



Ngai Hing Hong Announces 2021/22 Interim Results Gross Profit Steadily Increases Amid Pandemic

* * * *

**Profit Attributable to Equity Holders of the Company Reaches
HK\$33,979,000
Interim Dividend HK1.5 Cents per Share**

(Hong Kong, 24 February 2022) — Leading Hong Kong plastic resins and specialty colorants supplier **Ngai Hing Hong Company Limited** and its subsidiaries (the “Group”) (Stock Code: 1047) have announced their interim results for the six months ended 31 December 2021. During the period under review, overall sales volume of the Group declined year-on-year due to uncertain economic outlook. However, the Group still recorded gross profit growth by adjusting the prices of certain products and continuing to optimise its product mix plus strengthening cost control.

In the second half of 2021, the COVID-19 pandemic prevailed worldwide and impeded economic recovery. At the same time, international shipping had yet to return to normal because of the pandemic. That coupled with high international crude oil price caused plastic material prices to also hover high. During the period under review, the Group’s total turnover was HK\$931,125,000 (2020: HK\$951,987,000), a slight 2.2% less than that of the same period last year.

Overall gross profit of the Group climbed 6.5% to HK\$160,623,000 (2020: HK\$150,875,000) and gross profit margin rose by 1.4 percentage points year-on-year to 17.3%. However, as the Group’s operating costs surged notably year-on-year, profit attributable to the Company’s equity holders decreased by 8.4% to approximately HK\$33,979,000 (2020: Profit attributable to the Company’s equity holders: HK\$37,114,000). Basic earnings per share were HK9.20 cents (2020: Basic earnings per share: HK10.05 cents).

To reward shareholders for their unwavering support, the Board of Directors (“the “Board”) has recommended payment of an interim dividend of HK1.5 cents per share (2020: an interim dividend of HK1.0 cent and a special dividend of HK1.0 cent).

Mr. Hui Sai Chung, Chairman of Ngai Hing Hong, said, “Plastic prices started trending up in the fourth quarter of 2020 till mid-2021 and remained relatively high in the second half of 2021. In 2020, the Chinese Government provided corporate social security expense concessions amid the pandemic, and rental for leased factories was also partially waived. However, as such moves ended in the period under review, costs of the Group mounted. Facing also risen salary costs and some production lines not operating in full due to the pandemic, the Group’s operating costs surged notably year-on-year in the second half of 2021.”

Turnover of the **plastic material trading business** was down by 7.7% to HK\$602,268,000 (2020: HK\$652,386,000) for the period under review. However, prompted by the pandemic outbreak, public health and hygiene awareness has increased and, as such, demand for post-pandemic products such as medical devices and air filter systems remained stable. At the same time, the Group moderately adjusted product prices and managed to transfer part of the costs, and its sales team also succeeded in expanding the Group's clientele. Thus, in the second half of 2021, orders came in for new projects involving such as next generation new energy vehicles and high-end small personal care appliances. With operating costs relatively stable, the gross profit margin of plastic material trading business increased by 2.7 percentage points year-on-year. Profit before taxation of the business also increased, by 30% year-on-year, to HK\$26,486,000 (2020: HK\$20,367,000).

With various countries implementing different pandemic prevention measures, many companies have adopted flexible work-from-home arrangements, which has greatly increased the time consumers spend at home and that in turn has stimulated demand for general household electrical appliances such as kitchenware. Spotting the trend, the Group started in the previous financial year, to tap the high-end kitchenware market that promises higher gross profit. In the second half of 2021, the Group continued to enrich its product portfolio and increased R&D investment and efforts at the Dongguan base to develop more product formulas for high-end kitchenware, so as to meet the orders of customers with more diverse demands. Driven by orders from new customers, turnover of the **engineering plastic product business** increased by 16.4% year-on-year to HK\$142,736,000 (2020: HK\$122,640,000). However, with raw material prices lingering high, gross profit margin of the business dropped by a slight 0.8 percentage point. Nonetheless, at the Group's stringent cost control measures, profit before tax of the business increased by 37.5% year-on-year to HK\$23,290,000 (2020: HK\$16,938,000), which was satisfactory.

The **Colorant, pigment and compounded plastic resin business** was affected by cost hike in the period under review. Although its turnover increased by 5.2% year-on-year to HK\$186,121,000 (2020 : HK\$176,961,000). The notable increase in costs was mainly due to the five factories serving the business needed more human resources, and the absence of the corporate social security expense concession from the Mainland China Government and the rental concession for leased factories during the period. Also, as some factories had to temporarily suspend work due to COVID-19 and employees had to work overtime subsequently to catch up with production schedule, additional expenses were incurred. All of the above led to higher costs. Gross profit margin of the business was down by 4.5 percentage points and profit before tax also fell, by 94.1%, to HK\$904,000 (2020: HK\$15,372,000). During the period under review, the Group continued to focus on increasing production of high-end sanitary products and electronic products, and expanding the production capacity of various factories so that it might secure high-gross-profit-margin orders and maintain stable business development.

Looking ahead, international oil prices are still high, and with the pandemic prevailing and uncertain, international shipping schedules have not returned to normal and raw material market supply will remain tense. The Group expects “internal circulation” to continue to be the mainstream tactic in the mainland market and sees the world overall to still be overshadowed by the Covid-pandemic with the variants spreading. At the same time, as the interest rate hike cycle in Europe and the US is about to begin, the Group expects overseas customers to adopt a more prudent ordering strategy in coping with the current economic environment.

Although high international oil prices have caused prices of plastic raw materials to stay high, the Group is prepared to ward off and manage related risks, including controlling inventory level and maintaining a strong capital position to greet challenges as well as opportunities in 2022. As for cost control, it will actively improve overall administrative and operational efficiency, continuously implement stringent cost control measures, including reducing administrative and distribution fees and production costs. Furthermore, it is also preparing for the upcoming interest rate hike cycle, with plans to discuss with more banks on options to reduce interest expenses, such as participating in green finance.

Mr. Hui concluded, “In the future, we will step up research and development efforts. On top of enhancing product quality, the Group will actively match the needs of different customers and develop advanced high-end production technologies, to the ends of optimising its product portfolio and bolstering overall gross profit margin. Also, the Group will explore opportunities of connecting directly with end-customers and actively look for business opportunities in related areas.”

(End)

About Ngai Hing Hong Company Limited (stock code of HKEX: 1047)

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 and on-the-spot technical advice to the supply of custom-made plastic colourants and engineering plastics for the plastics industry.

Media Enquiries:

Strategic Financial Relations Limited

Keris Leung / Vivian Cheung

Tel: 2864 4863 / 2114 2821

Fax: 2527 1196

Email: keris.leung@sprg.com.hk / vivian.cheung@sprg.com.hk