



**Ngai Hing Hong Company Limited**  
(Incorporated in Bermuda with limited liability)  
Website: <http://www.nhh.com.hk>

## FOR THE SIX MONTHS ENDED 31ST DECEMBER 2002 INTERIM RESULTS

The Board of Directors (the "Board") of Ngai Hing Hong Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st December 2002 as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Unaudited Six months ended 31st December</b>	
	<i>Note</i>	<b>2002</b>	<b>2001</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1	452,588	368,734
Cost of sales		<u>(383,189)</u>	<u>(318,156)</u>
Gross profit		69,399	50,578
Other revenues	1	783	367
Distribution costs		(14,374)	(10,993)
Administrative expenses		<u>(30,895)</u>	<u>(24,582)</u>
Operating profit	2	24,913	15,370
Finance costs	3	<u>(754)</u>	<u>(805)</u>
Profit before taxation		24,159	14,565
Taxation	4	<u>(2,380)</u>	<u>(1,548)</u>
Profit after taxation		21,779	13,017
Minority interests		<u>(1,677)</u>	<u>(803)</u>
Profit attributable to shareholders		20,102	12,214
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Earnings per share	6	HK cents 6.70	HK cents 4.07
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#### 1. 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:

**Six months ended 31st December 2002**

**The People's  
Republic  
of China  
excluding  
Hong Kong**

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

**Six months ended 31st December 2001**

	<b>Hong Kong</b>	<b>PRC</b>	<b>Elimination</b>	<b>Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	357,332	84,770	(73,368)	368,734
Other revenues	<u>367</u>	<u>--</u>	<u>--</u>	<u>367</u>
Total revenues	<u>357,699</u>	<u>84,770</u>	<u>(73,368)</u>	<u>369,101</u>
Segment results	<u>7,886</u>	<u>7,332</u>		15,218
Unallocated costs				<u>(653)</u>
Profit before taxation				14,565
Taxation				<u>(1,548)</u>
Profit after taxation				13,017
Minority interests				<u>(803)</u>
Profit attributable to shareholders				<u>12,214</u>

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.

**2. Operating profit**

Operating profit is stated after crediting and charging the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31st December</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Gain on disposal of fixed assets	<u>124</u>	<u>173</u>
Charging		
Depreciation:		
Owned fixed assets	3,324	5,099
Leased fixed assets	<u>--</u>	<u>46</u>

### 3. Finance costs

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31st December</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	738	760
Interest element of finance leases	<u>16</u>	<u>45</u>
	<u>754</u>	<u>805</u>

### 4. Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period. The Group's subsidiaries operating in the PRC have no assessable income and accordingly no provision for PRC taxation has been made in the accounts.
- (b) Deferred taxation is provided for in respect of the accelerated depreciation allowances. There is no material potential deferred taxation not provided for in the accounts.

### 5. Dividends

The directors declare an interim dividend of HK 3 cents per share for the period (2001: HK 2 cents).

### 6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$20,102,000 (2001: HK\$12,214,000) and 300,000,000 (2001: 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.

## Interim dividend

The directors are pleased to declare an interim dividend of Hong Kong 3 cents per share for the six months ended 31st December 2002 to members whose names appear on the Register of Members on 7th April 2003. The dividend will be paid on or before 10th April 2003.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 4th April 2003 to Monday, 7th April 2003 (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, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3rd April 2003.

## BUSINESS REVIEW AND PROSPECTS

For the six months ended 31st December 2002, the Group recorded a turnover of HK\$452,588,000, representing an increase of 22.7% against the HK\$368,734,000 recorded in the corresponding period in the previous year and made a profit attributable to shareholders of HK\$20,102,000 representing a surge of 64.6% from HK\$12,214,000. Earnings for the period amounted to HK 6.70 cents (2001: HK 4.07 cents) per share. The Board has recommended an interim dividend of HK 3 cents per share. (2001: HK 2 cents).

The slow recovery in global market conditions during the review period created significant impact on the overall business environment. Against this backdrop, the Group, riding on its clearly-defined and prudent business strategies as well as its solid business foundation, managed to achieve positive development during the first six-month period. This was attributed to the satisfactory contribution of the colourants and engineering plastics manufacturing business and the plastics trading business of the Group and its implementation of effective and prudent cost controls.

Compared to the results of previous corresponding period which were adversely affected by the 911 incident, the growth in turnover and profits during the review period demonstrating signs of steady recovery of the Group's business after the incident. Such results were further augmented by the increase in market demand. During this period, the Group's colourants and engineering plastics manufacturing business recorded a significant increase in both turnover and sales volumes. In particular, the manufacturing business, which commanded a higher gross profit margin than the trading business, accounted for a significantly higher portion in the total turnover, contributing to the overall rise in the Group's gross profit margin.

With regard to its plastics trading business, the Group managed to achieve its initial success in penetrating the PRC market. Ngai Hing (GZFTZ) Trading Co., Ltd., commencing business in the Guangzhou Free Trade Zone in May 2002, has established new customer networks in southern China, providing additional source of revenue for the Group. If such encouraging responses persist, the Group will set up additional trading offices in other major cities in the PRC.

With the Group's committed goals in recent years, the manufacturing business continued to deliver satisfactory results. The turnover and sales volumes of the colourants and engineering plastics manufacturing business recorded a promising growth, particularly in the latter. The Group's tailor-made engineering plastics have persistently received overwhelming responses from the market. At the same time, the performances of markets in the eastern and southern parts of the PRC were also improving steadily during the period under review. The full commencement of the production lines at the Qingdao plant greatly increased the production capacities, generating further contributions to the revenue of the Group.

The Group also explored new business segments to strengthen its marketing edges. Capitalising on its extensive experience in the colourants business, the Group entered into a cooperation with a sizable building materials company, in which, the Group has provided the know-how for the use and application of colourants in the production of construction materials during the review period. This new market exploration broadened the revenue base of the Group.

For the growing market demand, the Group has committed resources to raise its production capacity. The construction of the Group's new plant in Shanghai completed at the end of 2002, replacing its previous rented plant. The new plant commenced production in February 2003, enabling the Group to have a more flexible control in its production capacities leading to savings in production costs. Further, the installation of production machineries in its newly leased plant at the Tai Po Industrial Estate in Hong Kong completed in March 2003 and the production has already been commenced thereat.

As the future becomes increasingly promising for the PRC, especially after its accession to the World Trade Organisation, the Group envisages that there are tremendous opportunities for its further development in marketing its products in the PRC. To accelerate its business operations in the PRC, the Group will continue its pursuit of quality products and value-added services. It will also increase its investment in research and development to widen the range of products that it will offer, and to strengthen its technical ability for better serving its customers to meet their needs. At the same time, with the commencement of production of the additional plants, the Group will begin consolidating internal resources in the next half year to optimize overall operating efficiencies.

Finally, the Board would like to express its thankfulness to the Group's suppliers, customers and shareholders for their continuing support, and all the members of the 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 2002, the Group has available aggregate bank loan facilities of approximately HK\$152,114,000, of which HK\$63,106,000 have been utilized 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 2002 amounted to approximately HK\$46,513,000. The Group's gearing ratio as at 31st December 2002 was approximately 22.7%, based on the total bank borrowings of approximately HK\$63,106,000 and the shareholders' funds of approximately HK\$278,062,000. 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.

Other than guarantees issued by the Company in respect of the due performance of a subsidiary under a contract manufacturing agreement to the extent of HK\$20,000,000 and guarantees for banking facilities granted to certain subsidiaries to the extent of approximately HK\$195,000,000 as at 31st December 2002, the Group and the Company had no other contingent liabilities.

As at 31st December 2002, the Group had capital commitments for property, plant and equipment contracted but not provided for amounting to HK\$23,942,000.

## EMPLOYEE INFORMATION

As at 31st December 2002, the Group employed a total of 790 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group has introduced 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 period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

## 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 ("HKSE") throughout the six months period ended 31st December 2002 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 LAI Kam Wah and Dr WONG Chi Ying, Anthony. 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 2002 with the Directors.

Disclosure of information on the website of HKSE

The HKSE's website □ <http://www.hkex.com.hk> will contain all the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on HKSE on or before 31st March 2003.

On behalf of the Board

**HUI Sai Chung**

*Chairman*

Hong Kong, 20th March 2003