



**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 2002

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 2002 as follows:

	<i>Note</i>	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Turnover	1	747,281	804,210
Cost of sales		(625,863)	(709,304)
Gross profit		121,418	94,906
Other revenues		668	1,060
Distribution costs		(22,192)	(20,242)
Administrative expenses		(55,397)	(54,156)
Operating profit	2	44,497	21,568
Finance costs	3	(1,241)	(3,665)
Profit before taxation		43,256	17,903
Taxation	4	(2,505)	(820)
Profit after taxation		40,751	17,083
Minority interests		(2,343)	(1,285)
Profit attributable to shareholders		38,408	15,798
Dividends			
Interim dividend paid at \$0.02 2001: Nil) per share		6,000	--
Final dividend proposed at \$0.05 2001: \$0.015) per share		21,000	4,500
Earnings per share	6	HK cents 12.8	HK cents 5.3

Notes:

### 1. Turnover

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

	<b>Turnover</b>		<b>Segment results</b>	
	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Hong Kong	715,544	785,282	20,312	3,825
The People's Republic of China excluding Hong Kong (("PRCA"))	209,253	184,739	24,755	16,133

Less: elimination	(177,516)	(165,811)	--	--
	747,281	804,210	45,067	19,958

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

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

## 2. Operating profit

Operating profit is stated after charging:

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Depreciation:		
Owned fixed assets	8,903	9,534
Leased fixed assets	1,732	3,371

## 3. Finance costs

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Interest on bank borrowings	1,182	3,326
Interest element of finance leases	59	339
	1,241	3,665

## 4. Taxation

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

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Hong Kong profits tax		
- Current	2,642	424
- Under/(overprovision) in previous years	85	(96)
	2,727	328
Deferred taxation	(222)	492
	2,505	820

Hong Kong profits tax has been provided at the rate of 16% (2001: 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 deficit arising on revaluation of the investment properties as at 30th June 2002 amounted to HK\$250,000 (2001: surplus of HK\$10,000) was taken to the investment properties revaluation reserve.

## **6. Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to the shareholders of HK\$38,408,000 (2001: HK\$15,798,000) and 300,000,000 (2001: 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 2002 (2001: HK 1.5 cents). The proposed final dividend, together with the interim dividend of HK2.0 cents paid on 30th April 2002, will make a total distribution of HK7.0 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 12th December 2002 to members whose names appear on the Register of Members of the Company on 5th December 2002.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 2nd December 2002 to Thursday, 5th December 2002 (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, 29th November 2002.

## **BUSINESS REVIEW**

The Group recorded an audited consolidated turnover of HK\$747,281,000 (2001: HK\$804,210,000) and profit attributable to shareholders of HK\$38,408,000 (2001: HK\$15,798,000) for the year ended 30th June 2002. Earnings per share for the year amounted to HK12.8 cents (2001: HK5.3 cents).

During the financial year 2001/02, the Group continued to concentrate its efforts on its core businesses - the manufacturing of colourants and engineering plastics, and the trading of plastic materials.

During the year, the overall economy has suffered as a result of the persistent global economic downturn and the slowdown of the U.S. economy, which were further affected by the 911 incident. In face of this tough business environment, the manufacturing operation still achieved growth while the trading operation, which has relatively lower margins, was inevitably dampened, leading to the decrease in the aggregate turnover. Nevertheless, riding on its experienced management, solid foundation, clearly-defined business strategies and sound financial position, the Group had experienced steady growth and reported an increase in profit, more than doubling that of last year. This was mainly due to the contribution of the Group's manufacturing business, high quality products and services, and effective cost control and strict implementation of cash flow management measures.

Since the Group has been consistently pursuing sound business strategies, the benefits became apparent during the reported year. The Group's commitment to the manufacturing business in recent years brought encouraging results. Due to increasing market demand for colourants and engineering plastics, the Group's manufacturing business reported a surge in turnover, accounting for a substantially higher portion of the aggregate turnover. This, together with the higher gross profit margin in the manufacturing business, contributed to the Group's overall increase in gross profit margin.

The Group has determined commitment in providing quality products to its premium customers. To cater for each customer's specific needs, the Group produces

customised and cost-effective products with value-added services, including tailor-made engineering plastics, which have been well-received by the market. Through its well-established distribution network in major cities in the PRC (including Dongguan, Guangzhou, Shanghai, Qingdao, Chengdu and Tianjin), the Group managed to expand and extend its customer base during the reported year. The business nature of its customers now covers a wider range of manufacturing industries including home appliance, toy, automobile, electronics and consumer products.

Anticipating that the market environment would be difficult in the first half of the year under review, the Group streamlined its operational workflow in order to achieve higher gross profit margin by introducing measures such as more stringent control and closer monitoring of the raw material procurement costs.

During the year under review, the Group continued to pursue prudent cash flow management practices so as to further enhance its financial position by shortening the recovery period of its account receivables resulting in improved liquidity and substantial finance expenses reduction.

## **PROSPECTS**

Looking ahead, the Group will continue its determined commitment in research and development to enhance its competitiveness in the market, and expanding and extending its product range to meet the specific needs of customers. To cater for the voluminous production orders from Hong Kong customers, the Group has leased an additional plant at Tai Po Industrial Estate in Hong Kong to increase its production capacity. Advanced model of equipment and production machineries and high-volume production lines will be installed in the additional plant for the production of products of higher technical requirements. The additional plant will not only shorten delivery time for local customers but also save delivery costs. The installation of production machineries in the additional plant will be completed in two phases. The first phase is expected to be ready for production by the end of 2002 while the second phase is expected to commence production in early 2003.

Meanwhile, the construction of the new plant in Shanghai, which is to replace its existing leased plant, is on schedule and expected to be completed by the end of 2002 which will increase the Group's production capacity just in time to meet the growing market needs for its products.

With the PRC's entry into WTO, her regulatory systems will further approaching global standards in the foreseeable future by reducing its tariff, taxes, duties and other levies. At the same time, the tremendous market potential will create business opportunities for the Group. In view of all these inspiring factors, the Group established Ngai Hing (GZFTZ) Trading Co. Ltd. in Guangzhou Free Trade Zone in May 2002, taking its first step in developing the trading of plastic materials in China to make full utilisation of the Group's established customer base. If this pilot scheme receives positive responses, it will become an additional source of income for the Group.

Leveraging on its widespread experience in the plastic materials and colourants businesses, the Group is in negotiation with sizeable and established building materials companies about the application of plastic materials and colourants for their production of plastic building materials. It is expected that such market penetration will create another stream of income.

It is anticipated that the continuous growth in business opportunities in the PRC will lead to an increase in demand of its products in the coming years. Provided that the

Group continues its pursuit of high quality products and value-added services and increases its investment in research and development, its competitiveness and leading position in the market will be enhanced and maintained and better return for the Group and its shareholders will follow.

## **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 2002, the Group has available aggregate bank loan facilities of approximately HK\$102,454,000, of which HK\$29,250,000 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 2002 amounted to approximately HK\$46,486,000. The Group's gearing ratio as at 30th June 2002 was approximately 10.7 per cent., based on the total bank borrowings of approximately HK\$29,250,000 and the shareholders' funds of approximately HK\$272,960,000. 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 2002, certain investment and other properties of the Group with an aggregate net book value of approximately HK\$46,057,000 (2001: HK\$45,250,000) have been pledged to banks to secure for banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

As at 30th June 2002, 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 (2001: HK\$20,000,000) and corporate guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$175,000,000 (2001: HK\$175,000,000).

## **EMPLOYEE INFORMATION**

As at 30th June 2002, the Group employed a total of 700 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 written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to A'sA 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. The Audit Committee comprises two independent non-executive directors, namely Mr LAI Kam Wah and Dr WONG Chi Ying, Anthony. Meetings of the Audit Committee will be held not less than twice a year and the Audit Committee met with the Company's auditors in September 2002 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 2002 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 2002 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, 7th October 2002

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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 Thursday, 5th December 2002 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 2002.
2. To declare a final dividend for the year ended 30th June 2002.
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:

**AS THAT:**

- (a) the existing share option scheme for the directors and employees of the Company and its subsidiaries which was adopted by the Company at its general meeting on 29th March, 1994 be and is hereby terminated with immediate effect; and
- (b) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of, and permission to deal in, the shares in the Company (which will not exceed 10 per cent. of the issued share capital of the Company as at the date of the adoption of the New Share Option Scheme (as defined below)) to be issued and allotted pursuant to the exercise of any options granted under the share option scheme of the Company (the "New Share Option Scheme"), the rules of which are contained in the document marked "A" produced to the meeting and for the purposes of identification signed by the Chairman thereof, the New Share Option Scheme be and is hereby approved and adopted and the Board of Directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:
  - (i) to administer the New Share Option Scheme under which options will be granted to Eligible Persons eligible under the New Share Option Scheme to subscribe for shares in the Company;
  - (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme and in compliance with The Rules Governing the Listing of Securities on the Stock Exchange relating to modification and/or amendment;
  - (iii) to issue and allot from time to time such number of shares in the Company as may be required to be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme and subject to Rules Governing the Listing of Securities on the Stock Exchange;
  - (iv) to make application at the appropriate time or times to the Stock Exchange and any other stock exchanges on which the issued shares of the Company may for the time being be listed, for listing of, and permission to deal in, any shares in the Company which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and
  - (v) to content, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.



6. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

A. **AŞTHAT:**

- (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:

AŞRelevant PeriodA” 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

AŞRights IssueA” 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).A”

B. **AŞTHAT:**

- (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.6B 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.6B 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.6A 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, 7th October 2002

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 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 Monday, 2nd December 2002 to Thursday, 5th December 2002 (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, Hong Kong not later than 4:00 p.m. on Friday, 29th November 2002.