



Ngai Hing Hong Company Limited
(Incorporated in Bermuda with limited liability)

Website: <http://www.nhh.com.hk> <http://www.irasia.com/listco/hk/ngaihinghong>

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH JUNE 2001

The Board of Directors of Ngai Hing Hong Company Limited (the "Company") would like to announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 30th June 2001 as follows:

		2001	2000
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1	804,210	703,593
Cost of sales		<u>(709,304)</u>	<u>(605,387)</u>
Gross profit		94,906	98,206
Other revenues		1,060	817
Distribution costs		(20,242)	(15,257)
Administrative expenses		<u>(54,156)</u>	<u>(43,392)</u>
Operating profit	2	21,568	40,374
Finance costs	3	<u>(3,665)</u>	<u>(2,812)</u>
Profit before taxation		17,903	37,562
Taxation	4	<u>(820)</u>	<u>(2,989)</u>
Profit after taxation		17,083	34,573
Minority interests		<u>(1,285)</u>	<u>(689)</u>
Profit attributable to shareholders		<u>15,789</u>	<u>33,884</u>
Dividends		<u>4,500</u>	<u>9,000</u>
		HK cents	HK cents
Earnings per share	6	<u>5.3</u>	<u>11.3</u>

Notes:

1. Turnover

An analysis of the Group's turnover and contribution to operating profit for the year by principal market is as follows:

	Turnover		Operating profit	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Principal markets	715,658	645,131	14,708	38,121
Hong Kong	<u>88,552</u>	<u>58,462</u>	<u>6,860</u>	<u>2,253</u>
The People's Republic of China excluding Hong Kong (("PRCA"))	<u>804,210</u>	<u>703,593</u>	<u>21,568</u>	<u>40,374</u>

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

2. Operating profit

Operating profit is stated after charging:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Depreciation:		
Owned fixed assets	9,534	11,013
Leased fixed assets	<u>3,371</u>	<u>3,371</u>

3. Finance costs

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on bank borrowings	3,326	2,184
Interest element of finance leases	339	628
	<u>3,665</u>	<u>2,812</u>

4. Taxation

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Hong Kong profits tax		
- Current	424	3,617
- Overprovision in previous years	(96)	(374)
	<u>328</u>	<u>3,243</u>
Deferred taxation	492	(254)
	<u>820</u>	<u>2,989</u>

Hong Kong profits tax has been provided at the rate of 16% (2000:16%) on the estimated assessable profit for the year. The Group's subsidiaries operating in the PRC have no assessable income and accordingly no provision for PRC taxation has been made in the accounts.

Deferred taxation represents the tax effect of timing differences arising from accelerated depreciation allowances and tax losses.

5. Movements in investment properties revaluation reserve

During the year, the surplus arising on revaluation of the investment properties as at 30th June 2001 amounted to HK\$10,000 (2000: deficit of HK\$265,000) was taken to the investment properties revaluation reserve.

6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to the shareholders of HK\$15,798,000 (2000: HK\$33,884,000) and 300,000,000 (2000:300,000,000) ordinary shares in issue during the year. No diluted earnings per share is presented as there is no dilutive potential ordinary share during the year.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK 1.5 cents per share for the year ended 30th June 2001 (2000: HK 3 cents). The proposed final dividend, if approved at the forthcoming Annual General Meeting, will be payable in cash on or about 12th December 2001 to members whose names appear on the Register of Members of the Company on 5th December 2001.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3rd December 2001 to Wednesday, 5th December 2001 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Abacus Share Registrars Limited, 5th floor, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong not later than 4:00 p.m. on Friday, 30th November 2001.

BUSINESS REVIEW & PROSPECTS

The Group recorded an audited consolidated turnover of HK\$804,210,000 for the year ended 30th June 2001, representing a growth of 14.3% as compared to HK\$703,593,000 in the previous year. Profit attributable to shareholders amounted to HK\$15,798,000.

Year 2000/2001 has been a challenging and difficult year for the Group. Hong Kong's export industry has suffered as a result of the sluggish US market since the fourth quarter of 2000 and the stagnant global economic conditions since early this year. In spite of this harsh business environment, the Group still maintained a growth in its aggregate turnover. This was mainly attributable to the continued and dedicated efforts made by the sales team. The offering of comprehensive, quality and value-added services and quality products at competitive prices contributed to further expansion of the Group's customer base.

However, the slowdown in the global economy inevitably led to a decrease in the selling price of plastic resins and a reduced gross profit margin for the trading of plastic materials. Gross profit margin for the manufacturing operation also decreased due to the pricing pressure resulted from vigorous competition within the industry.

During the year, the Group's PRC operations recorded significant growth in turnover and operating profit as compared with last year. In addition to the effort of the sales team, the increase was also due to the ongoing commitment of resources in the PRC market, which is consistent with the Group's confidence in this market.

In view of the tremendous development potential in the northern part of the PRC, the Group is committed to actively extending its foothold in such region. In October 2000, the Group entered into an agreement with Haier Group, a well-established and renowned enterprise in the PRC, to establish a joint venture named Tsing Tao Ngai Hing Plastic Materials Co., Ltd. ("Tsing Tao Ngai Hing"). Tsing Tao Ngai Hing is principally engaged in the production and sale of engineering plastics, colour pigment, pre-colour

and masterbatches. Construction of the new plant was completed in the second quarter of 2001 as scheduled and production commenced immediately.

In recent years, the Group has continuously committed to developing tailor-made products for customers. Performance of the engineering plastics business was very encouraging, making profit contribution to the Group during the year. As the market demand for engineering plastics remains promising in the future, the Group will actively pursue continued development in this segment.

The Group has placed a great deal of effort in strengthening its relationship with customers during the year under review. It sets up three liaison offices in its point-of-sales locations in the PRC including Shenzhen and Shunde to provide front-line technical consultancy services to customers. With the established liaison offices, the Group has been able to respond swiftly to customers' enquiries and needs.

Looking forward, the Group will endeavour to obtain distributorships for high value-added products to strengthen its competitiveness in the trading of plastic materials as well as creating new income streams for the Group.

As business opportunities are expected to flourish upon the PRC's accession to the WTO, the Group will proactively develop the business of colourants manufacturing and set up more service centers in the PRC. Additionally, the Group intends to strengthen its production capacity and distribution network in the PRC through the establishment of Tsing Tao Ngai Hing.

The macro-economic conditions are expected to be turbulent in the coming year. However, the Group will continue to explore new business areas in which there are potential market demands and implement a streamlined operation. These measures aim at maximizing returns for the Group and its shareholders.

Liquidity and financial resources

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. As at 30th June 2001, the Group has available aggregate bank loan facilities of approximately HK\$89,800,000, of which HK\$34,023,000 have been utilized and were secured by corporate guarantee issued by the Company and legal charges on certain leasehold land and buildings in the PRC and Hong Kong owned by the Group. The Group's cash and bank balances and short term bank deposits as at 30th June 2001 amounted to approximately HK\$32,941,000. The Group's gearing ratio as at 30th June 2001 was approximately 14.1%, based on the total bank borrowings of approximately HK\$34,023,000 and the shareholders' funds of approximately HK\$240,828,000. As the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars, the Group has no significant exposure to foreign currency fluctuations.

Other than guarantees issued by the Company in respect of the due performance of a subsidiary under a contract manufacturing agreement to the extent of HK\$20 million and guarantees for banking facilities granted to certain subsidiaries to the extent of approximately HK\$175 million, as at 30th June 2001, the Group and the Company had no other contingent liabilities.

As at 30th June 2001, the Group had capital commitments for property, plant and equipment contracted but not provided for and authorized but not contracted for amounting to HK\$5,704,000 and HK\$74,000 respectively.

Employee Information

As at 30th June 2001, the Group employed a total of 660 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group has introduced 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 and 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.

AUDIT COMMITTEE

The Company has established an Audit Committee since January 1999 with guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedure of the Group. The Audit Committee comprises the two Independent Non-executive Directors, namely, Mr. Lai Kam Wah and Dr. Wong Chi Ying, Anthony. The Audit Committee has met not less than twice a year. The Audit Committee has met with the Group's auditors in September 2001 to review the Group's results for the year before it was tabled for the Board's approval.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 30th June 2001 except that the term of office for the Independent Non-executive Directors of the Company are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Bye-laws. This does not comply with Paragraph 7 of the Code of Best Practice which suggests that Independent Non-executive Directors should be appointed for a specific term.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of final results of the Group for the year ended 30th June 2001 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

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On behalf of the Board

HUI Sai Chung

Chairman

Hong Kong SAR, 11th October 2001

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ngai Hing Hong Company Limited (the "Company") will be held at Kennedy Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong, on Wednesday, 5th December 2001 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 30th June 2001.
2. To declare a final dividend for the year ended 30th June 2001.
3. To re-elect directors and to authorise the Board of Directors to fix their remuneration.
4. To appoint auditors and to authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

A. THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (defined below) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make and grant offers, agreements and options which would or might require the exercise of such power during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (defined below); (ii) the exercise of rights of subscription under the terms of any warrants or other securities issued by the Company as at the date of this resolution carrying a right to subscribe for or purchase shares of the Company; or (iii) the exercise of the subscription rights under the share option schemes of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory).”

B. THAT:

- (a) the exercise by the Directors of the Company during the Relevant Period (defined below) of all powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

- C. THAT** conditional upon resolution no.5B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution no.5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no.5A above, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution.”

By Order of the Board
Ching Yu Lung
Company Secretary
Hong Kong SAR, 11th October 2001

Principal Office:
Unit 3, 6th Floor
Hopeful Factory Centre
10 Wo Shing Street
Fo Tan, New Territories
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy and (if required by the Board) the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's principal office not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The Register of Members of the Company will be closed from Monday, 3rd December 2001 to Wednesday, 5th December 2001 (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 Registrars in Hong Kong, Abacus Share Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong not later than 4:00 p.m. on Friday, 30th November 2001.