



Ngai Hing Hong Company Limited
(Incorporated in Bermuda with limited liability)
Website: <http://www.nhh.com.hk>

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH JUNE 2003

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 2003 as follows:

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	1	874,976	747,281
Cost of sales		(749,513)	(625,863)
Gross profit		125,463	121,418
Other revenues		611	668
Distribution costs		(27,010)	(22,192)
Administrative expenses		(52,337)	(55,397)
Operating profit	2	46,727	44,497
Finance costs	3	(1,450)	(1,241)
Profit before taxation		45,277	43,256
Taxation	4	(2,450)	(2,505)
Profit after taxation		42,827	40,751
Minority interests		(2,365)	(2,343)
Profit attributable to shareholders		40,462	38,408
Dividends			
Interim dividend paid at HK\$0.03 (2002: HK\$0.02) per share		9,000	6,000
Final dividend proposed at HK\$0.05 (2002: HK\$0.05) per share		15,000	15,000
		24,000	21,000
		HK cents	HK cents
Earnings per share	6	13.49	12.80

Notes:

1. Turnover

An analysis of the Group's turnover and results by geographical segment is as follows:

	Turnover		Segment results	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	825,981	715,544	18,310	20,312
The People's Republic of China excluding Hong Kong (A\$PRCA)	233,977	209,253	28,501	24,755
Less: elimination	(184,982)	(177,516)	--	--
	874,976	747,281	46,811	45,067

Turnover and segment results are presented based on the operating locations of group companies.

Over 90% of the Group's turnover and 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 business segment is provided.

2. Operating profit

Operating profit is stated after charging:

	2003	2002
	HK\$'000	HK\$'000
Depreciation:		
Owned fixed assets	7,705	8,903
Leased fixed assets	692	1,732

3. Finance costs

	2003	2002
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	1,783	1,182
Interest element of finance leases	167	59
	1,950	1,241
Less: borrowing costs capitalised in properties under development	(500)	-
	1,450	1,241

4. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax		
- Current	1,672	2,642
- Under/(over)provision in previous years	(70)	85

Under/(over) provision in previous years	(20)	33
	1,652	2,727
Deferred taxation	798	(222)
	2,450	2,505

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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.

5. Movements in investment properties revaluation reserve

During the year, the surplus arising on revaluation of the investment properties as at 30th June 2003 amounted to HK\$1,300,000 (2002: deficit of HK\$250,000) 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\$40,462,000 (2002: HK\$38,408,000) and 300,000,000 (2002: 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.

DIVIDEND

The directors have resolved to recommend the payment of a final dividend of HK5.0 cents per share for the year ended 30th June 2003 (2002: HK5.0 cents). The proposed final dividend, together with the interim dividend of HK3.0 cents (2002: HK2.0 cents) paid on 10th April 2003, will make a total distribution of HK8.0 cents per share for the year. The proposed final dividend, if approved at the forthcoming Annual General Meeting, will be payable in cash on or about 10th December 2003 to members whose names appear on the Register of Members of the Company on 3rd December 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 28th November 2003 to Wednesday, 3rd December 2003 (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, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 27th November 2003.

Business Review

For the year ended 30th June 2003, the Group recorded an audited consolidated turnover of HK\$874,976,000 (2002: HK\$747,281,000) and profit attributable to shareholders of HK\$40,462,000 (2002: HK\$38,408,000). Earnings per share for the year amounted to HK13.49 cents (2002: HK12.80 cents). The Board has recommended a final dividend of HK5.0 cents (2002: HK5.0 cents) per share. Together with the interim dividend of HK3.0 cents (2002: HK2.0 cents) per share, total dividend payment for the year under review will amount to HK8.0 cents (2002: HK7.0 cents) per share.

The Group managed to overcome many challenges and achieved positive development in 2002/03. Though the global economic slowdown lingered in the first-half of the year, there were growing signs of increasing demand for plastics from around the world in the aftermath of the 9/11 terrorist attacks, which helped to drive in the Group's business. Results in the first-half of the year therefore outperformed that of the previous first-half year. The Group, however, experienced a decline in profit in the second-half as compared with the same period last year due to the negative impact of the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome (SARS). Despite such turmoil, the Group managed to record improved results as compared to last year, with turnover and profit increasing by 17.1% and 5.3% respectively. The improvement in overall performance was attributable to the efforts of its determined management team, solid business foundations and flexible business strategies.

The Group has increased its emphasis on developing the manufacturing business with high profit margins in recent years. The colourants and engineering plastics manufacturing segment saw favourable market demand during the first-half of the year under review, resulting in significant increase in turnover in this business segment. The Group's tailor-made and cost-effective engineering plastics, which have persistently

been gaining popularity in the market, also drove continuing growth in turnover in this business segment in the second-half of the year under review.

Capitalising on the Group's extensive experience in the colourants business, it developed colourants applications and techniques in the production of construction materials, to strengthen its marketing edge. The Group has also cooperated with building materials companies in the PRC for the provision of the colourants application and techniques, thereby extending its existing customers base to the construction sector and providing additional source of revenue for the Group.

With regard to the plastics trading business, revenues began to generate from southern China after the Group developed new customer networks, with the establishment of Ngai Hing (GZFTZ) Trading Co., Ltd. in the Guangzhou Free Trade Zone in May 2002.

In the latter half of the reporting year, the war in Iraq and the SARS outbreak in the PRC and Hong Kong adversely affected both economies, resulting in a downturn in the trading business, due to the extremely cautious ordering approach adopted by customers during the period. In view of this gloomy market environment, strategic measures were adopted and plastic products were made available at highly competitive prices. As a result, the sales of these products performed well in the market. While the gross profit margin of the trading business declined, the Group still achieved double-digit percentage growth in turnover during the year under review.

During the year under review, the Group commenced operations of its three new plants in Qingdao, Shanghai and Hong Kong, which greatly enhanced the Group's production capacities. In the meantime, the Group is in the course of consolidating its internal operations to achieve cost efficiencies in production.

The Group also continues to exercise stringent cost control measures to reduce finance costs. At the same time, in recognition of its efforts and achievements, Dongguan Ngai Hing Plastic Materials Ltd., a subsidiary of the Group, received accreditation as a Hi-tech Enterprise from the PRC Government in May last year. This accomplishment not only highlighted its advanced production equipment, innovative technology and professional operations, but also entitling the Group to apply for many tax exemptions, in turn greatly reducing its taxation charges.

Prospects

With strong confidence in the prospects of the PRC market, the Group has planned to expand its trading business in the PRC. Following its success in the Guangzhou Free Trade Zone, the Group has decided to set up more representative offices in major cities in the PRC.

Specialists with extensive industry and technical knowledge have joined the Group, strengthening its research and development capabilities. This move will help the Group to develop more new and improved products, increase its product range and raise its competitive edge in the industry.

The future appears increasingly promising for the PRC, especially with its accession to the World Trade Organization and the recent signing of the Closer Economic Partnership Arrangement (CEPA). These factors are creating a more favourable business environment. The Group commenced the operation of its plant in Hong Kong this year, enabling it to take advantage of these emerging opportunities. The Group is poised to capture the many opportunities in future as it continues to provide quality products and

value-added services to its customers and I am confident that the Group will attain new heights of excellence in future.

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 2003, the Group has available aggregate bank loan facilities of approximately HK\$160,229,000, of which HK\$87,031,000 have been utilised 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 2003 amounted to approximately HK\$63,995,000. The Group's gearing ratio as at 30th June 2003 was approximately 36 per cent., based on the total bank borrowings of approximately HK\$87,031,000, together with obligations under finance leases of HK\$17,738,000 and the shareholders' funds of approximately HK\$290,722,000. 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.

PLEDGE OF ASSETS

As at 30th June 2003, certain investment and other properties of the Group with an aggregate net book value of approximately HK\$47,894,000 (2002: HK\$46,057,000) have been pledged to banks to secure for banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30th June 2003, the Company had contingent liabilities in relation to corporate guarantee for the due performance of a subsidiary under a contract manufacturing agreement to the extent of HK\$20,000,000 (2002: HK\$20,000,000) and corporate guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$205,360,000 (2002: HK\$175,000,000).

In April 2003, a customer (the "Customer") issued a Writ of Summons in the High Court of the Hong Kong Special Administrative Region against a subsidiary of the Company (the "Subsidiary") and filed a Statement of Claim in June 2003 claiming against the Subsidiary for US\$589,590.53 (the "Claim") for losses and damages alleged to have been suffered by the Customer as a result of alleged breach of contract entered into between the Customer and the Subsidiary for goods sold by the Subsidiary to the Customer. On the basis of independent legal advice obtained, the Subsidiary has (i) filed a defence and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the supplier of the subject goods. In the opinion of the Directors, the Subsidiary is unlikely to suffer any loss for the Claim and no provision is considered necessary.

Employee Information

As at 30th June 2003, the Group employed a total of 800 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 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 written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board of Directors and the Company's auditors 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. Dr WONG Chi Ying, Anthony and Mr LAI Kam Wah, previously Independent Non-executive Directors and members of the Audit Committee until 1st April 2003 and 1st May 2003 respectively, were appointed as Executive Directors of the Company. Mr HO Wai Chi, Paul and Dr LAM Kwok Kin, Joseph were appointed on 1st April 2003 and 1st May 2003 respectively as Independent Non-executive Directors and become member of the Audit Committee. Meetings of the Audit Committee will be held not less than twice a year and the Audit Committee met the Company's auditors in September 2003 to review the Group's results for the year before it was tabled for the approval of the Board of Directors.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 30th June 2003 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 By-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 2003 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.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong SAR, 8th October 2003

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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 Caine Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong, on Wednesday, 3rd December 2003 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 2003.
2. To declare a final dividend for the year ended 30th June 2003.
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 (as 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 (as 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 (as 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, 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, 8th October 2003

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 of Directors) 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 Friday, 28th November 2003 to Wednesday, 3rd December 2003 (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, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 27th November 2003.