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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 2016

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 2016 as follows:

Consolidated Income Statement

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	2	1,506,063	1,619,826
Cost of sales	5	(1,318,513)	(1,420,687)
Gross profit		187,550	199,139
Other income	3	5,594	5,318
Other (losses)/gains, net	4	(13,053)	18,370
Distribution costs	5	(79,744)	(76,358)
Administrative expenses	5	(104,882)	(103,012)
Operating (loss)/profit		(4,535)	43,457
Finance income		1,565	2,249
Finance costs		(11,098)	(11,136)
Finance costs, net	6	(9,533)	(8,887)
(Loss)/profit before income tax		(14,068)	34,570
Income tax expense	7	(11,297)	(7,566)
(Loss)/profit for the year		(25,365)	27,004
Attributable to:			
Equity holders of the Company		(26,492)	25,225
Non-controlling interests		1,127	1,779
		(25,365)	27,004
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year (expressed in HK cent per share)			
– Basic and diluted	9	(7.18)	6.83

Consolidated Statement of Comprehensive Income

	2016	2015
	HK\$'000	HK\$'000
(Loss)/profit for the year	<u>(25,365)</u>	<u>27,004</u>
Other comprehensive (loss)/income:		
<u>Items that may be reclassified subsequently to</u> <u>income statement:</u>		
Currency translation differences	<u>(32,174)</u>	<u>11</u>
Other comprehensive (loss)/income for the year	<u>(32,174)</u>	<u>11</u>
Total comprehensive (loss)/income for the year	<u>(57,539)</u>	<u>27,015</u>
Total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	<u>(58,273)</u>	<u>25,236</u>
– Non-controlling interests	<u>734</u>	<u>1,779</u>
	<u>(57,539)</u>	<u>27,015</u>

Consolidated Balance Sheet

	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		118,172	132,642
Leasehold land and land use rights		22,397	21,510
Investment properties		106,050	105,075
Intangible assets		—	—
Available-for-sale financial asset		2,000	2,000
Deposit for acquisition of land use right		—	3,273
Deferred income tax assets		6,052	5,990
Prepayments for property, plant and equipment and renovation costs		1,339	2,463
		<u>256,010</u>	<u>272,953</u>
Current assets			
Inventories		228,571	287,785
Trade and bills receivables	10	248,086	276,511
Other receivables, prepayments and deposits		17,347	33,149
Income tax recoverable		248	846
Derivative financial instruments		—	111
Restricted bank deposits		23,256	—
Cash and bank balances		73,821	88,048
		<u>591,329</u>	<u>686,450</u>
Total assets		<u><u>847,339</u></u>	<u><u>959,403</u></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		49,903	81,477
Retained earnings		286,048	316,232
		<u>435,337</u>	<u>497,095</u>
Non-controlling interests		<u>20,384</u>	<u>21,336</u>
Total equity		<u><u>455,721</u></u>	<u><u>518,431</u></u>

	Note	2016 HK\$'000	2015 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		6,151	5,976
Current liabilities			
Trade payables	11	72,875	71,819
Other payables, deposits received and accruals		24,079	26,241
Bank borrowings		280,843	317,469
Derivative financial instruments		584	14,554
Income tax payable		7,086	4,913
		385,467	434,996
Total liabilities		391,618	440,972
Total equity and liabilities		847,339	959,403

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”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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 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
There are no new standards, amendments/revises to standards and interpretation issued by the HKICPA which are mandatory for the Group’s financial year beginning on 1st July 2015.
- (b) New Hong Kong Companies Ordinance (Cap. 622)
In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.
- (c) The following new standards and amendments to standards have been issued but are not effective for the annual period beginning 1st July 2015 and have not been early adopted:

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

HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases 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 2016

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 an assessment of the impact of these new standards and amendments to standards but is not yet in a position to state whether these new standards and amendments to standards would have a significant impact to the Group's results of operations and financial position.

2. Revenue and segment information

	2016 HK\$'000	2015 HK\$'000
Revenue		
Sales of goods	1,503,199	1,615,716
Provision of logistic services	<u>2,864</u>	<u>4,110</u>
	<u>1,506,063</u>	<u>1,619,826</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, 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 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	<u>981,194</u>	<u>340,231</u>	<u>181,768</u>	<u>2,870</u>	<u>1,506,063</u>
Segment results	<u>(43,130)</u>	<u>35,194</u>	<u>8,403</u>	<u>(5,002)</u>	<u>(4,535)</u>
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)
Income tax expense					<u>(11,297)</u>
Loss for the year					(25,365)
Non-controlling interests					<u>(1,127)</u>
Loss attributable to equity holders of the Company					<u>(26,492)</u>
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	<u>212</u>	<u>—</u>	<u>—</u>	<u>(1,950)</u>	<u>(1,738)</u>

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	<u>847,339</u>
Total assets					<u><u>847,339</u></u>
Segment liabilities	(67,776)	(29,119)	(10,835)	(3,045)	(110,775)
Borrowings	<u>(220,568)</u>	<u>(24,306)</u>	<u>(28,140)</u>	<u>(7,829)</u>	<u>(280,843)</u>
Total liabilities	<u><u>(288,344)</u></u>	<u><u>(53,425)</u></u>	<u><u>(38,975)</u></u>	<u><u>(10,874)</u></u>	<u><u>(391,618)</u></u>

The segment information provided to the CODM for the reportable segments for the year ended 30th June 2015 is as follows:

	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	Group HK\$'000
Turnover					
– Gross revenue	1,135,162	382,829	189,179	4,163	1,711,333
– Inter-segment revenue	(87,558)	(2,656)	(1,293)	—	(91,507)
Revenue from external customers	<u>1,047,604</u>	<u>380,173</u>	<u>187,886</u>	<u>4,163</u>	<u>1,619,826</u>
Segment results	<u>2,953</u>	<u>35,137</u>	<u>7,318</u>	<u>(1,951)</u>	<u>43,457</u>
Finance income	1,722	168	359	—	2,249
Finance costs	(7,683)	(1,956)	(1,233)	(264)	(11,136)
(Loss)/profit before income tax	(3,008)	33,349	6,444	(2,215)	34,570
Income tax expense					<u>(7,566)</u>
Profit for the year					27,004
Non-controlling interests					<u>(1,779)</u>
Profit attributable to equity holders of the Company					<u>25,225</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	822	9,505	8,311	294	18,932
Depreciation of property, plant and equipment	765	5,788	10,169	839	17,561
Amortisation of leasehold land and land use rights	398	207	32	78	715
Reversal of impairment of inventories, net	(2,791)	(113)	(102)	—	(3,006)
Provision for impairment of trade receivables, net	—	948	392	—	1,340
Fair value gains on derivative financial instruments, net	(17,664)	—	—	—	(17,664)
Fair value gains on investment properties	<u>(116)</u>	<u>—</u>	<u>—</u>	<u>(1,400)</u>	<u>(1,516)</u>

The segment information provided to the CODM for the reportable segments as at 30th June 2015 is as follows:

	Trading HK\$'000	Colorants HK\$'000	Engineering plastics HK\$'000	Others HK\$'000	Group HK\$'000
Segment assets	392,363	290,816	156,485	119,739	<u>959,403</u>
Total assets					<u><u>959,403</u></u>
Segment liabilities	(74,217)	(29,510)	(13,351)	(6,425)	(123,503)
Borrowings	<u>(238,011)</u>	<u>(28,550)</u>	<u>(43,960)</u>	<u>(6,948)</u>	<u>(317,469)</u>
Total liabilities	<u><u>(312,228)</u></u>	<u><u>(58,060)</u></u>	<u><u>(57,311)</u></u>	<u><u>(13,373)</u></u>	<u><u>(440,972)</u></u>

The entity is domiciled in Hong Kong. The revenue from external customers from Hong Kong for the year ended 30th June 2016 is approximately HK\$637,372,000 (2015: HK\$732,523,000), and the total of its revenue from external customers from other locations (mainly the People's Republic of China (the "PRC")) is approximately HK\$868,691,000 (2015: HK\$887,303,000).

At 30th June 2016, the total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is approximately HK\$153,244,000 (2015: HK\$158,620,000), and the total of these non-current assets located in other locations (mainly the PRC) is approximately HK\$94,714,000 (2015: HK\$106,343,000).

3. Other income

	2016 HK\$'000	2015 HK\$'000
Rental income	<u><u>5,594</u></u>	<u><u>5,318</u></u>

Outgoings in respect of investment properties amounted to approximately HK\$208,000 (2015: HK\$179,000).

4. Other (losses)/gains, net

	2016 HK\$'000	2015 HK\$'000
Fair value gains on investment properties	1,738	1,516
Fair value (losses)/gains from forward foreign exchange contracts held for trading, net	(13,358)	17,664
Net exchange losses	(1,433)	(810)
	<u>(13,053)</u>	<u>18,370</u>

5. Expenses by nature

	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold excluding manufacturing costs	1,234,787	1,342,535
Amortisation of leasehold land and land use rights	767	715
Auditor's remuneration		
– Audit services	2,526	2,396
– Non-audit services	599	603
Depreciation	18,394	17,561
Provision for impairment of trade receivables, net	400	1,340
Provision for/(reversal of) impairment of inventories, net	2,016	(3,006)
Gain on disposal of property, plant and equipment	(165)	(280)
Employee benefit expenses, including Directors' emoluments	128,750	123,512
Operating lease rentals in respect of land and buildings	8,254	8,911
Repairs and maintenance expenses	4,127	3,752
Transportation and packaging expenses	26,935	27,731
Travelling and office expenses	10,129	10,850
Utility expenses	15,200	15,527
Other expenses	50,420	47,910
Total cost of sales, distribution costs and administrative expenses	<u>1,503,139</u>	<u>1,600,057</u>
Representing:		
Cost of sales	1,318,513	1,420,687
Distribution costs	79,744	76,358
Administrative expenses	104,882	103,012
	<u>1,503,139</u>	<u>1,600,057</u>

6. Finance income and costs

	2016 HK\$'000	2015 HK\$'000
Finance income:		
– Interest income from bank deposits	233	321
– Net exchange gains on financing activities	1,332	1,928
	<u>1,565</u>	<u>2,249</u>
Finance costs:		
– Interest on bank borrowings wholly repayable within five years	(11,098)	(11,136)
Finance costs, net	<u>(9,533)</u>	<u>(8,887)</u>

7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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 rates of taxation as applicable to the relevant subsidiaries.

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

	2016 HK\$'000	2015 HK\$'000
Current income tax:		
Hong Kong profits tax	1,875	1,203
PRC corporate income tax	9,359	6,801
PRC withholding tax on dividend income	219	—
(Over)/under-provision in previous years	(248)	3
	<u>11,205</u>	<u>8,007</u>
Deferred income tax	92	(441)
	<u>11,297</u>	<u>7,566</u>

8. Dividends

	2016	2015
	HK\$'000	HK\$'000
Interim, paid, of Nil (2015: Nil) per ordinary share	—	—
Final, proposed, of Nil (2015: HK1.0 cent) per ordinary share	—	3,692
	<u>—</u>	<u>3,692</u>
	<u>—</u>	<u>3,692</u>

Notes:

- (a) At a meeting held on 27th February 2015, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2014.
- (b) At a meeting held on 24th September 2015, the Directors proposed a final dividend of HK\$1.0 cent per share, totalling HK\$3,692,000 for the year ended 30th June 2015, which was paid during the year ended 30th June 2016, and has been reflected as an appropriation of retained earnings for the year ended 30th June 2016.
- (c) At a meeting held on 25th February 2016, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2015.
- (d) At a meeting held on 27th September 2016, the Directors resolved not to declare any final dividend for the year ended 30th June 2016.

9. (Loss)/earnings per share

Basic

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

	2016	2015
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(26,492)</u>	<u>25,225</u>
Weighted average number of ordinary shares in issue	<u>369,200,000</u>	<u>369,200,000</u>
Basic (loss)/earnings per share (HK cents per share)	<u>(7.18)</u>	<u>6.83</u>

Diluted

Dilutive (loss)/earnings per share for the years ended 30th June 2016 and 2015 equal basic (loss)/earnings per share as there was no dilutive potential ordinary share as at the year ended 30th June 2016 and 2015.

10. Trade and bills receivables

	2016	2015
	HK\$'000	HK\$'000
Trade receivables	222,098	253,263
Less: provision for impairment of receivables	(4,738)	(4,700)
	<u>217,360</u>	<u>248,563</u>
Bills receivable	30,726	27,948
	<u>248,086</u>	<u>276,511</u>

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:

	2016	2015
	HK\$'000	HK\$'000
Below 90 days	201,736	230,126
91 - 180 days	11,478	15,544
Over 180 days	8,884	7,593
	<u>222,098</u>	<u>253,263</u>

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\$20,594,000 (2015: HK\$9,583,000) with recourse in exchange for cash as at 30th June 2016. 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 by invoice date is as follows:

	2016	2015
	HK\$'000	HK\$'000
Below 90 days	71,615	70,798
91 - 180 days	172	148
Over 180 days	1,088	873
	<u>72,875</u>	<u>71,819</u>

12. Commitments

(a) Capital commitments

At 30th June 2016, the Group had the following capital commitments for addition of property, plant and equipment:

	2016	2015
	HK\$'000	HK\$'000
Contracted but not provided for	<u>4,111</u>	<u>4,087</u>

(b) Commitment under operating leases

As at 30th June 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2016	2015
	HK\$'000	HK\$'000
Not later than one year	4,326	2,095
Later than one year and not later than five years	5,529	3,380
Later than five years	<u>—</u>	<u>138</u>
	<u>9,855</u>	<u>5,613</u>

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\$5,814,000). 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.

DIVIDEND

The Directors have resolved not to declare any final dividend for the year ended 30th June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22nd November 2016 to Thursday, 24th November 2016 (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 to be held on 24th November 2016. In order to be eligible to attend and vote at the meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, 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 Monday, 21st November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the Chinese economy continued to face downward pressure, while for the European Union, the Brexit referendum in June triggered economic upheavals in the region and globally. These plus the persistently low oil price have affected the price of raw materials for plastic products as well as the products themselves and market demand weakened. As a result, the Group's business development was challenged. For the year ended 30th June 2016, the Group's total turnover was HK\$1,506,063,000, representing a year-on-year drop of 7%. To cope with the challenging environment, the Group continued to develop and sell products with higher profit margin, carefully select quality customers and prudently manage inventory. As such, despite that there was a 6% decrease in its total gross profit to HK\$187,550,000, the Group was able to boost its gross profit margin to 12.5% from 12.3% in the same period last year.

However, with the external economic environment remaining weak and labour and transportation costs increasing in Mainland China, the Group's operating costs increased during the year. Furthermore, affected by fluctuation in the exchange rate of RMB, the Group recorded losses on forward foreign exchange contracts during the year. Loss attributable to equity holders of the Company was HK\$26,492,000 (2015: profit attributable to equity holders of the Company of HK\$25,225,000). Basic loss per share were HK7.18 cents (2015: earnings per share of HK6.83 cents).

To ensure the Group has sufficient capital for business development, the Board of Directors does not recommend payment of a final dividend.

Regarding the colorants, pigments and compounded plastic resin business segment, with customer demand for high value-added products remaining strong, the Group upheld the strategy of focusing on developing products that bring higher profit margin and also expanded into sectors with higher entry barriers such as smart electronic healthcare products and medical application related packaging. Furthermore, increasing popularity in handset use gives development potential to related technologies in areas including virtual reality and augmented reality, the Group also expanded its clientele to cover handset accessory related customers. As these new products have higher technological and quality requirements, customers are generally willing to pay higher prices for them. In addition, with the close cooperative relationship that the Group has with the International Colour Alliance, the team dedicated to serving Eastern China continued to provide customers in that region with a series of high quality automobile-related products and services to help the Group grasp market opportunities in the locale. The products with higher gross profit margin also gave overall gross profit margin growth a boost. Given the Chinese government put football and other related sports into its national sport development plans, presenting tremendous opportunities to sports related consumptions in China, the Group continued to develop sporting gear and equipment related products and the business made satisfactory performance. Moreover, boasting excellent technological advantage, the Group continued to grow its high quality sanitary accessories clientele in China and its Xiamen office continued to contribute profit to the Group. Although turnover of the segment declined by 10.5% to HK\$340,231,000 against the same period last year, the segmental gross profit margin grew by 1.8%, contributed by stringent cost control measures adopted by the Group.

Impacted more markedly by the change in export sentiment in the US and Europe, the turnover of engineering plastics business decreased by a slight 3.3% to HK\$181,768,000, when compared with the corresponding period last year. However, with efforts of the Group to transform its sales model starting to bear fruit, profit before taxation rose by 19.4% year-on-year. During the year, the segment was able to constantly meet customer needs and find more high potential export customers through broadening its product mix, including providing engineering plastics for food-related equipment and tools to internationally-renowned food manufacturers, thereby brought profit contribution to the Group. And, through adopting automated equipment, the segment was able to enhance production efficiency and reduce labour costs, which translated into a 3.5% growth of its overall gross profit margin. Also, matching the needs of domestic customers who undergo business transformation, the Group continued to produce and sell metal substitutes for kitchenware and automobiles during the year and recorded profit from the business. The Southern China market performed rather well with the Dongguan office reporting satisfactory performance. Armed with leading-edge product technology, the Group has an outstanding competitive advantage, hence it believes it will continue to be a preferred partner of famous domestic and overseas brands and be able to expand its customer base.

The plastics trading business was impacted by weak market demand as a result the Chinese economy facing downward pressure. Turnover of the business was down by 6.3% to HK\$981,194,000 and gross profit margin was flat when compared to the previous corresponding period. The sluggish market sentiment commanded the Group to be more cautious in selecting customers and to implement stringent credit control. Also, the Group has been expanding its customer base in heavy industries such as automobile manufacturers. However, the catastrophic explosion in the new Binhai area, Tianjin has slowed down the securing of heavy industry customers in the Northern China region by the Group to an extent. And, still in development stage, the Chongqing sales office targeting the Western China market is expected to contribute revenue to the Group in the near future. The Group believes at its consistent efforts to expand product mix and with technological advantages and guided by the development strategy of focusing on high profit margin products, it will be able to seize business opportunities in different regions in China.

PROSPECTS

While oil prices are expected to remain stable this year, with the economy uncertainty and consumption sentiment weak, the management is cautiously optimistic about the Group's development prospects. The Group will keep implementing set development strategies, focusing on developing high value-added products with higher margin and strictly selecting well-reputed customers, plus resorting actively to different flexible financing channels including onshore guarantee for offshore loan, cross-border capital arrangement to counter the adverse external environment and lower overall financing costs. It will also manage inventory carefully to help increase overall profitability.

The Group believes its top quality products will allow it to stand out against its peers and gain the recognition of international brands, hence maintain relatively strong product price bargaining power. The rigid demand for products in China still has huge growth potential, which will enable the Group to develop its business in steady strides. Heeding that, the Group has corresponding development strategy in place, entailing effort to actively pursue opportunities to negotiate with international brands on cooperation and stepping up expansion of the domestic market with a focus on products of rigid demand and with higher profit margin. In addition, the Group will also effectively apply its strong R&D capability to explore and produce products with market potential including medical application products, as well as create new product categories and markets. During the year, the Group discussed with other R&D organisations about cooperation in developing new colorant products. At the same time, it will keep exploring, referring to and bringing in dye-related production technologies from regions other than Europe, the US and Japan, with the aim of diversifying its business to cover other profit-promising sectors.

On the cost control front, although there are uncertainties bearing on its business including volatile oil prices and exchange rates, and constantly rising labour costs, the Group will, as always, implement its robust business strategies, exercise prudence in financial management to effectively control production costs and adopt suitable methods to manage foreign exchange risk, making every effort to achieve its long-term sustainable development. The Group is certain that, led by its professional management team with years of experience in the industry, it will be able overcome different challenges and dedicate efforts to explore and effectively evaluate every business opportunity, thus ultimately generate the greatest returns for 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 2016 the Group has available aggregate banking facilities of approximately HK\$531,529,000, of which approximately HK\$263,006,000 have been utilised and were secured by corporate guarantees issued by the Company and legal charges on certain leasehold land and buildings, investment properties, inventories 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 2016 amounted to approximately HK\$73,821,000. The Group's gearing ratio as at 30th June 2016 was approximately 64.5%, based on the total bank borrowings of approximately HK\$280,843,000 and the shareholders' funds of approximately HK\$435,337,000.

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 2016, 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:

	2016	2015
	HK\$'000	HK\$'000
Sell HK dollars for US dollars	561,600	2,269,800
Sell US dollars for HK dollars	—	15,600
Sell US dollars for Renminbi	—	1,070,628

EMPLOYEE INFORMATION

As at 30th June 2016, the Group had approximately 722 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, 24th November 2016 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 2016, 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 2016 with the Directors.

The figures in this announcement of the Group’s results for the year ended 30th June 2016 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s 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 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 four meetings during the year ended 30th June 2016.

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 2016 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 2016 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, 27th September 2016

As at the date of this announcement, the Board of Directors comprises five Executive Directors, namely Mr HUI Sai Chung (Chairman), Mr HUI Kwok Kwong, Dr WONG Chi Ying, Anthony, 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.