953,357</u>	<u>1,002,768</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		81,881	81,619
Retained earnings		290,592	294,735
		<u>471,859</u>	<u>475,740</u>
Non-controlling interests		<u>21,461</u>	<u>22,419</u>
		-----	-----
Total equity		<u>493,320</u>	<u>498,159</u>
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	Note	2014 HK\$'000	2013 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		5,998	4,457
Current liabilities			
Trade payables	11	98,459	120,352
Other payables, deposits received and accruals		19,310	19,246
Bank borrowings		294,828	344,938
Derivative financial instruments		34,533	5,014
Tax payable		6,909	10,602
		454,039	500,152
Total liabilities		460,037	504,609
Total equity and liabilities		953,357	1,002,768
Net current assets		228,897	254,422
Total assets less current liabilities		499,318	502,616

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 new standards, amendments/revises to standards and interpretation

The Group has adopted the following new standards, amendments/revises to standards and interpretation which are mandatory for the Group’s financial year beginning on 1st July 2013:

Hong Kong Accounting Standard (“HKAS”) 19 (Amendment)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendments)	First-time Adoption of HKFRS – Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
Hong Kong International Financial Reporting Interpretations Committee (“HK(IFRIC)”) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle

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, except for certain additional disclosures were made.

- (b) The following new standards, amendments to standards and interpretation have been issued but are not effective for the year ended 30th June 2014 and have not been early adopted:

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions ¹
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendment)	Impairment of Assets ¹
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting ¹
HKAS 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation and Amortisation ²
HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HK(IFRIC) - Int 21	Levies ¹
Annual Improvements Project	Annual Improvements 2010 - 2012 Cycle ¹
Annual Improvements Project	Annual Improvements 2011 - 2013 Cycle ¹

¹ Effective for annual periods beginning on or after 1st July 2014

² Effective for annual periods beginning on or after 1st July 2016

³ Effective for annual periods beginning on or after 1st July 2017

⁴ Effective for annual periods beginning on or after 1st July 2018

2. Revenue and segment information

	2014	2013
	HK\$'000	HK\$'000
Turnover		
Sales of goods	1,755,124	1,867,192
Provision of logistic services	2,172	1,798
	<u>1,757,296</u>	<u>1,868,990</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 2014 is as follows:

	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	Group HK\$'000
Turnover					
– Gross revenue	1,288,851	377,084	188,983	2,423	1,857,341
– Inter-segment revenue	(97,149)	(1,187)	(1,709)	—	(100,045)
Revenue from external customers	<u>1,191,702</u>	<u>375,897</u>	<u>187,274</u>	<u>2,423</u>	<u>1,757,296</u>
Segment results	<u>(49,892)</u>	<u>48,276</u>	<u>6,748</u>	<u>21,546</u>	<u>26,678</u>
Finance income	79	122	7	—	208
Finance costs	(6,767)	(1,481)	(810)	(179)	(9,237)
(Loss)/profit before income tax	(56,580)	46,917	5,945	21,367	17,649
Income tax expense					(13,489)
Profit for the year					4,160
Non-controlling interests					(919)
Profit attributable to equity holders of the Company					<u>3,241</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	848	4,845	5,986	18	11,697
Depreciation of property, plant and equipment	615	5,944	9,414	826	16,799
Amortisation of leasehold land and land use rights	398	207	32	77	714
(Reversal of)/provision for impairment of inventories	(284)	375	230	(2)	319
Provision for impairment of trade receivables	—	94	—	—	94
Write-off of other receivables	—	—	—	86	86
Unrealised fair value loss on derivative financial instruments	<u>29,937</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>29,937</u>

The segment information provided to the CODM for the reportable segments as at 30th June 2014 is as follows:

	Trading	Colorants	Engineering plastics	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	412,372	276,398	148,901	115,686	953,357
Total assets					953,357
Segment liabilities	119,778	25,564	14,210	5,657	165,209
Borrowings	243,604	21,843	24,671	4,710	294,828
Total liabilities					460,037

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 entity is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong for the year ended 30th June 2014 is approximately HK\$870,054,000 (2013: HK\$998,902,000), and the total of its revenue from external customers from other locations (mainly the People's Republic of China (the "PRC")) is approximately HK\$887,242,000 (2013: HK\$870,088,000).

At 30th June 2014, 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\$160,641,000 (2013: HK\$139,646,000), and the total of these non-current assets located in other locations (mainly the PRC) is approximately HK\$102,209,000 (2013: HK\$101,894,000).

3. Other income

	2014	2013
	HK\$'000	HK\$'000
Rental income	<u>4,867</u>	<u>3,981</u>

Outgoings in respect of investment properties amounted to approximately HK\$140,000 (2013: HK\$127,000).

4. Other gains, net

	2014 HK\$'000	2013 HK\$'000
Fair value gains on investment properties	27,234	18,670
Derivative financial instruments		
– forward foreign exchange contracts and interest rate swap contracts held for trading		
– unrealised	(29,937)	(1,947)
– realised	4,029	4,424
Net exchange (losses)/gains	(515)	2,181
Provision for impairment of deposit for acquisition of properties (Note)	—	(9,051)
Loss on disposal of a subsidiary	(32)	—
	<u>779</u>	<u>14,277</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 ended 30th June 2013, 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

	2014 HK\$'000	2013 HK\$'000
Cost of inventories sold excluding manufacturing costs	1,488,219	1,611,998
Amortisation of leasehold land and land use rights	714	595
Auditor's remuneration	2,668	2,506
Depreciation	16,799	17,592
Provision for impairment of trade receivables	94	1,101
Write-off of other receivables	86	596
Provision for/(reversal of) impairment of inventories	319	(197)
Loss/(gain) on disposal of property, plant and equipment	31	(1)
Employee benefit expenses, including Directors' emoluments	116,611	109,385
Operating lease rentals in respect of land and buildings	8,061	7,316
Repairs and maintenance expenses	3,447	3,306
Transportation and packaging expenses	27,321	24,552
Travelling and office expenses	10,970	9,363
Utility expenses	13,607	13,872
Other expenses	47,317	40,525
	<hr/>	<hr/>
Total cost of sales, distribution costs and administrative expenses	1,736,264	1,842,509
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Cost of sales	1,565,368	1,685,100
Distribution costs	71,632	62,032
Administrative expenses	99,264	95,377
	<hr/>	<hr/>
	1,736,264	1,842,509
	<hr/> <hr/>	<hr/> <hr/>

6. Finance income and costs

	2014 HK\$'000	2013 HK\$'000
Finance income:		
– Interest income from bank deposits	208	335
Finance costs:		
– Interest on bank borrowings wholly repayable within five years	(11,330)	(11,230)
– Net exchange gains on financing activities	2,093	2,158
	(9,237)	(9,072)
Finance costs, net	(9,029)	(8,737)

7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on the Group's subsidiaries established and operate in Mainland China has been calculated on the estimated assessable profit for the year at the rates of taxation as applicable to the relevant subsidiaries.

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

	2014 HK\$'000	2013 HK\$'000
Current tax:		
Hong Kong profits tax	1,343	3,197
PRC corporate income tax	11,209	8,252
Under-provision in previous years	43	474
	12,595	11,923
Deferred tax	894	(369)
	13,489	11,554

8. Dividends

	2014 HK\$'000	2013 HK\$'000
Interim, paid, of HK1.0 cent (2013: HK1.0 cent) per ordinary share	3,692	3,692
Final, proposed, of Nil (2013: HK1.0 cent) per ordinary share	—	3,692
	<u>3,692</u>	<u>7,384</u>

Notes:

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

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.

	2014	2013
Profit attributable to equity holders of the Company (HK\$'000)	<u>3,241</u>	<u>22,059</u>
Weighted average number of ordinary shares in issue	<u>369,200,000</u>	<u>369,200,000</u>
Basic earnings per share (HK cents per share)	<u>0.88</u>	<u>5.97</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 2014 and 2013 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

10. Trade and bills receivables

	Group	
	2014	2013
	HK\$'000	HK\$'000
Trade receivables	261,275	303,348
Less: provision for impairment of receivables	(3,489)	(3,395)
	<u>257,786</u>	<u>299,953</u>
Bills receivable	23,212	18,458
	<u>280,998</u>	<u>318,411</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:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Below 90 days	231,545	285,099
91 - 180 days	17,548	9,406
Over 180 days	12,182	8,843
	<u>261,275</u>	<u>303,348</u>

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\$7,220,000 (2013: HK\$2,320,000) with recourse in exchange for cash as at 30th June 2014. 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	
	2014	2013
	HK\$'000	HK\$'000
Below 90 days	97,572	118,716
91 - 180 days	35	722
Over 180 days	852	914
	98,459	120,352

12. Commitments

(a) Capital commitments

At 30th June 2014, the Group had the following capital commitments for addition of property, plant and equipment:

	2014	2013
	HK\$'000	HK\$'000
Contracted but not provided for	7,538	7,481

(b) Commitment under operating leases

As at 30th June 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2014	2013
	HK\$'000	HK\$'000
Not later than one year	3,441	4,628
Later than one year and not later than five years	625	1,218
Later than five years	213	486
	4,279	6,332

DIVIDEND

The Directors have resolved not to declare any final dividend for the year ended 30th June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19th November 2014 to Friday, 21st November 2014 (both dates inclusive) during which period no transfer of shares will be registered for determining the shareholders who are entitled to attend and vote at the forthcoming Annual General Meeting of the Company to be held on Friday, 21st November 2014 (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, 18th November 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, total turnover has dropped as a result of weak demand in Mainland China and Europe, as well as the Group’s strategy to gradually shift its focus on sales of products with higher gross profit margins. For the year ended 30 June 2014, the Group’s total turnover was HK\$1,757,296,000, representing a year-on-year drop of 6%. The Group has implemented new sales strategies aiming at securing customers who are able to generate higher gross profit margins and at the same time reducing the number of orders with relatively lower profit margins, so the sales volume of products has only decreased by 3% over the same period last year. The Group’s gross profit margin has also reflected the transformation strategy. Despite the slight turnover decrease, total gross profit has increased by 4% to HK\$191,928,000, while gross profit margin has also increased from 9.8% in the same period last year to 10.9%.

Affected by increasing inflation and the minimum wage policy, the Group's operating costs rose during the period under review, with labour costs showing the highest increase. Packaging and transportation costs also climbed by single digits year-on-year. Other net gains dropped during the year, including revaluation gain of investment properties and unrealised loss of forward foreign exchange contracts. Profit attributable to equity holders dropped by 85% to HK\$3,241,000 (2013: HK\$22,059,000). Basic earnings per share were HK0.88 cents (2013: HK5.97 cents).

Among the three major businesses of the Group, it has continued to implement its sales transformation strategy to focus on national and international high gross profit margins customers for its colorant, pigment and compounded plastic resin business segment. Turnover of this business segment dropped by 6% year-on-year to HK\$375,897,000, in line with expectations. The Group's Shanghai subsidiary showed the most encouraging performance. Apart from strengthening the close cooperation with existing food packaging and automobile customers, the Group has also capitalised on its technological advantage and excellent after-sales services to penetrate markets with higher entry barriers and technology requirements. These markets include international toy, automobile, electronic product and personal healthcare brands, to cater for the demand of domestic and internationally renowned customers and contributed promising profit to the Group. As a result, turnover of the Shanghai subsidiary has increased by 7% to HK\$180,639,000 year-on-year. Moreover, the Group has started providing decorative construction materials for customers in Western and Northern China to enhance its market penetration in these areas. Despite the decline in overall domestic demand and rising labour costs in Mainland China, the Group has continued to develop products with high gross profit margins while strictly controlling its costs. Consequently, gross profit margin has increased by three percentage points and profit before taxation was HK\$46,917,000, similar to that of last year.

The economies in the U.S. and particularly in Europe have yet to recover fully from turbulence and the volatility of the RMB exchange rate affected customers' confidence in procurement. Thus turnover of the Group's engineering plastics business, which targets domestic along with European and the U.S. export customers, dropped by 12% to HK\$187,274,000 when compared to the same period last year. During the year, the Group has continued to transform this business segment with direct export its plastics products to overseas markets. As the transformation is still in the investment stage, it has yet to bring a substantial profit contribution to the Group during the year. Therefore, profit before taxation of this business segment has recorded a decline of 65%. Nevertheless, the Group's subsidiaries in Shanghai and Dongguan achieved a satisfactory business performance with turnover up 4% and 5% respectively and gross profit up 7% and 20% year-on-year respectively, thus leading to an increase of 2% in gross profit in this segment. Full operation of the new production lines in Shanghai has not only boosted the Group's overall operational efficiency, but its leading-edge product technology has also enhanced its competitive advantage, meeting the increasingly stringent requirements of Mainland and overseas customers for product quality. With the steady business transformation and expansion of its customer base in Southern and Eastern China, this business segment is expected to gradually bring profit contribution to the Group.

Owing to its higher susceptibility to changes in the market environment, the plastics trading business recorded a turnover of HK\$1,191,702,000, a decrease of 5% as compared to the corresponding period last year. Nevertheless, the Group has stood out from the highly competitive market by the proportionate increase of its products with high gross profit margins. Gross profit margin rose by one percentage point. Excluding unrealised loss on forward foreign exchange contracts, loss attributable to equity holders further narrowed to HK\$26,643,000. Among the sales offices in Mainland China and Hong Kong, the sales office in Tianjin has achieved the best results by contributing a turnover of more than HK\$21,000,000 to the Group during the year, more than doubling the increase as compared to the same period last year. Moreover, the Chongqing sales office targeting the Western China market opened in 2013 has developed in line with expectations. In light of the persistent strong demand in the Mainland China market, in addition to its presence in Xiamen, the Group will continue to expand its points of sale in coastal and inland areas, believing that the strategic national sales network and diverse product mix enable the Group to gain market share in various regions.

PROSPECTS

Although the economic recovery of European countries has been slower than expected, the steady growth in the U.S. economy still facilitated China's export growth, so the management believes that the global economy will grow steadily and the prices of oil and plastic will continue to stabilise. Besides, the latest positive economic data in the U.S., and stabilisation of RMB exchange rate in July and August, uncertainties in the market are gradually subsiding, which enables the Group to speed up business transformation and consolidate overall profitability.

In respect to its colorant, pigments and compounded plastic resin business segment, through the close ties with the International Colour Alliance, the Group has expanded the customer base with the collaboration with internationally-renowned brands in the toy, personal healthcare products, automobile parts and electronic products sectors in recent years. Looking ahead, the Group will enhance the smooth transition of its business by continuing to use its leading technology to establish a long-term relationship with international brands with higher gross profit margins.

As for the engineering plastics business, on top of working with existing customers, the Group will communicate overseas manufacturers directly to increase negotiating leverage and overall margins. It will also strive to find export customers with strong potential. In the future, the Group will develop new markets and transition to higher gross profit products and a more diverse customer base in order to reduce the reliance on a single market and balance the income mix.

Regarding the plastics trading business, the Group will accelerate the expansion of its domestic sales network, continuing its successful strategy in Eastern and Southern China from the existing points of sales in Tianjin and Chongqing to Northern, Central and Western China. The Group will also evaluate appropriate locations in the Fujian coastal area to expand its sales and services capabilities. These efforts can create synergies with the existing factory in Xiamen, enabling the Group to more effectively tap the Eastern China region with strong growth potential and further enlarge its domestic market share.

In the area of cost controls, rising labor costs in Mainland China remain as one of the challenges the Group faces in the business operation. However, with effective implementation of automation, the Group has been reducing related costs and the resulting pressure on operational expenses. In addition, with the government policy of setting up Shanghai Free Trade Zone and the proposed cross-border financing arrangement, the Group is set to further lower the finance cost.

Overall, in its strategy and operations, the Group's outstanding and professional management team will adhere to its prudent financial management policy and pragmatic and aggressive business direction. It will also adjust its business strategies in an appropriate and timely fashion, so as to capture the business opportunities in the future and generate satisfactory returns to 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 2014 the Group has available aggregate banking facilities of approximately HK\$575,203,000, of which approximately HK\$304,749,000 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 2014 amounted to approximately HK\$97,278,000. The Group's gearing ratio as at 30th June 2014 was approximately 62%, based on the total bank borrowings of approximately HK\$294,828,000 and the shareholders' funds of approximately HK\$471,859,000.

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 2014, 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:

	2014	2013
	HK\$'000	HK\$'000
Sell HK dollars for US dollars	<u>1,131,000</u>	<u>1,518,114</u>
Sell US dollars for HK dollars	<u>15,600</u>	<u>8,870</u>
Sell US dollars for Renminbi	<u>1,297,140</u>	<u>653,640</u>

EMPLOYEE INFORMATION

As at 30th June 2014, the Group had approximately 713 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, 21st November 2014 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 2014, 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 2014 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 2014.

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 two meetings during the year ended 30th June 2014 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 2014 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, 25th September 2014

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.