



## Ngai Hing Hong Company Limited

(Incorporated in Bermuda with limited liability)

Website: <http://www.nhh.com.hk>

### FOR THE SIX MONTHS ENDED 31ST DECEMBER 2003 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 2003 as follows:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 31st December	
		2003 HK\$'000	2002 HK\$'000
Turnover	1	500,188	452,588
Cost of sales		(446,065)	(383,189)
Gross profit		54,123	69,399
Other revenues	1	871	783
Distribution costs		(14,845)	(14,374)
Administrative expenses		(29,315)	(30,895)
Operating profit	2	10,834	24,913
Finance costs	3	(1,611)	(754)
Profit before taxation		9,223	24,159
Taxation	4	(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	6	HK cents 2.38	HK cents 6.70

#### 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:

**Unaudited Six months ended 31st December 2003**

**Unaudited Six months ended 31st December 2002**

	<b>Hong Kong</b>	<b>The People's Republic of China excluding Hong Kong ( "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	451,903	112,027	(63,742)	500,188
Other revenues	753	118	--	871
Total revenues	<u>452,656</u>	<u>112,145</u>	<u>(63,742)</u>	<u>501,059</u>
Segment results	<u>4,364</u>	<u>5,563</u>		9,927
Unallocated costs				(704)
Profit before taxation				9,223
Taxation				(1,091)
Profit after taxation				8,132
Minority interests				(1,000)
Profit attributable to shareholders				<u>7,132</u>

**Unaudited Six months ended 31st December 2002**

	<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	728	55	--	783
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				(593)
Profit before taxation				24,159
Taxation				(2,380)
Profit after taxation				21,779
Minority interests				(1,677)
Profit attributable to shareholders				<u>20,102</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 Six months ended 31st December 2003</b>	<b>2002</b>
<i>HK\$'000</i>	<i>HK\$'000</i>

Creating		
Gain on disposal of fixed assets	462	124
Charging		
Depreciation:		
Owned fixed assets	4,922	3,324
Leased fixed assets	1,389	--

3. Finance costs

**Unaudited Six months ended 31st  
December**

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	1,359	738
Interest element of finance leases	252	16
	<u>1,611</u>	<u>754</u>

4. 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:

**Unaudited Six months ended 31st  
December**

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	1,100	2,380
Deferred taxation	(9)	--
	<u>1,091</u>	<u>2,380</u>

## 5. Dividends

The directors declare an interim dividend of HK 1.0 cent per share for the period (2002: HK 3.0 cents).

## 6. 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\$20,120,000) 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.

### 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 HK 2.38 cents (2002: HK 6.70 cents) per share. The Board has recommended an interim dividend of HK 1.0 cent per share (2002: HK 3.0 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.

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.

## 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.

## CONTINGENT LIABILITIES AND COMMITMENTS

As at 31st December 2003, the Company had contingent liabilities in relation to corporate guarantee for the due performance of a subsidiary under a contract manufacturing agreement to the extent of HK\$20,000,000 and corporate guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$196,000,000.

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 defence 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.

As at 31st December 2003, the Group had capital commitments for property, plant and equipment contracted but not provided for amounting to HK\$4,276,000.

## 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 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 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.

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 2004.

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

Hong Kong, 10th March 2004