



Ngai Hing Hong Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

Website: <http://www.nhh.com.hk>

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2004 INTERIM RESULTS

The Board of Directors (the "Board") of Ngai Hing Hong Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st December 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 31st December	
		2004 HK\$'000	2003 HK\$'000
Turnover	1	603,067	500,188
Cost of sales		<u>(533,157)</u>	<u>(446,065)</u>
Gross profit		69,910	54,123
Other revenues	1	502	871
Distribution costs		(17,033)	(14,845)
Administrative expenses		<u>(32,466)</u>	<u>(29,315)</u>
Operating profit	2	20,913	10,834
Finance costs	3	<u>(2,575)</u>	<u>(1,611)</u>
Profit before taxation		18,338	9,223
Taxation	4	<u>(3,881)</u>	<u>(1,091)</u>
Profit after taxation		14,457	8,132
Minority interests		<u>(495)</u>	<u>(1,000)</u>
Profit attributable to shareholders		<u>13,962</u>	<u>7,132</u>
Earnings per share	6	<u>HK cents 4.65</u>	<u>HK cents 2.38</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 31st December 2004 HK\$'000	Audited 30th June 2004 HK\$'000
Fixed assets		145,290	143,199
Deferred tax assets		740	507
Current assets			
Inventories		141,839	118,853
Trade receivables	7	232,658	210,045
Other receivables, prepayments and deposits		11,752	12,748
Cash and bank balances		<u>45,561</u>	<u>51,303</u>

		<u>431,810</u>	<u>392,949</u>
Current liabilities			
Trade payables	8	77,216	76,926
Other payables		5,584	5,501
Accruals		11,320	10,046
Taxation		6,202	4,320
Obligations under finance leases - current portion		5,412	4,820
Trust receipt loans - secured		99,219	83,153
Short-term bank loans - secured		51,712	40,278
Current portion of long-term bank loans - secured		<u>780</u>	<u>-</u>
		<u>257,445</u>	<u>225,044</u>
Net current assets		<u>174,365</u>	<u>167,905</u>
Total assets less current liabilities		<u>320,395</u>	<u>311,611</u>
Financed by:			
Share capital		30,000	30,000
Other reserves		36,872	36,907
Retained earnings		224,239	213,277
Proposed dividends	5	<u>3,000</u>	<u>6,000</u>
Shareholders' funds		294,111	286,184
Minority interests		9,309	8,814
Long-term liabilities			
Long-term bank loan - secured		584	-
Obligations under finance leases		13,507	13,843
Deferred tax liabilities		<u>2,884</u>	<u>2,770</u>
		<u>320,395</u>	<u>311,611</u>

1. Segment information

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the trading and manufacturing of plastic materials, pigments, colorants, compounded plastic resin, engineering plastic products and PVC compounds.

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

	Unaudited			
	Six months ended 31st December 2004			
	The People's Republic of China excluding Hong Kong ("PRC")			
	Hong Kong	Kong ("PRC")	Elimination	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	551,203	124,595	(72,731)	603,067
Other revenues	<u>501</u>	<u>1</u>	<u>-</u>	<u>502</u>
Total revenues	<u>551,704</u>	<u>124,596</u>	<u>(72,731)</u>	<u>603,569</u>
Segment results	<u>17,928</u>	<u>1,133</u>		19,061
Unallocated costs				(723)
Profit before taxation				<u>18,338</u>
Taxation				<u>(3,881)</u>
Profit after taxation				14,457
Minority interests				<u>(495)</u>

Profit attributable to shareholders	<u>13,962</u>
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	Unaudited			Group
	Six months ended 31st December 2003			
	Hong Kong	PRC	Elimination	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	451,903	112,027	(63,742)	500,188
Other revenues	<u>753</u>	<u>118</u>	<u>-</u>	<u>871</u>
Total revenues	<u>452,656</u>	<u>112,145</u>	<u>(63,742)</u>	<u>501,059</u>
Segment results	<u>4,364</u>	<u>5,563</u>		9,927
Unallocated costs				<u>(704)</u>
Profit before taxation				9,223
Taxation				<u>(1,091)</u>
Profit after taxation				8,132
Minority interests				<u>(1,000)</u>
Profit attributable to shareholders				<u>7,132</u>

Turnover and segment results are presented based on the operating locations of group companies. Unallocated costs represent corporate expenses.

All the Group's turnover and operating profit are attributable to the manufacturing and trading of plastic products 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 crediting and charging the following:

	Unaudited	
	Six months ended 31st December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Gain on disposal of fixed assets	<u>91</u>	<u>462</u>
Charging		
Depreciation:		
Owned fixed assets	5,554	4,922
Leased fixed assets	<u>1,566</u>	<u>1,389</u>

3. Finance costs

	Unaudited	
	Six months ended 31st December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	2,279	1,359
Interest element of finance leases	<u>296</u>	<u>252</u>
	<u>2,575</u>	<u>1,611</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. The Group's subsidiaries operating in the PRC are fully exempted from PRC income tax for two years starting from their first profit-making year and are entitled to a 50% income tax reduction for a further three years. These subsidiaries either have no assessable income or are exempted from PRC income tax and accordingly no provision for PRC taxation has been made in the accounts.

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

	Unaudited	
	Six months ended	
	31st December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	4,000	1,100
Deferred taxation	(119)	(9)
	<u>3,881</u>	<u>1,091</u>

5. Dividends

The directors declare an interim dividend of HK 1.0 cent per share for the period (2003: HK 1.0 cent).

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$13,962,000 (2003: HK\$7,132,000) and 300,000,000 (2003: 300,000,000) ordinary shares in issue during the period. 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.

7. Trade receivables

The aging analysis of trade receivables is as follows:

	Unaudited	Audited
	31st	30th June
	December	2004
	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 90 days	208,780	187,778
91-180 days	21,035	16,604
Over 180 days	<u>2,843</u>	<u>5,663</u>
	<u>232,658</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.

8. Trade payables

The aging analysis of trade payables is as follows:

	Unaudited	Audited
	31st	30th June
	December	2004
	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 90 days	75,802	75,433
91-180 days	237	557

Over 180 days

1,177

936

77,216

76,926

INTERIM DIVIDEND

The directors are pleased to declare an interim dividend of Hong Kong 1.0 cent per share for the six months ended 31st December 2004 to members whose names appear on the Register of Members on 6th April 2005. The dividend will be paid on or before 13th April 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 4th April 2005 to Wednesday, 6th April 2005 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim 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 4:30 p.m. on Friday, 1st April 2005.

BUSINESS REVIEW AND PROSPECTS

In the six months ended 31st December 2004, the Group recorded a turnover of HK\$603,067,000 (2003: HK\$500,188,000), profit attributable to shareholders of HK\$13,962,000 (2003: HK\$7,132,000), and earnings per share of HK4.65 cents (2003: HK2.38 cents). The Board of Directors has recommended an interim dividend of HK1.0 cent per share (2003: HK1.0 cent).

Although the economic environment still poses challenges, riding on the experience of its management and its well-defined business strategies, the Group's business expansion efforts implemented in the past continue to bring concrete returns. The Group reported encouraging results in the first half year, further strengthening the foundation for its future growth. During the review period, the Group saw significant growth in both turnover and profit attributable to shareholders, of 20.6% and 95.8% respectively, when compared with the same period last year.

The turnover of all major business streams grew, led by two outstanding business segments - plastics trading and engineering plastics manufacturing business. Benefited from the rise in plastic prices and its own effective raw material inventory policy, the Group's plastic trading business boomed, securing double-digit growth in both turnover and profit.

During the review period, the Group's engineering plastic manufacturing business also performed exceptionally well. Having passed the teething stage, the Group's Tai Po plant boasted smooth operations and production. The vigorous marketing efforts of the Group for its quality products during the period also contributed to the notable rise in product prices and sales of its engineering plastics products. In the future, the Group will focus on introducing the line of products to other industries and developing new product applications, thus taking the business stream to yet another new height.

As for the colorant segment, heeding the sharp price hike of raw materials during the period and keen market competition, customers had been extra cautious in placing orders. The performance of the segment was affected as a result. On the other hand, however, the Group's new business pursuit - the production and sale of PVC compounds - has started to bring in revenue. Although the segment is still in its infancy, based on the number of orders received and the preliminary response of potential customers, the Group is very optimistic about the prospects of this new business.

As the global economy continues to improve and consumption desire rises, the Group sees rosy prospects for the market. Furthermore, its new plant swinging into full operation has significantly boosted the Group's overall productivity and growth potential. The Group expects to achieve yet greater economies of scale, which will allow it to further lower production costs. In the latter half of the year, Ngai Hing Hong will step up its sales and marketing efforts in its strive for maximum cost-effectiveness. The Group also sees new business segments contributing to a broader income base. With the continuous efforts of its staff, the Group is confident that the growth momentum it built up in the first half of the year will persist in the latter half year.

Last but not least, the Board would like to take this opportunity to thank the Group's valuable customers and suppliers for their unsparing support over the years. Our gratitude also goes to our staff

for their loyal service to the Group and our shareholders who grace us with their unwavering support.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. As at 31st December 2004, the Group has available aggregate bank loan facilities of approximately HK\$193,490,000, of which HK\$152,295,000 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 as at 31st December 2004 amounted to approximately HK\$45,561,000. The Group's gearing ratio on a net debt to shareholders' funds basis as at 31st December 2004 was approximately 42.7%, based on the total interest bearing debts of approximately HK\$171,214,000 less cash and bank balances, and the shareholders' funds of approximately HK\$294,111,000.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31st December 2004, 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 and corporate guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$329,596,000.

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 (the "Goods"). On basis of independent legal advice, the Subsidiary has (i) filed a defense and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the company, which supplied 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. In the opinion of the Directors, the Subsidiary is unlikely to suffer any loss for the Claim, therefore, no provision is considered necessary.

As at 31st December 2004, the Group had capital commitments for property, plant and equipment contracted but not provided for amounting to approximately HK\$3,092,000.

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 31st December 2004, 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:

	2004
	<i>HK\$'000</i>
Sell HK dollars for US dollars	<u>748,909</u>

EMPLOYEE INFORMATION

As at 31st December 2004, the Group employed a total of approximately 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 period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

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 ("HKSE") throughout the six months period ended 31st December 2004 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.

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 Listing Rules. 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 Hong Kong Institute of Certified Public 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 three independent non-executive directors, namely Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit 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 unaudited condensed accounts for the six months ended 31st December 2004 with the Directors.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF HKSE

The HKSE's website - <http://www.hkex.com.hk> will contain all the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules on HKSE on or before 31st March 2005.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong, 15th March 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.