

The Group's engineering plastics manufacturing business grew steadily reporting a turnover 8.8% higher than in the same period last year. Through active and strengthened development and promotion of its new products and finding new markets and new applications for them, the sales of engineering plastics products grew in steadily strides in the review period.

Among its major business segments, domestic sales of colorants and compounded plastic resins boasted the most impressive growth with turnover 31.6% higher than in the same period last year. To support its business development and meet growing orders, the Group opened a new factory in Xiamen in October 2006 to increase production capacity.

During the review period, the Group reached an agreement with PolyOne Corporation ("PolyOne"), which is listed on the New York Stock Exchange, to work together in developing the PVC market in China. Pursuant to the agreement, the Group will sell part of the assets of a subsidiary to PolyOne and subsequently acquire a 5% stake in PolyOne's subsidiary that focuses in the PVC business. PolyOne is a leading compounding and North American distribution company of thermoplastic compounds, specialty PVC resins, colour and additives. Combining the Group's extensive experience and network in China and PolyOne's existing clientele in Asia and its diverse product portfolio and abundant market experience and technologies, the Group is confident of expanding the scope of its PVC business and advancing its competitive edges and standing in the China market.

As the prices of crude oil and raw materials have begun to stabilize, the Group is optimistic about its business prospects in the second half year. It will continue the production cost control measures to improve cost effectiveness and operational efficiency. In addition, the new plant that the Group constructed in Xiamen in the first half of the year has commenced full operation. The new plant has not only boosted the Group's overall production capacity, but has been vital in supporting the Group's sales growth. It has also enabled the Group to achieve greater economies of scale and lower overall production cost. In the second half year, the Group will step up sales and marketing efforts to secure new customers especially large enterprise customers who are more likely to place massive orders, have shorter accounts receivables period which pose lower bad debt risk. The Group will push on with developing the abundant potential it sees in the China market. It believes, as raw material prices stabilize, its trading business will pick up, and its overall performance will advance in steady strides in the second half year.

To build a global business network, the Group has joined the International Colour Alliance which allows it to forge close business connections and exchange technical know-how with its counterparts in different countries around the world.

Last but not least, the Board wishes to take this opportunity to thank its customers, suppliers and shareholders of the Group for their invaluable support, and its employees for their hard work over the years.

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 2006, the Group has available aggregate bank loan facilities of approximately HK\$293,958,000, of which HK\$194,415,000 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 as at 31st December 2006 amounted to approximately HK\$60,336,000. The Group's gearing ratio as at 31st December 2006 was approximately 56.3%, based on the total bank borrowings of approximately HK\$179,880,000, together with obligations under finance leases of approximately HK\$14,535,000 and the shareholders' funds of approximately HK\$345,401,000.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31st December 2006, 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\$455,294,000.

In April 2003, a customer (the "Customer") issued a Writ of Summons in the High Court of Hong Kong (the "Proceedings") 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 (the "Goods"). On basis of independent legal advice, the Subsidiary has (i) filed a defence and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the company, which supplied the Goods to the Subsidiary for resale to the Customer (the "Third Party"). The Third Party has also taken out the Fourth Party Proceedings against the company, which supplied the Goods to the Third Party for resale to the Subsidiary. The trial of the Proceedings had completed on 27th September 2006 and the judgement has yet to be delivered. Counsel for the Subsidiary has advised that the likely outcome of the Proceedings would be the Subsidiary either succeeds in defending the Claim and obtaining judgement on its counterclaim or if the Claim shall succeed, being indemnified by the Third Party. In such circumstances, the Directors are of the view that the Subsidiary is unlikely to suffer any loss for the Claim, therefore, no provision is considered necessary.

As at 31st December 2006, the Group had capital commitments for property, plant and equipment as follows:

	2006
	HK\$'000
Contracted but not provided for	593
Authorised but not contracted for	12,500
	<hr/> 13,093 <hr/>

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.

At 31st December 2006, 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:

	2006
	HK\$'000
Sell HK dollars for US dollars	712,951

EMPLOYEE INFORMATION

As at 31st December 2006, the Group employed a total of approximately 890 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 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 MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKSE"). Having made specific enquiry to all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the period.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to the establishment of good corporate governance practices and procedures which serve as an important element of risk management throughout the growth and expansion of the Company. The Company emphasizes on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31st December 2006, except for deviation of the code provisions A.2.1 and A.4.1 of the Code as mentioned below.

According to the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this interim report, the Board has not appointed an individual to the post of chief executive officer. The roles of the chief executive officer have been performed collectively by all the executive directors, including the chairman, of the Company. The Board considers that this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies. Going forward, the Board will periodically review the effectiveness of this arrangement and considers appointing an individual to chief executive officer when it thinks appropriate.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company's independent non-executive directors were not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

The Board has received a high level risk assessment from an external consultant and has also reviewed the effectiveness of the internal control system of the Group with no material issues noted.

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 HKICPA.

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 three independent non-executive directors, namely Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit Lung. 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 2006 with the Directors.

REMUNERATION COMMITTEE

The Company has formulated written terms of reference for the Remuneration Committee which stated clearly its authorities and duties in accordance with the requirements of the Stock Exchange. The remuneration committee consists of three independent non-executive directors, namely Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit Lung and an executive director, Mr HUI Sai Chung.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive Directors and senior management. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives.

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 Listing Rules on HKSE on or before 31st March 2007.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong, 14th March 2007

As at the date of this announcement, the Board of Directors comprises five Executive Directors, namely Mr HUI Sai Chung (Chairman), Mr HUI Kwok Kwong, Dr WONG Chi Ying, Anthony, Mr LAI Kam Wah and Madam LIU Sau Lai and three Independent Non-executive Directors, namely Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit Lung.