



CHAIRMAN'S
STATEMENT

主席報告

RESULTS AND DIVIDENDS

I am pleased to announce the audited results of Ngai Hing Hong Company Limited ("the Company") and its subsidiaries (collectively "the Group") for the year ended 30th June 2004. The Group recorded a consolidated turnover of HK\$1,017,775,000 (2003: HK\$874,976,000) and profit attributable to shareholders of HK\$13,279,000 (2003: HK\$40,462,000) during the year. Earnings per share for the year amounted to HK4.43 cents (2003: HK13.49 cents). The Board recommended the payment of a final dividend of HK2.0 cents (2003: HK5.0 cents) per share. Together with the interim dividend of HK1.0 cent (2003: HK3.0 cents) per share, the total dividend payment for the year under review will amount to HK3.0 cents (2003: 8.0 cents) per share.

BUSINESS REVIEW

2004 marks the 10th anniversary of the Group's listing in Hong Kong. Over the past decade, Ngai Hing Hong has managed to seize the many sprouting business opportunities in the market and achieve quick and robust growth. Its consolidated turnover for the year shot through the HK\$1 billion threshold.

The past year was challenging for the Group. The outbreak of the bird flu, the introduction of economic austerity measures in China and the increase in costs of raw materials triggered by the persistently high crude oil price had adversely affected the business environment in Asia. However, with a rock solid foundation and focused business strategies, the Group not only was able to rise above the different challenges, but also turned them into opportunities. During the year, the Group kicked off one important investment, paving the way for the Group's future growth.

業績及股息

本人謹此報告毅興行有限公司(「本公司」)及其附屬公司(統稱「本集團」)截至二零零四年六月三十日止年度之經審核業績。本集團經審核之總營業額為1,017,775,000港元(二零零三年：874,976,000港元)，股東應佔溢利為13,279,000港元(二零零三年：40,462,000港元)，每股盈利為4.43港仙(二零零三年：13.49港仙)。董事會已建議派發末期股息每股2.0港仙(二零零三年：5.0港仙)。連同於回顧年內派發之中期股息每股1.0港仙(二零零三年：3.0港仙)，回顧年內全年股息為每股3.0港仙(二零零三年：8.0港仙)。

業務回顧

二零零四年為毅興行上市十週年的日子。在過去十年，毅興行成功把握市場上不斷湧現的商機，令集團的發展一日千里，而二零零三／零四年的總營業額更突破十億港元。

過去一年對毅興行來說仍然充滿挑戰。禽流感的爆發、中國宏觀調控的實施，以及原油價格居高不下帶動相關物料價格上揚，確實對亞洲區內的營商環境產生影響。但憑藉集團穩固的基礎和管理團隊專注的業務策略，集團仍能將這些挑戰轉為機會，於回顧年內展開了一項重要的發展項目，為未來的業務發展奠下堅實的基礎。

During the year, the Group succeeded in expanding into a new business - the manufacture and sale of PVC compounds. In May 2004, our new plant in Dongguan commenced operation to provide to both the overseas and domestic markets PVC compounds for use in the production of electrical wires and cables, sockets and toys. The Group expects this new business segment to emerge as a strong growth driver and start contributing profit in the coming financial year. Through implementing aggressive sales and marketing strategies, the Group successfully broadened its customer base and achieved significant growth in both orders and sales price, increasing the Group's consolidated turnover by 16.3% over that of last year.

Having to weather the substantial increase in the costs of raw materials brought on by the surge in crude oil price, plus the deployment of extra resources into the new plant and in developing the new PVC business, the Group's production and operating costs increased and its overall profit margin narrowed during the year. However, the Group has full confidence that the returns from the new business and new customers will be fully reflected in its results in the coming financial year. In addition, the Group made strategic efforts during the year to expand its production capacity and sales network. These efforts, which included the establishment of new plants in Shanghai and Hong Kong and a new office in Xiamen, are expected to bear fruit in the coming year.

During the period under review, the Group's high margin engineering plastics manufacturing segment reported outstanding performance. Rising market demand for engineering plastics plus the Group's stringent product quality control underscored the persistently strong customer demand for the Group's products, and the strong demand translated into continuous turnover growth. As for the colourants business, riding on the keen market demand for film grade masterbatches, the Group secured many new customers and recorded steady growth in turnover from the business segment.

年內，集團成功開拓了新業務範疇——產銷PVC膠粒，並於二零零四年五月在東莞開設新廠房，為海外及內銷市場提供用以製造電線電纜、插頭及玩具的PVC膠粒。集團預期這項新業務將成為未來強勁的增長動力，並將於下個財政年度為集團帶來盈利貢獻。此外，集團透過積極進取的銷售及市場推廣策略，成功於年內擴闊客戶基礎，無論於訂單數量或售價均取得顯著的增長，令集團的總營業額較去年增長百分之十六點三。

然而，由於原油價飆升影響物料成本價格顯著上升，加上集團於年內為新廠房及新業務投入不少額外資源，令集團的生產及營運成本增加，導致整體毛利率下降。但集團預計新業務及新客戶所帶來的效益將於此投資期過後，即下個財政年度全面反映於集團的業績上。再者，隨著集團於上個財政年度在上海及香港增設廠房，並於廈門設立聯絡處，策略性地提升產能及擴大行銷網絡，集團預期來年的回報將更美滿豐盛。

於回顧期內，毛利率較高的工程塑料業務成功創出亮麗的成績。由於年內市場對工程塑料的需求上升，加上集團對產品質素的嚴密監控，這類產品繼續獲得客戶的支持，令營業額持續錄得增長。至於着色劑方面，吹膜着色劑亦在市場殷切的需求所帶動下取得不少新客戶，營業額方面亦錄得穩定的增長。

During the year, the Group's plastics trading business recorded significant growth in turnover, with Ngai Hing (GZFTZ) Trading Co., Ltd. ("NHGZ") in Guangzhou reporting satisfactory performance. Besides actual financial returns, NHGZ also embodies the Group's determination to expand its business in the PRC market, helping the Group to broaden its customer networks in Southern China and cementing the Group's foundation for long-term development in the market.

PROSPECTS

Although the global economy has yet to fully rebound, it has been recovering at a pace quicker than expected. In the light of continuous improvement in the global economy and consumption sentiment, the Group is optimistic about its prospects in the coming year. Looking forward, the Group will focus on expanding its customer base and trimming production costs so as to achieve maximum production efficiency and economies of scale while at the same time meeting immense market demand for plastics products.

The Group sees vast growth potential in the PRC market and economy. It will actively seek to capture this important market in the coming years leveraging the Closer Economic Partnership Arrangement (CEPA) signed recently between Mainland China and Hong Kong. To ensure continuing optimum returns from the PRC market, the Group will strive to fully exploit its resources in Guangzhou and Shanghai. The move will allow it to further expand its business in the burgeoning China market, in particular eastern China, and to boost its existing competitive advantages.

Meanwhile, to ensure steady business growth, the Group is committed to stepping up its R&D efforts and has scheduled to set up a new R&D center in Shanghai by 2005. It will also continue to recruit professionals with extensive industrial and technical knowledge to assist the development of more innovative products. The Group is dedicated to providing customers with the highest quality products and premium value-added services, which it believes will help to strengthen its competitiveness in the market and expand its income sources.

於回顧期內，塑膠原料貿易業務之營業額錄得顯著的升幅，其中毅興(廣州保稅區)貿易有限公司亦獲得理想的成績。而除實際效益外，毅興(廣州保稅區)貿易有限公司亦象徵著集團銳意拓展中國市場的決心，更為集團在華南地區擴大客戶網絡，以及於中國市場的長遠發展奠下穩健的基礎。

展望

儘管全球經濟有待全面復甦，但其增長步伐實際上較預期快。隨著全球經濟與各地市場的消費意欲繼續上揚，集團對來年的前景感到樂觀。未來，集團計劃將經營重點投放於擴闊客戶基礎及節約生產成本兩方面，以充份發揮集團優越的生產效率及規模經濟效益，並滿足市場對塑料殷切的需求。

集團認為中國擁有龐大的市場及經濟增長潛力，而且與香港特區政府簽訂了「更緊密經貿關係安排」，是集團未來積極爭取的重要市場。承接去年於中國市場取得理想的成績，集團將充份利用現有於廣州及上海的資源，進一步開拓發展蓬勃的中國市場，特別是經濟增長迅速的華東地區，繼續延伸集團原有的優勢。

與此同時，為確保集團業務能穩步發展，毅興行將致力研究及發展工作，並計劃於二零零五年在上海開設研發中心，同時繼續招攬擁有豐富行業知識及技術的專才，以加強研發新產品，務求為客戶提供高質素的产品及增值服務，致力提升集團在市場的競爭力及增加收入來源。

With the Group's new plant progressing into full operation during the year, both the Group's overall production capacity and potential for growth were significantly enhanced. Looking ahead, the Group will continue to use its best endeavour to exercise stringent costs control to increase cost efficiencies in production. The Group will also forge ahead with its promising new PVC compounds business, which is expected to broaden the Group's income base and bump up its overall results in the next financial year.

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 2004, the Group has available aggregate bank loan facilities of approximately HK\$173,370,000, of which HK\$123,431,000 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 (see note 11 to the accounts). The Group's cash and bank balances and short term bank deposits as at 30th June 2004 amounted to approximately HK\$51,303,000. The Group's gearing ratio as at 30th June 2004 was approximately 49.7%, based on the total bank borrowings of approximately HK\$123,431,000, together with obligations under finance leases of HK\$18,663,000 and the shareholders' funds of approximately HK\$286,184,000.

Details of the Group's capital commitments and the Company's contingent liabilities are disclosed in notes 21 and 22 to the accounts respectively.

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.

隨著集團的新廠房於上個財政年度陸續正式投產，集團的整體產能及業務增長空間亦進一步獲得提升。未來，毅興行將積極推行生產成本控制措施，務求令集團的生產更具成本效益。此外，新增的業務範疇亦將擴闊集團的收入基礎，從而為集團於下個財政年度締造更理想的業績。

流動資金及財務資源

本集團一般以內部流動現金及主要銀行提供銀行貸款作為營運資金。於二零零四年六月三十日，本集團可動用銀行貸款約173,370,000港元，經已動用合共約123,431,000港元，該等貸款乃由本公司發出的擔保及本集團擁有之若干中國及香港租賃土地及樓宇之法定抵押作擔保（詳見賬目附註11）。本集團於二零零四年六月三十日之現金及銀行結存與短期銀行存款約為51,303,000港元。根據銀行貸款總額約123,431,000港元、融資租賃責任18,663,000港元及股東資金約286,184,000港元計算，本集團於二零零四年六月三十日之負債資產比率約為百分之四十九點七。

有關本集團之資本承擔及本公司之或有負債已分別刊載於賬目附註21及22。

外匯風險

本集團之借貸及銀行結存主要為港元。本集團的採購主要以美元計算。本集團不時密切監察匯率波動情況及透過對沖遠期外匯合約減低匯率波動風險。

At 30th June 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:

為減低營運帶來之外匯風險，本集團訂立外匯遠期合約。於二零零四年六月三十日，未兌現之遠期合約之最大承諾如下：

		2004	2003
		HK\$'000	HK\$'000
		千港元	千港元
Sell HK dollars for US dollars	沽港元以買入美元	436,660	—

EMPLOYEE INFORMATION

As at 30th June 2004, the Group had 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.

僱員資料

於二零零四年六月三十日，本集團有合共約800名全職僱員。本集團之酬金政策乃按個別僱員之表現而制訂，並每年定期檢討。本集團亦為其僱員提供一個獎勵計劃，以鼓勵員工增加對公司之貢獻，惟須視本集團之溢利及僱員之表現而定。本集團不同地區之僱員亦獲提供社會及醫療保險以及公積金計劃。

APPRECIATION

I would like to express my gratitude to our suppliers, customers and shareholders for their unfailing support. My thanks also go to my fellow directors, executives and staff for their outstanding performance and contribution during the past year ridden with challenges. The Group will as always, with prudence and conviction, seek to secure long-term development and the most satisfactory return to shareholders. I am confident that the Group will be able to attain more prosperous results for the coming year.

致謝

本人謹代表董事會藉此機會感謝本集團的供應商、客戶及股東一直以來的支持，並對本集團的董事、管理層及所有員工在過去充滿挑戰的一年的卓越表現和貢獻，致以衷心謝意。毅興行將秉持一貫之穩健與積極的態度，為集團的長遠發展與股東的最大利益而努力，並且寄望來年更美滿豐盛。

HUI Sai Chung

Chairman

Hong Kong,

13th October 2004

主席

許世聰

香港，

二零零四年十月十三日