

[Press release]

Ngai Hing Hong Turns Around in 2016/17 Interim Results

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Gross Profit Increases to HK\$109,224,000
Profit Attributable to Equity Holders of the Company
Rises to HK\$19,870,000

(Hong Kong, 27 February 2017) — Leading Hong Kong plastic resins and specialty colorants supplier **Ngai Hing Hong Company Limited** and its subsidiaries (the “Group”) (Stock Code: 1047) announced its interim results for the six months ended 31 December 2016.

During the period under review, the Group’s overall turnover was HK\$770,443,000. With its operating strategy of developing and selling higher margin products as well as carefully selecting customers continuing to bear fruit, the Group reported an improved business performance. Gross profit up by 10.6% to HK\$109,224,000 (2015: HK\$98,739,000) and gross profit margin increased to 14.2%. Thanks to the strict cost control measures, the Group managed to turn around its core businesses in the first half year. Adding the reversal of impairment of deposit for the completion of acquisition of properties, profit attributable to equity holders of the Company was HK\$19,870,000 (2015: loss attributable to equity holders of the Company: HK\$24,605,000) and basic earnings per share were HK5.38 cents (2015: loss per share: HK6.66 cents).

To reward shareholders for their unwavering support, the Board of Directors recommended payment of an interim dividend of HK1.0 cent per share (2015: no interim dividend paid).

Mr. Hui Sai Chung, Chairman of Ngai Hing Hing, said, “During the period, although the Chinese economy grew slower, the Renminbi depreciation continued, and the Brexit weighed on global market confidence, the Group was able to achieve a turnaround of its core businesses. The encouraging results were attributable from its technological edges, operating strategy of developing and selling higher margin products, and its efforts in streamlining business and resource allocation.”

During the review period, the engineering plastics business afforded the most satisfactory performance among the Group's three major businesses, with turnover amounting to HK\$97,516,000. The strategic move made by the Group to transform its sales model started to bring harvest. The Group was able to win more new customers including major overseas high-end toy and household goods brands, hence secured new profit streams. The segment's gross profit margin increased by 4.6 percentage points year-on-year and profit before taxation also rose by 55.3% year-on-year. With the market placing more and more importance on safety of toys and household goods, related new regulations and safety requirements are expected to become more demanding. The Group's ability to deliver high quality products will give it the competitive advantage to continue to expand its customer base and find new revenue streams.

Selling mainly to domestic customers, the colorants, pigments and compounded plastic resin business segment had steady performance during the review period, with turnover at HK\$164,380,000. With the Group focused on developing high-margin products, gross profit margin of the segment rose by 2.6 percentage points and profit before taxation was HK\$28,695,000 when compared with the last corresponding period. Effort to tap the potential of contemporary products such as smartphones, smart electronic healthcare products and drones of growing popularity has enabled the Group to expand related clienteles. The Group believes the surfacing of user experience oriented new products enabled by Augmented Reality (AR), Virtual Reality (VR) and Internet of Things (IoT) technologies has given technologies in those realms very promising development prospects. These technologies are pushing up market expectation of the technologies themselves and the quality of the new products and associated devices. The Group hopes to further cooperate with mid-range to high-end smartphone clients in China, with the aim of gaining a bigger market share.

Impacted by the weak Chinese economy, the turnover of the plastics trading business amounted to HK\$507,423,000. The change to selling higher margin specialised raw materials as demanded by customers resulted in a 2.4 percentage points growth in gross profit margin and loss before taxation of the segment markedly narrowed to HK\$6,506,000. The Group found more high potential customers including internationally renowned fast food restaurants via liaising with them directly regarding supplying raw materials to their designated premiums manufacturers. The move has not only enabled the Group to secure large scale, long-term and stable orders complementary to its strict credit management policy, but has also poised it for exploring business with other premiums manufacturers and broadening its customer base.

Facing a global economy fraught with challenges, the Group will keep a close watch on market conditions. In the past few months, with Renminbi exchange rate stabilising and prices of plastic raw material climbing steadily, it is expected that customers change from being conservative to more aggressive in placing purchase orders. The management is cautiously optimistic about the Group's future development. In addition to actively expand the domestic market, the Group serves overseas high-tech suppliers and customers as a technological exchange, puts more resources into exploring direct cooperation with foreign customers and uses various channels to widen customer sources, giving its close partnership with the International Colour Alliance. The two-pronged approach will help enhance the Group's overall profitability.

As for cost control, the Group will keep studying different ways and means to keep cost down and strictly implement cost control measures already in place. It will also bring in more automated production equipment and expand production lines to lower labour costs and boost production capacity, so as to achieve greater economies of scale for supporting the Group's long-term development.

Mr. Hui concluded, "In the future, the Group will continue to adhere to the development direction of focusing on high-tech and high-margin products. We believe the Group's top quality products will allow it to stand out among its peers and broaden its sales network. The Group will continue to adopt a professional and pragmatic yet proactive approach in striving for a long-term sustainable growth and to present lucrative rewards to shareholders."

(End)

About Ngai Hing Hong Company Limited

Ngai Hing Hong provides a total solution to plastic products manufacturers with services and products ranging from plastic resins (including polymers and engineering plastics) selection, complementary computerised colour matching services, on the spot technical advice, to the supply of custom-made plastic colourants and engineering plastics for the plastics industry.

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