



## HIGHLIGHTS

1. Reflecting the success of the Business Re-engineering Project.
2. Turnover was HK\$735,000,000, increased by 23% when compared with the corresponding period last year.
3. Net profit for the period was HK\$62,410,000, increased by 97% when compared with the corresponding period last year, and 4% higher than the full year last year.
4. Earnings per share was HK 12.5 cents, increased by 92% when compared with the corresponding period last year.
5. Interim dividend was HK 4.0 cents per share, increased by 60% when compared with the corresponding period last year.
6. The Group had net cash and bank balances of HK\$74,160,000 as at 30th September, 2002.
7. A large-scale share repurchase scheme which will benefit shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to implement prudent financial management strategy. The Group has net cash and bank balances of HK\$74,160,000 as at 30th September, 2002 (31st March, 2002: HK\$85,173,000). As at 30th September, 2002, a total of 16 banks in Hong Kong and PRC granted short term banking facilities totaling HK\$414,451,000 to the Group, 63% of these facilities were denominated in Hong Kong Dollars and the rest in Renminbi. Short term loans outstanding as at 30th September, 2002 was HK\$63,415,000 (31st March, 2002: HK\$36,984,000). These loans are repayable within one year or on demand and carry interest at floating rates. Together with letters of credit issued and other banking facilities utilized, such banking facilities were drawn to the extent of HK\$230,727,000 as at 30th September, 2002. The Group's available banking facilities and its future cash flow from operations will provide sufficient funds to the Group to meet its present operation requirements and for the further development of its business in the foreseeable future.



## PROPOSED OFF-MARKET REPURCHASE OF SHARES

On 23rd September, 2002, the Group entered into a sale and purchase agreement with Kingboard Chemical Holdings Limited concerning the repurchase of 48,096,000 shares beneficially owned by Kingboard, representing 9.6% of the existing issued share capital of the Group, for a total cash consideration of HK\$42,324,000 which is equivalent to HK\$0.88 per share. The share repurchase is conditional upon the approval by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission and the approval by the Disinterested Shareholders at a subsequent Extraordinary General Meeting. Following completion of the share repurchase, the repurchased shares will be cancelled. The funds required for the share re-purchase will be financed by the Group from cash in hand and available bank deposits. The Group believes that earnings per share will increase after the share repurchase so this is beneficial to the shareholders and it will not have any adverse impact on the financial position of the Group.

## EMPLOYEES

As at 30th September, 2002, there was a total of 2,581 employees. Remuneration packages of employees include salary, bonus as well as share options which are reviewed from time to time and at least annually. There are full time staff responsible for providing internal training together with a training subsidy scheme to encourage employees to upgrade themselves.

## PROSPECTS

The global political and economic outlook for the second half of this financial year does not seem promising. Sustained tension in the Middle East has already caused supply price increase for a wide range of petrochemical raw ingredients. Inevitably, a global downturn will hinder the further development of the Group's businesses, and high raw material prices could adversely impact upon our profit margins.

Nevertheless, the Management deems such business environment as a challenge. We believe that there are still opportunities waiting to be exploited. Looking ahead, we will continue to follow our strategy of concentrating in our core businesses, raising our productivity, effectively controlling our operating costs, and enhancing our product range. We are confident that, with our dedicated and committed employees, coupled with the vibrant Chinese economy, we will be able to overcome the challenges of this difficult economic climate. We also believe that with our successful re-engineering project, the turbulent times as reflected in our operating results of the past few years will be behind us, and from this year onwards, we will return to an era of healthy, sustained growth.

On behalf of the Board, I would like to extend my sincere gratitude to all the shareholders and staff for your continued support.

## INTERIM DIVIDEND

The directors have declared an interim dividend of HK 4.0 cents per share (2001: HK 2.5 cents) for the six months ended 30th September, 2002. The interim dividend is payable on 15th January, 2003 to shareholders whose names appear on the Register of Members of the Company on 7th January, 2003.



## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 6th January, 2003 to 7th January, 2003 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's Share Registrars in Hong Kong, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 3rd January, 2003.

## APPOINTMENT OF EXECUTIVE DIRECTORS

In April and September this year, the Board of Directors appointed Mr. Wong Kam Yim, Kenny and Mr. Young Man Kim, Robert respectively as executive directors of the Company. Mr. Young has acted as a non-executive director of the Company since 1st September, 2001.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2002, the interests of directors in the shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Personal Interests	Family Interests	Other Interests
Mr. Ip Chi Shing, Tony	400,000	—	193,923,932 (a)
Ms. Ip Fung Kuen	1,200,000	—	60,000,000 (a)
Mr. Yip Tsz Hin, Stephen	41,400,000	20,000,000 (b)	—
Mr. Ng Siu Ping, George	632,000	50,000 (c)	—
Mr. Ting Hon Yam	1,464,000	—	—
Mr. Wong Kam Yim, Kenny	408,000	—	—
Mr. Young Man Kim, Robert	500,000	—	—
Mr. Tong Wui Tung, Ronald	—	500,000 (d)	—
Mr. Wong Kong Chi	—	100,000 (e)	—

- (a) The interests of Mr. Ip Chi Shing, Tony and Ms. Ip Fung Kuen in shares of the Company are beneficially owned by two separate discretionary trusts, the objects of which include Mr. Ip Chi Shing, Tony and his family and Ms. Ip Fung Kuen and her family respectively.
- (b) These shares are held by Madam Tso Ka Lai, the wife of Mr. Yip Tsz Hin, Stephen.
- (c) These shares are held by Madam Siu Oi Li, Maicy, the wife of Mr. Ng Siu Ping, George.
- (d) These shares are held by Madam Lau Mui Sum, the wife of Mr. Tong Wui Tung, Ronald.
- (e) These shares are held by Madam Jim Siu Wai, the wife of Mr. Wong Kong Chi.

Mr. Ip Chi Shing, Tony, Ms. Ip Fung Kuen and Mr. Yip Tsz Hin, Stephen each holds one non-voting deferred share of Yip's H.C. (Holding) Limited, a subsidiary of the Company.



Other than as disclosed above and certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, at 30th September, 2002, none of the directors or their associates held any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### SHARE OPTION

On 3rd September, 2002, the shareholders of the Company approved the termination of the share option scheme adopted on 28th August, 2001 (the "2001 Scheme") and the adoption of the new share option scheme (the "2002 Scheme") to comply with the amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No share option was granted under the 2001 Scheme and the 2002 Scheme during this period.

A summary of the outstanding share options granted to certain directors and other employees of the Company under all share option schemes during the six months ended 30th September, 2002 is as follows:

	Date of Grant	Exercise Price HK\$	Number of share options				
			Outstanding at 1.4.2002	Lapsed during the period	Granted during the period	Exercised during the period at 30.9.2002	Outstanding
<b>Directors</b>							
Mr. Ip Chi Shing, Tony	3rd March, 1999	0.314	400,000	—	—	400,000	—
Mr. Ng Siu Ping, George	3rd March, 1999	0.314	400,000	—	—	400,000	—
	16th July, 2001	0.395	1,000,000	—	—	—	1,000,000
Mr. Wong Kam Yim, Kenny	16th July, 2001	0.395	500,000	—	—	—	500,000
			<u>2,300,000</u>	<u>—</u>	<u>—</u>	<u>800,000</u>	<u>1,500,000</u>
<b>Employees</b>							
	3rd March, 1999	0.314	1,010,000	130,000	—	600,000	280,000
	8th January, 2001	0.300	780,000	200,000	—	550,000	30,000
	16th July, 2001	0.395	2,800,000	200,000	—	1,600,000	1,000,000
			<u>4,590,000</u>	<u>530,000</u>	<u>—</u>	<u>2,750,000</u>	<u>1,310,000</u>
			<u>6,890,000</u>	<u>530,000</u>	<u>—</u>	<u>3,550,000</u>	<u>2,810,000</u>

The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$0.897. The above share options can be exercised within five years from the date of grant.



Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other than as disclosed above, none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th September, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that, other than the interests disclosed above in respect of certain directors, the Company has not been notified of any interests representing 10% or more of the Company's issued share capital.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

On 23rd September, 2002, the Company entered into a sale and purchase agreement with Kingboard Chemical Holdings Limited ("Kingboard") concerning the repurchase of 48,096,000 shares beneficially owned by Kingboard, representing 9.6% of the existing issued share capital of the Company, for a total cash consideration of HK\$42,324,000 which is equivalent to HK\$0.88 per share. The share repurchase is conditional upon the approval by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission and the approval by the Disinterested Shareholders at a subsequent Extraordinary General Meeting. Following completion of the share repurchase, the repurchased shares will be cancelled.

Other than as disclosed above, during the six months ended 30th September, 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by this interim report in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.