



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 2005

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 2005 as follows:

Consolidated Profit and Loss Account

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	2	1,243,849	1,017,775
Cost of sales		(1,111,906)	(907,534)
Gross profit		131,943	110,241
Other revenues	2	1,098	818
Distribution costs		(34,261)	(28,204)
Administrative expenses		(69,200)	(60,529)
Operating profit	3	29,580	22,326
Finance costs	4	(6,125)	(2,815)
Profit before taxation		23,455	19,511
Taxation	5	(4,973)	(4,762)
Profit after taxation		18,482	14,749
Minority interests		(1,380)	(1,470)
Profit attributable to shareholders		17,102	13,279
Dividends			
Interim dividend paid at HK1.0 cent (2004: HK1.0 cent) per share		3,000	3,000
Final dividend proposed at HK1.0 cent (2004: HK2.0 cents) per share		3,600	6,000
		6,600	9,000
Earnings per share	7	HK cents 5.64	HK cents 4.43

Consolidated Balance Sheet

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fixed assets		145,316	143,199
Deferred tax assets		2,360	507
Current assets			
Inventories		186,373	118,853
Trade receivables	8	275,438	210,045
Other receivables, prepayments and deposits		15,804	12,748
Cash and bank balances		<u>55,019</u>	<u>51,303</u>
		532,634	392,949
Current liabilities			
Trade payables	9	102,012	76,926
Other payables		8,102	5,501
Accruals		12,975	10,046
Taxation payable		5,382	4,320
Obligations under finance leases - current portion		7,488	4,820
Trust receipts loans - secured		121,709	83,153
Short-term bank loans - secured		<u>61,215</u>	<u>40,278</u>
		318,883	225,044
Net current assets		<u>213,751</u>	<u>167,905</u>
Total assets less current liabilities		<u>361,427</u>	<u>311,611</u>
Financed by:			
Share capital		36,000	30,000
Other reserves		66,814	36,907
Retained earnings		223,779	213,277
Proposed dividends		<u>3,600</u>	<u>6,000</u>
Shareholders' funds		330,193	286,184
Minority interests		10,194	8,814
Long-term liabilities		17,765	13,843
Deferred tax liabilities		<u>3,275</u>	<u>2,770</u>
		<u>361,427</u>	<u>311,611</u>

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that investment properties are stated at market value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 30th June 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position

to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. Turnover

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

	2005			
	Hong Kong	The People's Republic of China excluding Hong Kong ("the PRC")	Elimination	Group
Turnover	1,112,254	243,684	(112,089)	1,243,849
Other revenues	1,097	1	-	1,098
Total revenues	<u>1,113,351</u>	<u>243,685</u>	<u>(112,089)</u>	<u>1,244,947</u>
Segment results	<u>26,249</u>	<u>(721)</u>		25,528
Unallocated costs				<u>(2,073)</u>
Profit before taxation				23,455
Taxation				<u>(4,973)</u>
Profit after taxation				18,482
Minority interests				<u>(1,380)</u>
Profit attributable to shareholders				<u>17,102</u>
	2004			
	Hong Kong	The PRC	Elimination	Group
Turnover	920,744	224,576	(127,545)	1,017,775
Other revenues	795	23	-	818
Total revenues	<u>921,539</u>	<u>224,599</u>	<u>(127,545)</u>	<u>1,018,593</u>
Segment results	<u>7,776</u>	<u>13,540</u>		21,316
Unallocated costs				<u>(1,805)</u>
Profit before taxation				19,511
Taxation				<u>(4,762)</u>
Profit after taxation				14,749
Minority interests				<u>(1,470)</u>
Profit attributable to shareholders				<u>13,279</u>

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

Over 90% of the Group's turnover and contribution to operating profit are attributable to the manufacturing and trading of plastic products and accordingly no analysis of the Group's turnover, contribution to operating profit and assets by business segment is provided.

3. Operating profit

Operating profit is stated after charging:

	2005 HK\$'000	2004 HK\$'000
<u>Crediting</u>		
Gross rental income from investment properties	1,056	754
Less: Outgoings	<u>(171)</u>	<u>(103)</u>
Net rental income from investment properties	885	651
Gain on disposal of fixed assets	<u>-</u>	<u>344</u>
<u>Charging</u>		
Cost of inventories sold	1,048,505	844,668
Auditors' remuneration	981	867
Depreciation:		
Owned fixed assets	11,460	10,604
Leased fixed assets	3,516	2,380
Operating lease rentals in respect of land and buildings	7,093	7,228
Staff costs, including directors' emoluments	69,662	60,742
Write-off of fixed assets	2,122	-
Loss on disposal of fixed assets	41	-
Provision for slow moving inventories	<u>3,770</u>	<u>-</u>

4. Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest on bank borrowings wholly repayable within five years	5,491	2,294
Interest element of finance leases	<u>634</u>	<u>521</u>
	<u>6,125</u>	<u>2,815</u>

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year, at the rates of taxation prevailing in the countries which the Group operates. The Group's subsidiaries operating in the PRC are fully exempted from PRC income tax for two years starting from their first profit-making years and are entitled to a 50% income tax reduction for a further three years.

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

	2005 HK\$'000	2004 HK\$'000
<u>Current taxation:</u>		
Hong Kong profits tax	5,758	2,260
PRC income tax	561	2,500
(Over)/under provision in previous years	<u>(151)</u>	<u>71</u>
	6,168	4,831
Deferred taxation	<u>(1,195)</u>	<u>(69)</u>
	<u>4,973</u>	<u>4,762</u>

6. Movements in investment properties revaluation reserve

During the year, the surplus arising on revaluation of the investment properties as at 30th June 2005 amounted to HK\$652,000 (2004: HK\$1,431,000) was taken to the investment properties revaluation reserve.

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to the shareholders of HK\$17,102,000 (2004: HK\$13,279,000).

The basic earnings per share is calculated based on the weighted average of 302,958,904 (2004: 300,000,000) ordinary shares in issue during the year. The outstanding share options were not included in the calculation of the diluted earnings per share as the exercise of these share options at the time would have an anti-dilutive effect. No information in respect of diluted earnings per share is disclosed as there were no dilutive potential ordinary shares.

8. Trade receivables

The aging analysis of trade receivables is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Below 90 days	241,259	187,778
91 - 180 days	29,746	16,604
Over 180 days	4,433	5,663
	<u>275,438</u>	<u>210,045</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.

9. Trade payables

The aging analysis in trade payables is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Below 90 days	99,615	75,433
91 - 180 days	823	557
Over 180 days	1,574	936
	<u>102,012</u>	<u>76,926</u>

DIVIDENDS

The directors have resolved to recommend the payment of a final dividend of HK1.0 cent per share for the year ended 30th June 2005 (2004: HK2.0 cents). The proposed final dividend, together with the interim dividend of HK1.0 cent (2004: HK1.0 cent) paid on 13th April 2005, will make a total distribution of HK2.0 cents per share for the year. The proposed final dividend, if approved at the forthcoming Annual General Meeting, will be payable in cash on or about 9th December 2005 to members whose names appear on the Register of Members of the Company on 1st December 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 28th November 2005 to Thursday, 1st December 2005 (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 Friday, 25th November 2005.

BUSINESS REVIEW

The past year had been challenging for the Group. During the period under review, the increase in costs of raw materials triggered by the persistently high crude oil prices had had adverse effect the Group's operational environment and business. However, with a rock solid foundation and an experienced management team, the Group not only rose above the challenges, but also turned them into opportunities, achieving double-digit growth in both turnover and net profit.

During the year, the Group adopted aggressive sales and marketing strategies and succeeded in expanding its customer base. It boasted marked gains in both order numbers and selling prices for its products. All of the Group's business segments including the plastics trading business, engineering plastics manufacturing segment, colourants business and PVC business recorded significant growth in revenue. However, because of the high raw material costs (which were elevated by rocketing oil prices) and the deployment of extra resources into its new plant and business, both the Group's production and operational costs surged, thus negatively affected its gross profit margin.

In 2003/2004, the Group successfully established the new PVC compounds business and set up a production plant in Dongguan to produce PVC compounds for manufacturing electrical wires and cables, sockets and toys. The products are sold in both domestic and overseas markets. Thanks to the hard work of the Group's sales team, the segment has been gaining new customers and orders. The Group expects the segment to generate return in the next fiscal year and become a major growth driver in the future.

During the review period, the Group's plastic trading segment delivered brilliant performance. Because of the rise in plastic resins prices, the relentless efforts of its sales force and the gradually opening PRC market, the Group's plastic trading business achieved satisfactory growth in both turnover and profit. Furthermore, the business of Ngai Hing (GZFTZ) Trading Co., Ltd. also grew steadily, contributing to the overall increase of the Group's turnover.

On the other hand, as a result of the Group's drive to provide better customer service, its engineering plastics business also saw notable growth during the review period, reporting double-digit increase in both turnover and profit. During the year, this segment stepped up its cooperation with customer's research and development teams in developing new products. These efforts have helped to sustain the segment's competitiveness, allowing it to make significant profit contribution. As for the colourants business, the rising raw material prices and elevating manufacturing and production costs, all pushed up by the hefty oil prices, dampened our customers' sentiment in placing orders. This ultimately adversely affected the segment's profit.

PROSPECTS

Although the global economy and consumption sentiment in markets worldwide are improving, uncertainties still loom as a result of crude oil prices fluctuation. For this reason, the Group holds a cautiously optimistic view of its business outlook. In the future, the Group plans to focus on expanding its customer base, trimming production costs, and developing new products and new product applications, with an ultimate goal of taking full advantage of its exceptional production efficiency and economies of scale to satisfy customers' different needs.

Besides, the Group will also expand the scope of its different business segments in an organized manner, targeting to ensure the supply of top quality products and value-added services to its customers while at the same time improving its competitiveness and creating new sources of income. The initiative will brace the Group for steady growth. On the engineering plastics front, while Hong Kong has been the segment's historical base, with the Group's Shanghai branch inaugurated, the Group will strive to develop the PRC market for the segment, focusing specially on the fast growing eastern region of the country. In addition, the Group will continue to work in close collaboration with its customers in developing new products for the market.

As for the colourants segment, efforts will be devoted to developing new products and new product applications for different industries including the packaging industry, to widen the Group's income sources. At the same time, the Group will work with customers' research and development teams to provide customers with production solutions that promise improved cost effectiveness, thereby securing more orders for the Group. In addition, the Group will gradually introduce its products to overseas markets including the U.S., Europe, Asian and the Middle East in the long run. Last but not the least, the Group will continue to expand its PVC compounds business focusing on developing new products, such as those for application by the medical sector, so as to fully utilize its existing resources and broaden its customer base.

To widen the room for business growth, the Group has been actively expanding its production facilities to boost production capacity while exploring new business areas. Looking ahead, the Group will diligently implement production cost control measures to achieve higher cost effectiveness. Adhering to these clear and focused development strategies and with the concerted efforts of its staff, the Group will strive to deliver better results in the next fiscal year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. As at 30th June 2005, the Group has available aggregate bank loan facilities of approximately HK\$259,831,000, of which HK\$182,924,000 have been utilized and were secured by corporate guarantees 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 as at 30th June 2005 amounted to approximately HK\$55,019,000. The Group's gearing ratio as at 30th June 2005 was approximately 63%, based on the total bank borrowings of approximately HK\$182,924,000, together with obligations under finance leases of HK\$25,253,000 and the shareholders' funds of approximately HK\$330,193,000.

FOREIGN EXCHANGE RISK

The Group's borrowings and cash balances are primarily denominated in Hong Kong dollars. The Group's purchases were principally denominated in US dollars. The Group closely monitors currency fluctuations and reduces its exchange risk by hedging with forward exchange contracts from time to time.

At 30th June 2005, the Group had maximum outstanding commitments in respect of forward contracts in order to hedge the Group's exposure in foreign currencies from its operations as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sell HK dollars for US dollars	<u>836,267</u>	<u>436,660</u>

PLEDGE OF ASSETS

As at 30th June 2005, certain investment and other properties of the Group with an aggregate net book value of approximately HK\$11,869,000 (2004: HK\$18,875,000) have been pledged to banks to secure for banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30th June 2005, 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 (2004: HK\$20,000,000) and corporate guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$399,168,000 (2004: HK\$255,569,000).

In April 2003, a customer (the "Customer") issued a Writ of Summons in the High Court of the Hong Kong Special Administrative Region (the "Proceedings") 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 (the "Goods"). On basis of independent legal advice, the Subsidiary has (i) filed a defence and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the company, which supplied the Goods to the Subsidiary for resale to the Customer (the "Third Party"). The Third Party has also taken out the Fourth Party Proceedings against the company, which supplied the Goods to the Third Party for resale to the Subsidiary. Discovery and inspection of documents between the parties to the Proceedings have already completed. The Customer instructed another firm of solicitors to act for it in the Proceedings on 7 June 2005. The checklist hearing which was scheduled to take place on 29 June 2005 has been adjourned to 2 November 2005 for the parties to complete certain steps. The date for the trial of the Proceedings will be fixed after the checklist hearing. In the opinion of the Directors, the Subsidiary is unlikely to suffer any loss for the Claim, therefore, no provision is considered necessary.

EMPLOYEE INFORMATION

As at 30th June 2005, the Group had approximately 850 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.

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.

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 HKICPA.

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's audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit Lung. 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 2005 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 Listing Rules (which was in force prior to 1st January 2005 and remains applicable for the financial period commencing before 1st January 2005) throughout the year ended 30th June 2005 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 WEBSITE OF THE HKSE

A detailed announcement of final results of the Group for the year ended 30th June 2005 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 HKSE in due course.

On behalf of the
Board
HUI Sai Chung
Chairman

Hong Kong, 13th October 2005

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