



Ngai Hing Hong Announces 2021/22 Annual Results

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Total Turnover Amounts to HK\$1,738,775,000

Profit Attributable to the Company's Equity Holders Reaches HK\$56,598,000

Final Dividend of HK2.0 Cents per Share

Total Dividend for the Year of HK3.5 Cents per Share

(Hong Kong, 29th September 2022) — Leading Hong Kong plastic resins and specialty colorants supplier **Ngai Hing Hong Company Limited** (the “Company”, together with its subsidiaries as the “Group”) (Stock Code: 1047) has announced its annual results for the year ended 30th June 2022.

During the period under review, international crude oil prices continued to rise, further pushing up plastic raw material prices. In addition, due to the uncertain economic environment, customers remained cautious about placing orders and adopted low inventory strategies, which affected the overall sales volume of the Group. For the year ended 30th June 2022, the Group's total turnover was HK\$1,738,775,000 (2021: HK\$1,971,074,000). Overall gross profit was HK\$303,134,000 (2021: HK\$347,217,000); the gross profit margin decreased slightly by 0.2 percentage points from the same period last year to 17.4%. Profit attributable to equity holders of the Company was HK\$56,598,000 (2021: HK\$89,865,000), the decrease was primarily due to the fall in turnover. Basic earnings per share were HK15.33 cents (2021: HK24.34 cents).

To reward shareholders for their unwavering support for the Group, the Board of Directors has recommended the payment of a final dividend of HK2.0 cents per share (2021: a final dividend of HK1.0 cent per share and a special dividend of HK3.0 cents per share).

Mr. Hui Sai Chung, Chairman of Ngai Hing Hong, said, “During the year, the global landscape was complex and volatile, with geopolitical tensions and a weak overall market and economy. In the first half of 2022, affected by supply risk concerns brought by the situation in Russia and Ukraine, international crude oil prices continued to rise, further pushing up plastic raw material prices. In addition, international shipping and supply chains have not yet recovered to pre-pandemic levels and the ongoing COVID-19 epidemic has also hindered economic recovery.”

The **engineering plastics business** performed well among the Group's three major businesses, with turnover increased by 8.5% year-on-year to HK\$285,249,000 (2021: HK\$262,923,000). The gross profit margin fell modestly by 1.6 percentage points, and profit before income tax increased by 19.1% year-on-year to HK\$46,339,000 (2021: HK\$38,912,000). The continued high prices of raw material have led some customers to actively seek alternatives. As engineering plastics are tailored for customers' needs, they can be used to replace certain raw materials as well as to improve product performance, production capacity and efficiency. In addition, the Group has flexibly adjusted its business scope, actively expanded its customer base and cooperated with local manufacturers to launch anti-epidemic products, which enabled it to secure orders from new local customers. At the same time, more companies are adopting flexible work-from-home arrangements. The change in people's living and working patterns has stimulated demand for general household appliances such as kitchenware, thus orders for household appliances and high-end kitchenware remained stable.

The Group's production and operation activities were partly affected by the anti-epidemic policy in Mainland China during the year, and its production capacity was not fully released. Turnover of the **colorant, pigment and compounded plastic resin business** decreased by 5.2% year-on-year to HK\$355,172,000 (2021: HK\$374,736,000). The gross profit margin also decreased by 1.2 percentage points. Moreover, the strong US dollar pushed up procurement costs, which in turn resulted in a decline in profit before income tax of 32.3% to HK\$20,106,000 (2021: HK\$29,719,000). The colorant, pigment and compounded plastic resin business has built a stable customer base in sectors such as automotive applications, food packaging and construction materials. Although the completion area of residential properties in Mainland China declined when compared with last year and the demand for construction materials softened, the Group believes that high-end sanitary products still have development potential, hence it will continue to develop related markets going forward so as to secure more orders with higher gross profit margins.

Turnover from the **plastic trading business** declined by 17.6% year-on-year to HK\$1,098,354,000 (2021: HK\$1,333,415,000), mainly due to the slowdown in Mainland China's economic growth in the first half of 2022, the slump in demand for raw materials from the traditional automobile and construction material industries, and the delay in international shipping during the year. As a result, customers adopted a prudent ordering strategy which has affected the Group's sales volume and led to a decline in turnover. The gross profit margin was basically similar to the same period last year. In addition, the Group has implemented a more cautious inventory provision estimation in view of recent economic uncertainties. As a result, profit before income tax decreased by 56.4% to HK\$23,308,000 (2021: HK\$53,484,000).

The global economy remained uncertain in the second half of 2022. With many countries in Europe and the US entering the interest rate hike cycle and the US dollar continuing to strengthen, the market is concerned about a possible slowdown in economic recovery as a result of anti-inflation measures, while the ongoing war between Russia and Ukraine has intensified geopolitical risks. In Mainland China, economic growth slowed down in the first half year as a result of the pandemic. However, with a rise in vaccination rates and the improving pandemic situation, the overall economy is expected to pick up starting from the end of this year or early next year. The Group will continue to keep a close watch on market changes.

Over the past two years, the Group has been actively expanding into new customer segments and, as a result, has obtained orders from end-customers for products with higher added-value and high margins such as premium kitchenware and smart devices. While recent raw material prices have fallen slightly, the Group is aware that customers are still looking for alternatives and it believes that engineering plastics can replace more and wider array of raw materials in the future. The Group will continue to explore other business opportunities drawing on its wealth of experience. Believing that sustainable materials will be one of the future trends, it has stepped up efforts in conducting projects pertaining to environmentally friendly plastic materials, in the hope of providing customers with products that can meet market expectations.

Mr. Hui concluded, “The Group has also noticed that an increasing number of customers are adopting a more conservative approach to placing orders under the current challenging operating environment. However, the Group had made preparations in the first half year and adopted flexible strategies to more effectively manage its production, operations, logistics, supply chain and financial management. It has also worked closely with customers and suppliers and ensured stable business development by taking a prudent approach, so as to bring long-term returns to shareholders.”

(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.

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