



**NGAI HING HONG COMPANY LIMITED**  
(Incorporated in Bermuda with limited liability)

INTERIM  
REPORT  
2003  
2004

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The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) is pleased to present the unaudited condensed interim accounts of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2003 as follows:

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2003

	Note	Unaudited Six months ended 31st December	
		2003 HK\$'000	2002 HK\$'000
Turnover	2	500,188	452,588
Cost of sales		(446,065)	(383,189)
Gross profit		54,123	69,399
Other revenues	2	871	783
Distribution costs		(14,845)	(14,374)
Administrative expenses		(29,315)	(30,895)
Operating profit	3	10,834	24,913
Finance costs	4	(1,611)	(754)
Profit before taxation		9,223	24,159
Taxation	5	(1,091)	(2,380)
Profit after taxation		8,132	21,779
Minority interests		(1,000)	(1,677)
Profit attributable to shareholders		7,132	20,102
Earnings per share	7	HK cents 2.38	HK cents 6.70

**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 31ST DECEMBER 2003

	Note	Unaudited 31st December 2003 HK\$'000	Audited 30th June 2003 HK\$'000
<b>Fixed assets</b>	8	138,387	135,699
<b>Deferred tax assets</b>		1,369	—
<b>Current assets</b>			
Inventories		88,915	97,423
Trade receivables	9	175,040	172,856
Other receivables, prepayments and deposits		14,003	12,513
Cash and bank balances		52,373	63,995
		<b>330,331</b>	<b>346,787</b>
<b>Current liabilities</b>			
Trade payables	10	52,562	62,288
Other payables		4,651	5,985
Accruals		9,472	7,185
Taxation		3,362	3,669
Obligations under finance leases - current portion		3,910	3,481
Trust receipt loans - secured		61,333	62,886
Short-term bank loans - secured		27,315	24,145
		<b>162,605</b>	<b>169,639</b>
<b>Net current assets</b>		<b>167,726</b>	<b>177,148</b>
<b>Total assets less current liabilities</b>		<b>307,482</b>	<b>312,847</b>
<b>Financed by:</b>			
Share capital	11	30,000	30,000
Other reserves		36,724	36,724
Retained earnings		213,130	208,998
Proposed dividends	6	3,000	15,000
<b>Shareholders' funds</b>		<b>282,854</b>	<b>290,722</b>
Minority interests		8,344	6,784
<b>Long-term liabilities</b>			
Obligations under finance leases		13,840	14,257
Deferred tax liabilities		2,444	1,084
		<b>307,482</b>	<b>312,847</b>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTHS ENDED 31ST DECEMBER 2003

	Unaudited						
	Share capital	Share premium	Capital reserve	Investment properties revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$' 000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st July 2003	30,000	28,475	408	2,612	5,229	223,998	290,722
Profit for the period	—	—	—	—	—	7,132	7,132
2002/2003 final dividends paid	—	—	—	—	—	(15,000)	(15,000)
<b>At 31st December 2003</b>	<b>30,000</b>	<b>28,475</b>	<b>408</b>	<b>2,612</b>	<b>5,229</b>	<b>216,130</b>	<b>282,854</b>
At 1st July 2002	30,000	28,475	408	1,312	5,229	207,536	272,960
Profit for the period	—	—	—	—	—	20,102	20,102
2001/2002 final dividends paid	—	—	—	—	—	(15,000)	(15,000)
<b>At 31st December 2002</b>	<b>30,000</b>	<b>28,475</b>	<b>408</b>	<b>1,312</b>	<b>5,229</b>	<b>212,638</b>	<b>278,062</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2003

	Unaudited	
	Six months ended 31st December	
	2003	2002
	HK\$'000	HK\$'000
Net cash inflow from operating activities	10,538	9,926
Net cash used in investing activities	(6,799)	(22,726)
Net cash (used in)/generated from financing activities	(15,361)	12,827
(Decrease)/increase in cash and cash equivalents	(11,622)	27
Cash and cash equivalents at 1st July	63,995	46,486
Cash and cash equivalents at 31st December	52,373	46,513
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	52,373	46,513



## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants. These condensed accounts should be read in conjunction with the annual accounts for the year ended 30th June 2003.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 30th June 2003 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 (revised) “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting period commencing on or after 1st January 2003.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In prior periods, deferred taxation is accounted for using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing difference were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively. Nevertheless, the adoption of SSAP 12 (revised) has not resulted in any significant changes to the prior periods’ net assets and results and accordingly, no prior period adjustment is required.

**NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**

**2 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 resins and engineering plastic products.

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

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





**NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**

**2 Segment information (Cont'd)**

	Unaudited			Group HK\$'000
	Six months ended 31st December 2002			
	Hong Kong HK\$'000	PRC HK\$'000	Elimination HK\$'000	
Turnover	426,471	122,424	(96,307)	452,588
Other revenues	728	55	—	783
<b>Total revenues</b>	<b>427,199</b>	<b>122,479</b>	<b>(96,307)</b>	<b>453,371</b>
<b>Segment results</b>	<b>16,595</b>	<b>8,157</b>		<b>24,752</b>
Unallocated costs				(593)
Profit before taxation				24,159
Taxation				(2,380)
Profit after taxation				21,779
Minority interests				(1,677)
<b>Profit attributable to shareholders</b>				<b>20,102</b>

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.

**NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**

**3 Operating profit**

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 31st December	
	2003 HK\$'000	2002 HK\$'000
<u>Crediting</u>		
Gain on disposal of fixed assets	462	124
<u>Charging</u>		
Depreciation:		
Owned fixed assets	4,922	3,324
Leased fixed assets	1,389	—

**4 Finance costs**

	Unaudited Six months ended 31st December	
	2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings wholly repayable within five years	1,359	738
Interest element of finance leases	252	16
	1,611	754



**NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**

**5 Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16.0%) 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 years 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:

	<b>Unaudited Six months ended 31st December</b>	
	<b>2003 HK\$'000</b>	<b>2002 HK\$'000</b>
Hong Kong profits tax	1,100	2,380
Deferred taxation	(9)	—
	<b>1,091</b>	<b>2,380</b>

**6 Dividends**

The directors declare an interim dividend of HK1.0 cent per share for the period (2002: HK3.0 cents).

**7 Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$7,132,000 (2002: HK\$20,102,000) and 300,000,000 (2002: 300,000,000) ordinary shares in issue during the period. Diluted earnings per share for the periods are not disclosed as there were no dilutive potential ordinary shares.

**NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**

**8 Capital expenditure**

	<b>Unaudited Fixed assets HK\$'000</b>
<b>Six months ended 31st December 2003</b>	
Opening net book amount	135,699
Additions	9,256
Disposals	(257)
Depreciation	(6,311)
<hr/>	
Closing net book amount	<u>138,387</u>

**9 Trade receivables**

The aging analysis of trade receivables is as follows:

	<b>Unaudited 31st December 2003 HK\$'000</b>	<b>Audited 30th June 2003 HK\$'000</b>
Below 90 days	160,277	152,047
91-180 days	12,064	15,325
Over 180 days	2,699	5,484
<hr/>		
	<b>175,040</b>	<b>172,856</b>

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.



**NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**

**10 Trade payables**

The aging analysis in trade payables is as follows:

	<b>Unaudited 31st December 2003 HK\$'000</b>	<b>Audited 30th June 2003 HK\$'000</b>
Below 90 days	51,120	61,263
91-180 days	471	156
Over 180 days	971	869
	<b>52,562</b>	<b>62,288</b>

**11 Share capital**

	<b>Unaudited 31st December 2003 HK\$'000</b>	<b>Audited 30th June 2003 HK\$'000</b>
<b>Authorised:</b>		
800,000,000 (30th June 2003: 800,000,000) ordinary shares of HK\$0.10 each	<b>80,000</b>	<b>80,000</b>
<b>Issued and fully paid:</b>		
300,000,000 (30th June 2003: 300,000,000) ordinary shares of HK\$0.10 each	<b>30,000</b>	<b>30,000</b>

**NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**

**12 Contingent liabilities**

As at 31st December 2003, the Company and the Group had the following contingent liabilities:

- (a) Guarantee in respect of the due performance of a subsidiary under a contract manufacturing agreement to the extent of HK\$20,000,000. (30th June 2003: HK\$20,000,000)
- (b) Guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$196,000,000 (30th June 2003: HK\$205,360,000); and
- (c) 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. On the basis of Independent legal advice obtained, the Subsidiary has (i) filed a defense and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the supplier of the subject goods. In the opinion of the Directors, the Subsidiary is unlikely to suffer any loss for the Claim and no provision is considered necessary.



**NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**

**13 Commitments**

- (a) Capital commitments for property, plant and equipment

	<b>Unaudited 31st December 2003 HK\$'000</b>	Audited 30th June 2003 HK\$'000
Contracted but not provided for	<b>4,276</b>	1,148

- (b) Commitments under operating leases

As at 31st December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Unaudited 31st December 2003 HK\$'000</b>	Audited 30th June 2003 HK\$'000
Not later than one year	6,124	5,580
Later than one year and not later than five years	8,229	10,635
Later than five years	739	1,477
	<b>15,092</b>	17,692

## 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 2003 to members whose names appear on the Register of Members on 8th April 2004. The dividend will be paid on or before 16th April 2004.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 6th April 2004 to Thursday, 8th April 2004 (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, 2nd April 2004.

## BUSINESS REVIEW AND PROSPECTS

For the six months ended 31st December 2003, the Group recorded a turnover of HK\$500,188,000 (2002: HK\$452,588,000). Profit attributable to shareholders amounted to HK\$7,132,000 compared to HK\$20,102,000 recorded in the corresponding period last year. Earnings for the period amounted to HK2.38 cents (2002: HK 6.70 cents) per share. The Board has recommended an interim dividend of HK1.0 cent per share (2002: HK3.0 cents).

The persistent slow recovery of the global economy and the negative impact of the Severe Acute Respiratory Syndrome ("SARS") outbreak continued to dampen the overall global business environment during the period under review, which had inevitably affected the Group's business activities. With the efforts of its experienced management, the Group implemented a series of flexible business strategies to boost its performance in such difficult trading climate. As a result of its effort, the turnover for the first-half recorded a 10.5% rise over the same period last year. The improvement was largely contributed by the satisfactory growth in the sales of the Group's plastic trading business.





## BUSINESS REVIEW AND PROSPECTS (Cont'd)

In recent years, the Group has placed special emphasis in the development of high profit margin colourant and engineering plastics businesses. Coupled with the full operations at its Qingdao plant and the broadening of major customer base by its dedicated sales team, the Group's sales and marketing effort in the northern China market had resulted in positive sales contribution to the Group's performance as compared to the same period last year. To cater for the increasing market needs, the Group had expanded its production capacity by commencing the operations of its manufacturing plants in Shanghai and Hong Kong in 2003. However, the manufacturing overheads also increased, and was at a much faster pace than that of the market demand, leading to a decline in the Group's overall profit margins. Nonetheless, the business sentiment in the manufacturing sector in the region is evidently more vibrant today than that in past years, and the Group expects that its profit margins in the foreseeable future would have substantial improvement.

In the first quarter of the current financial year, the Group had to deal with the prudent ordering pattern adopted by its customer due to the extreme impact of SARS, which resulted in the reduction of export orders. However, with the price competitive products mastered by the Group and the fallout of SARS impact to the market, sales in the second quarter surged and the trading business recorded a 12.9% increase in turnover over the corresponding period last year, despite the reduction in the profit margins of the Group's trading activities.

Ngai Hing (GZFTZ) Trading Co., Ltd., a subsidiary of the Group, which aimed to penetrate into the PRC's plastic materials trading market, starting to generate revenues for the Group. Hence, the Group will continue to develop its customer network in southern China, and has plans to set up representative offices in other major cities for further expansion of its trading activities.

To capitalise on its enlarged production capacities, the Group will enhance its sales and marketing push to strengthen its customer base and achieve better utilisation of its production facilities, enhancing the cost effectiveness of its overall operations and production.

The Group is highly confident in the PRC market as supported by the accession of PRC to WTO and its Closer Economic Partnership Arrangement (CEPA) with Hong Kong. To capture every opportunity arising from these opportunities, the Group will actively explore potential business opportunities by leveraging its well established foundations, quality products and services.

In closing, the Board would like to express its thanks to the Group's suppliers and, customers for their unflinching support, its shareholders for their commitment, and its staff for their hard work and contribution.

## 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 2003, the Group has available aggregate bank loan facilities of approximately HK\$160,229,000, of which HK\$88,648,000 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 and short term bank deposits as at 31st December 2003 amounted to approximately HK\$52,373,000. The Group's gearing ratio as at 31st December 2003 was approximately 37.6%, based on the total bank borrowings of approximately HK\$88,648,000, together with obligations under finance leases of HK\$17,750,000 and the shareholders' funds of approximately HK\$282,854,000. As the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars, the Group has no significant exposure to foreign currency fluctuations.

Details of the Company's contingent liabilities and the Group's capital commitments are disclosed in notes 12 and 13 to the interim accounts respectively.

## EMPLOYEE INFORMATION

As at 31st December 2003, 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 year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

## SHARE OPTIONS

On 5th December 2002, the Company has adopted a new share option scheme (the “New Scheme”) and terminated the old share option scheme. Under the terms of the New Scheme, the Directors may, at their discretion, invite Directors and employees of the Group to take up options (the “Share Options”) to subscribe for the shares of the Company subject to the terms and conditions stipulated therein. Details of the movements of Share Options granted under the New Scheme during the period and outstanding as at 31st December 2003 are as follows:

	Date of grant	Exercise period	Exercise price	Beginning of the period	Number of Share Options		End of the period
					Granted during the period	Exercised during the period	
<b>Executive directors</b>							
Mr HUI Sai Chung	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
Mr HUI Kwok Kwong	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000

SHARE OPTIONS (Cont'd)

	Date of grant	Exercise period	Exercise price	Number of Share Options			End of the period
				Beginning of the period	Granted during the period	Exercised during the period	
<b>Executive directors (Cont'd)</b>							
Dr WONG Chi Ying, Anthony	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
Mr LAI Kam Wah	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
Mr CHING Yu Lung	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000


**SHARE OPTIONS (Cont'd)**

	Date of grant	Exercise period	Exercise price	Number of Share Options			End of the period
				Beginning of the period	Granted during the period	Exercised during the period	
<b>Executive directors (Cont'd)</b>							
Madam LIU Sau Lai	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
<b>Other continuous contract employees</b>	30th April 2003	30th April 2004 to 29th April 2009	HK\$0.82	500,000	—	—	500,000
	30th April 2003	30th April 2005 to 29th April 2009	HK\$0.82	500,000	—	—	500,000
	30th April 2003	30th April 2006 to 29th April 2009	HK\$0.82	500,000	—	—	500,000
	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
				25,500,000	—	—	25,500,000

No Share Options were granted, exercised or cancelled during the period.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 31st December 2003, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified the Company were as follows:

**(I) ordinary shares of HK\$0.10 each in the Company**

Name of Directors		Number of shares of the Company beneficially held			
		Personal interests	Corporate interests	Family interests	Other interests
Mr HUI Sai Chung	Long Positions	8,218,000	158,000,000 (a)	—	—
Mr HUI Kwok Kwong	Long Positions	11,716,000	154,735,000 (b)	—	—
Madam LIU Sau Lai	Long Positions	1,102,500	—	—	(c)

**(II) derivative to ordinary shares of HK\$0.10 each in the Company**

Name of Directors		Unlisted Share Options (physically settled equity derivatives) As at 31st December 2003	
Mr HUI Sai Chung	Long Positions		3,000,000
Mr HUI Kwok Kwong	Long Positions		3,000,000
Dr WONG Chi Ying, Anthony	Long Positions		3,000,000
Mr LAI Kam Wah	Long Positions		3,000,000
Mr CHING Yu Lung	Long Positions		3,000,000
Madam LIU Sau Lai	Long Positions		3,000,000



**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Cont'd)**

Notes:

- (a) 153,000,000 of these shares are held by Good Benefit Limited (“Good Benefit”), a company in which Ever Win Limited (“Ever Win”) holds a 45.1% interest (note (c)). In addition, 5,000,000 shares are held by Ever Win directly.

50,000 ordinary shares of one Canadian dollar each in Ever Win are held by a trustee on behalf of a discretionary trust, the discretionary objects of which include Mr HUI Sai Chung and his family members. Mr HUI Sai Chung and his spouse further own 30,834 and 5 class A non-convertible redeemable preferred shares of no par value in Ever Win respectively.

- (b) 153,000,000 of these shares are held by Good Benefit, a company in which Evergrow Company Limited (“Evergrow”) holds a 45.1% interest (note (c)). In addition, 1,735,000 shares are held by Evergrow directly.

50,000 ordinary shares of one Canadian dollar each in Evergrow are held by a trustee on behalf of a discretionary trust, the discretionary objects of which include Mr HUI Kwok Kwong and his family members. Mr HUI Kwok Kwong further owns 30,823 class A non-convertible redeemable preferred shares of no par value in Evergrow.

- (c) The beneficial interests of the Directors in the share capital of Good Benefit, which held 153,000,000 shares of the Company as at 31st December 2003, are as follows:

Name of Directors	Number of shares	Percentage of holding
Mr HUI Sai Chung	4,510	45.1%
Mr HUI Kwok Kwong	4,510	45.1%
Madam LIU Sau Lai	80	0.8%
Others	900	9.0%
	10,000	100.0%

At 31st December 2003, the following Directors owned interests in non-voting deferred shares in Ngai Hing Hong Plastic Materials Limited, which are subject to an option granted to Ngai Hing (International) Company Limited to acquire the said non-voting deferred shares.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Cont'd)**

Name of Directors	Number of non-voting deferred shares held	
	Personal interests	Other interests
Mr HUI Sai Chung	200,000	50,000 (i)
Mr HUI Kwok Kwong	200,000	50,000 (ii)

Notes:

- (i) These shares are held by Ever Win.
- (ii) These shares are held by Evergrow.

Save as disclosed above and other than certain nominee shares in the subsidiaries of the Company held by certain Directors of the Company in trust for the Group as at 31st December 2003, none of the Directors and chief executives have any beneficial or non-beneficial interests in the share capital of the Company and associated corporations required to be disclosed pursuant to the SFO.

Save as disclosed under the section headed by "Share Options" above,

- (a) at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and
- (b) none of the Directors, chief executives, their spouses or children under the age of 18 had been granted any right to subscribe for shares in or debentures of the Company, or exercised any such right.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31st December 2003, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.





## 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 on the Stock Exchange of Hong Kong Limited throughout the six months period ended 31st December 2003 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.

## 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 Society of 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 two independent non-executive directors, namely Mr HO Wai Chi, Paul and Mr FONG Pong Hing. 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 2003 with the Directors.

On behalf of the Board  
**HUI Sai Chung**  
*Chairman*

Hong Kong,  
10th March 2004