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Ngai Hing Hong Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

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

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2011 INTERIM RESULTS

The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended	
		31st December	
	Note	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	825,644	830,980
Cost of sales		(758,701)	(748,950)
Gross profit		66,943	82,030
Other income	4	1,815	1,600
Other gains - net	5	4,257	6,378
Distribution costs		(26,121)	(23,320)
Administrative expenses		(45,825)	(42,983)
Operating profit	6	1,069	23,705
Finance income	7	114	101
Finance costs	7	(5,286)	(3,576)
Finance costs - net		(5,172)	(3,475)
Share of profit of an associated company		—	1
(Loss)/profit before income tax		(4,103)	20,231
Income tax expense	8	(4,127)	(3,322)
(Loss)/profit for the period		(8,230)	16,909

		Unaudited	
		Six months ended	
		31st December	
	Note	2011	2010
		HK\$'000	HK\$'000
Attributable to:			
Equity holders of the Company		(9,039)	14,503
Non-controlling interests		809	2,406
		<u>(8,230)</u>	<u>16,909</u>
 (Loss)/earnings per share for (loss)/ profit attributable to the equity holders of the Company during the period (expressed in HK cents per share)			
- Basic	10	<u>(2.45)</u>	<u>3.93</u>
- Diluted	10	<u>(2.45)</u>	<u>3.93</u>

Details of dividends payable to equity holders of the Company attributable to loss for the period are set out in Note 9.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended	
	31st December	
	2011	2010
	HK\$'000	HK\$'000
(Loss)/profit for the period	(8,230)	16,909
Other comprehensive income:		
Revaluation gain of property, plant and equipment and leasehold land and land use rights on transfer to investment properties, net of tax	—	586
Currency translation differences	7,079	8,755
	<hr/>	<hr/>
Total comprehensive (loss)/income for the period	(1,151)	26,250
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(2,450)	23,844
Non-controlling interests	1,299	2,406
	<hr/>	<hr/>
	(1,151)	26,250
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 31st December 2011 <i>HK\$'000</i>	Audited 30th June 2011 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		149,026	149,205
Leasehold land and land use rights		11,324	11,313
Investment properties		42,910	42,626
Available-for-sale financial asset		1,129	1,129
Deferred tax assets		5,216	5,988
Deposits for acquisition of properties		8,827	8,614
Prepayment for property, plant and equipment and renovation costs		998	1,513
		219,430	220,388
Current assets			
Inventories		281,093	330,314
Trade and bills receivables	11	243,591	276,615
Other receivables, prepayments and deposits		25,036	21,867
Tax recoverable		2,679	625
Derivative financial instruments		1,619	3,113
Cash and bank balances		83,136	95,826
		637,154	728,360
Total assets		856,584	948,748

	Note	Unaudited 31st December 2011 HK\$'000	Audited 30th June 2011 HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		36,920	36,920
Share premium		62,466	62,466
Other reserves		70,274	63,685
Retained earnings		263,950	276,681
		<u>433,610</u>	<u>439,752</u>
Non-controlling interests		<u>23,825</u>	<u>22,526</u>
Total equity		<u>457,435</u>	<u>462,278</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>8,178</u>	<u>8,107</u>
Current liabilities			
Trade payables	12	77,865	102,424
Other payables, deposits received and accruals		22,583	21,377
Obligations under finance leases - current portion		—	235
Bank borrowings		282,866	343,941
Derivative financial instruments		2,816	4,930
Tax payable		4,841	5,456
		<u>390,971</u>	<u>478,363</u>
Total liabilities		<u>399,149</u>	<u>486,470</u>
Total equity and liabilities		<u>856,584</u>	<u>948,748</u>
Net current assets		<u>246,183</u>	<u>249,997</u>
Total assets less current liabilities		<u>465,613</u>	<u>470,385</u>

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 31st December 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30th June 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30th June 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

2 Accounting policies

Except as described below, the accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 30th June 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Effect of adopting amendments to standards and interpretations

During the period, the Group adopted HKAS 34 (Amendment), “Interim Financial Reporting”, which is mandatory for its financial year beginning 1st July 2011. The amendment emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following amendments to standards and interpretations are also mandatory for the Group’s financial year beginning 1st July 2011. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRSs (Amendment)	Improvements to HKFRSs 2010, except for amendment to HKAS 34 “Interim Financial Reporting” as disclosed above
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
Hong Kong International Financial Reporting Interpretations Committee (“HK(IFRIC)”) - Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement

(b) New standards, amendments to standards and interpretation that have been issued but are not effective

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1st July 2011 and have not been early adopted by the Group:

HKFRS 7 (Amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities ³
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interest in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income ¹
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for the Group for annual period beginning on 1st July 2012.

² Effective for the Group for annual period beginning on 1st July 2013.

³ Effective for the Group for annual period beginning on 1st July 2014.

⁴ Effective for the Group for annual period beginning on 1st July 2015.

HKAS 12 (Amendment) introduced a rebuttable presumption that deferred tax on investment property carried at fair value under HKAS 40 shall be measured reflecting the tax consequences of recovering the carrying amount of the investment property entirely through sale. Consequently, deferred tax liability in respect of the Group's investment properties will be required to measure with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date. The amendments are effective for the Group's financial year beginning 1st July 2012 and are required to be applied retrospectively. The Directors are currently assessing the impact of the amendment to the Group.

Except for the above, the Directors anticipate that the adoption of other new standards, amendments to standards and interpretation will not result in a significant impact on the results and financial position of the Group.

3 Revenue and segment information

	Unaudited Six months ended 31st December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of goods	825,471	830,980
Provision of logistics services	173	—
	<u>825,644</u>	<u>830,980</u>

The Group is principally engaged in the manufacturing and trading of plastic materials, pigments, colorants, compounded plastic resins and engineering plastic products.

The chief operating decision-maker (“CODM”) has been identified as the executive Directors of the Company. Management has determined the operating segments based on the reports reviewed by the CODM that are used to assess performance and allocate resources. The CODM considers the business from the operations nature and the type of products perspective, including the trading of plastic materials (“Trading”), manufacturing and sale of colorants, pigments and compounded plastic resins (“Colorants”), manufacturing and sale of engineering plastic products (“Engineering plastic”) and other corporate and business activities (“Others”).

Each of the Group’s operating segments represents a strategic business unit that is managed by different business unit leaders. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Information provided to the CODM is measured in a manner consistent with that in the condensed consolidated interim financial information.

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2011 is as follows:

	Trading <i>HK\$'000</i>	Colorants <i>HK\$'000</i>	Unaudited Engineering plastic <i>HK\$'000</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover					
- Gross revenue	531,387	183,602	129,008	586	844,583
- Inter-segment revenue	(1,728)	(8,955)	(8,256)	—	(18,939)
	<u>529,659</u>	<u>174,647</u>	<u>120,752</u>	<u>586</u>	<u>825,644</u>
Revenue from external customers					
	<u>529,659</u>	<u>174,647</u>	<u>120,752</u>	<u>586</u>	<u>825,644</u>
Segment results	<u>(14,677)</u>	<u>10,280</u>	<u>8,469</u>	<u>(3,003)</u>	1,069
Finance income	23	90	1	—	114
Finance costs	(3,573)	(874)	(817)	(22)	(5,286)
(Loss)/profit before income tax	(18,227)	9,496	7,653	(3,025)	(4,103)
Income tax expense					(4,127)
Loss for the period					(8,230)
Non-controlling interests					(809)
Loss attributable to equity holders of the Company					<u>(9,039)</u>
Other information:					
Capital expenditure	259	3,453	3,359	179	7,250
Depreciation of property, plant and equipment	233	3,742	3,958	683	8,616
Amortisation of leasehold land and land use rights	—	172	—	—	172
Reversal of impairment of inventories	—	(34)	(137)	—	(171)
Unrealised fair value gain on derivative financial instruments	(620)	—	—	—	(620)

The segment information provided to the CODM for the reportable segments at 31st December 2011 is as follows:

	Trading	Colorants	Unaudited Engineering plastic	Others	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	331,708	288,948	180,172	55,756	856,584
Total assets					856,584
Segment liabilities	53,178	40,405	16,178	6,522	116,283
Borrowings	210,100	22,469	48,963	1,334	282,866
Total liabilities					399,149

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2010 is as follows:

	Trading <i>HK\$'000</i>	Colorants <i>HK\$'000</i>	Unaudited Engineering plastic <i>HK\$'000</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover					
- Gross revenue	530,933	167,890	151,641	2,686	853,150
- Inter-segment revenue	(1,895)	(10,403)	(9,872)	—	(22,170)
Revenue from external customers	<u>529,038</u>	<u>157,487</u>	<u>141,769</u>	<u>2,686</u>	<u>830,980</u>
Segment results	<u>4,548</u>	<u>7,951</u>	<u>13,655</u>	<u>(2,449)</u>	23,705
Share of profit of an associated company	—	—	—	1	1
Finance income	19	77	—	5	101
Finance costs	(2,394)	(637)	(534)	(11)	(3,576)
Profit/(loss) before income tax	2,173	7,391	13,121	(2,454)	20,231
Income tax expense					<u>(3,322)</u>
Profit for the period					16,909
Non-controlling interests					<u>(2,406)</u>
Profit attributable to equity holders of the Company					<u>14,503</u>
Other information:					
Capital expenditure	486	1,834	7,710	9	10,039
Depreciation of property, plant and equipment	199	4,042	2,203	579	7,023
Amortisation of leasehold land and land use rights	53	96	16	39	204
Provision for/(reversal of) impairment of inventories	1,835	2,195	(697)	121	3,454
Provision for impairment of trade receivables	1,281	302	456	—	2,039
Unrealised fair value gain on derivative financial instruments	<u>(1,215)</u>	<u>—</u>	<u>(49)</u>	<u>—</u>	<u>(1,264)</u>

The segment information provided to the CODM for the reportable segments at 30th June 2011 is as follows:

	Trading <i>HK\$'000</i>	Colorants <i>HK\$'000</i>	Audited Engineering plastic <i>HK\$'000</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment assets	387,632	270,932	228,068	62,116	<u>948,748</u>
Total assets					<u><u>948,748</u></u>
Segment liabilities	88,412	26,114	23,135	4,633	142,294
Borrowings	225,161	22,892	91,937	4,186	<u>344,176</u>
Total liabilities					<u><u>486,470</u></u>

The entity is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong for the six months ended 31st December 2011 is approximately HK\$500,515,000 (2010: HK\$531,041,000), and the total of its revenue from external customers from other locations (mainly the People's Republic of China) is approximately HK\$325,129,000 (2010: HK\$299,939,000).

At 31st December 2011, the total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is approximately HK\$117,679,000 (At 30th June 2011: HK\$126,506,000), and the total of these non-current assets located in other locations (mainly the People's Republic of China) is approximately HK\$95,406,000 (At 30th June 2011: HK\$86,765,000).

4 Other income

	Unaudited Six months ended 31st December	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Rental income	<u>1,815</u>	<u>1,600</u>

5 Other gains – net

	Unaudited	
	Six months ended	
	31st December	
	2011	2010
	HK\$'000	HK\$'000
Net exchange gains	984	3,076
(Loss)/gain on disposal of property, plant and equipment	(286)	28
Derivative financial instruments		
- forward foreign exchange contracts and interest rate swap contracts held for trading		
- unrealised	620	1,264
- realised	2,509	1,064
Others	430	946
	<u>4,257</u>	<u>6,378</u>

6 Operating profit

Operating profit is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended	
	31st December	
	2011	2010
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses included in cost of sales	725,707	745,496
Depreciation:		
- Owned property, plant and equipment	8,475	6,738
- Property, plant and equipment under finance leases	141	285
Amortisation of leasehold land and land use rights	172	204
Operating lease rentals in respect of land and buildings	4,790	6,379
Employee benefit expenses, including Directors' emoluments	47,119	43,831
(Reversal of)/provision for impairment of inventories	(171)	3,454
Provision for impairment of trade receivables	—	2,039
	<u>—</u>	<u>—</u>

7 Finance income and costs

	Unaudited	
	Six months ended	
	31st December	
	2011	2010
	HK\$'000	HK\$'000
Finance income:		
- Interest income from bank deposits	114	101
Finance costs:		
- Interest on bank borrowings wholly repayable within five years	(5,284)	(3,566)
- Interest element of finance leases	(2)	(10)
	(5,286)	(3,576)
Finance costs - net	(5,172)	(3,475)

8 Income tax

Hong Kong profits tax has been provided for at the rate of 16.5% (31st December 2010: 16.5%) on the estimated assessable profit for the period. Income tax on the Group's subsidiaries established and operating in the People's Republic of China (the "PRC") has been calculated based on the estimated assessable profit for the period at the tax rates as applicable to the relevant subsidiaries.

The amount of taxation charged to the consolidated interim income statement represents:

	Unaudited	
	Six months ended	
	31st December	
	2011	2010
	HK\$'000	HK\$'000
Current income tax		
- Hong Kong profits tax	1,576	2,366
- PRC corporate income tax	1,634	3,507
Deferred income tax	917	(2,551)
	4,127	3,322

9 Dividends

At a meeting held on 27th February 2012, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2011.

At a meeting held on 27th September 2011, the Directors proposed a final dividend of HK1.0 cent per share, totalling HK\$3,692,000, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 31st December 2011.

At a meeting held on 25th February 2011, the Directors declared an interim dividend of HK1.0 cent per share, totalling HK\$3,692,000 for the six months ended 31st December 2010.

10 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company for the period of HK\$9,039,000 (31st December 2010: a profit of HK\$14,503,000) and 369,200,000 (31st December 2010: 369,200,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share equals basic (loss)/earnings per share as the exercise of the outstanding share options would be anti-dilutive for the six months ended 31st December 2011 and 2010.

11 Trade and bills receivables

	Unaudited 31st December 2011 <i>HK\$'000</i>	Audited 30th June 2011 <i>HK\$'000</i>
Trade receivables	204,437	243,786
Bills receivables	39,154	32,829
	<u>243,591</u>	<u>276,615</u>

At 31st December 2011, the aging analysis of trade receivables, based on invoice date, is as follows:

	Unaudited 31st December 2011 <i>HK\$'000</i>	Audited 30th June 2011 <i>HK\$'000</i>
Below 90 days	185,916	220,939
91-180 days	16,086	19,751
Over 180 days	2,435	3,096
	<u>204,437</u>	<u>243,786</u>

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.

Bill receivables are mainly with maturity period of within 180 days.

At 31st December 2011, bills of exchange amounting to HK\$10,802,000 (30th June 2011: HK\$3,883,000) were transferred to certain banks with recourse in exchange for cash. The transactions had been accounted for as collateralised bank advances.

12 Trade payables

At 31st December 2011, the aging analysis of trade payables, based on invoice date, is as follows:

	Unaudited 31st December 2011 <i>HK\$'000</i>	Audited 30th June 2011 <i>HK\$'000</i>
Below 90 days	73,784	101,710
91-180 days	1,649	218
Over 180 days	2,432	496
	<u>77,865</u>	<u>102,424</u>

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31st December 2011.

BUSINESS REVIEW AND PROSPECTS

Affected by the uncertainties in the economies in Europe and the US, for the six months ended 31st December 2011, the Group's total turnover dropped slightly by 1% to approximately HK\$825,644,000 from HK\$830,980,000 in the corresponding period last year. Gross profit during the period was approximately HK\$66,943,000 (2010: HK\$82,030,000). Loss attributable to equity holders of the Company was HK\$9,039,000 (2010: profit of HK\$14,503,000). Basic loss per share was HK2.45 cents (2010: earnings per share of HK3.93 cents). To preserve the Group's financial resources for future development, the Board of Directors does not recommend the payment of an interim dividend.

The Euro zone debt crisis and the resulting economic recession have led to an overall drop in demand for plastic materials. Manufacturers generally adopted a wait-and-see attitude towards exports which has caused the price of plastic materials to drop. To cope, the Group's management has quickly adjusted its business strategies and further strengthened the implementation of inventory control measures at the end of last year to gradually lower inventory, adopted a "cash is king" strategy to reduce the Group's finance costs and selected customers with a good reputation when receiving orders. These moves have enabled the Group to maintain a turnover similar to that during the corresponding period last year. Gearing ratio has also dropped from 78% as at 30th June 2011 to 65%. Cash on hand was maintained at the level of HK\$83,136,000.

In light of the challenging global economic environment, the Group has paid close attention to cost control and strictly implemented the measures which had been adopted since the global financial tsunami in 2008. However, the implementation of minimum wage legislation in Mainland China and Hong Kong has inevitably driven up the Group's labour costs. This, plus the appreciation of the RMB and rises in borrowing interest rates have also driven the Group's distribution costs and finance costs up by 12% and 48% respectively when compared with the corresponding period last year. The Group recorded a loss before taxation of approximately HK\$4,103,000.

Among the three major businesses of the Group, the colorant and compound plastic resin business segment showed the most satisfactory performance. The slowdown in exports to Europe and the US did not have a major impact on this segment due to the continuous stable growth of the Mainland China economy and the application of the Group's products in daily necessities such as food packaging, large home appliances and auto parts. Turnover from this business increased a solid 11% year-on-year to HK\$174,647,000, accounting for 21% of the Group's total turnover. Growth in profit before taxation was even stronger, rising 28% year-on-year to approximately HK\$9,496,000.

The plastics trading business in Hong Kong mainly targets the export market in Europe and the US. As the global environment worsened, the Group has adjusted the product price to lower inventory and finance costs. Thus, the Group recorded a turnover of approximately HK\$529,659,000, which was similar to that of the same period last year. Gross profit margin dropped by 2.9 percentage points and loss before taxation was approximately HK\$18,227,000.

Hong Kong, Europe and the US are also major markets of the Group's engineering plastics business. As such, the Euro debt crisis was a major contributing factor in the reduction of the turnover by 15% to HK\$120,752,000. The lower selling prices slightly reduced gross profit margin by 2.3 percentage points. Taking into account the cost for the factory relocation, profit before taxation dropped by 42% to approximately HK\$7,653,000. As the products under this segment are mainly customised to the purchaser's specifications, the customer base has remained relatively stable. During the period, the Group has continued to enhance its R&D capability and develop more specialised products with higher margins such as plastic replacements for stone and wood which are used in household and toy products. In the medium-to-long run, this business segment is expected to become one of the Group's growth drivers.

Looking ahead, the US market is likely to gradually recover despite the fact that the Euro debt crisis has yet to be completely resolved. The outlook for the economies of the Euro zone countries is uncertain, thus posing severe challenges to the plastics materials market. We expect overseas demand for plastics materials to remain low. As for the material costs, the price is expected to fluctuate, the Group will closely monitor the situation and take appropriate steps in order to enhance the Group's gross margins. In light of the generally weak demand in the plastics materials industry, the Group is imposing measures to more effectively control inventory and finance costs, reduce debts and enhance the management of trade receivables.

While affected adversely by the Euro zone debt crisis, the economy in Mainland China continues to spur on growth. The Group has gradually shifted its focus to the Mainland China market with the aim to boost market penetration and capture the opportunities available there. The Group has further expanded the Chengdu office during the second half of 2011 to identify potential customers in Western China. The Tianjin Office is also focusing on expanding the customer base targetting the heavy industry sector to expand its business scope. In its Guangzhou operations, the Group has also planned to further implement future business development. Looking ahead, the Group is to evaluate the feasibility of opening sales offices in other key cities such as Chongqing and Wuhan so as to further extend its sales network in Mainland China.

In Hong Kong, the new Taipo plant started operation in April 2011 and is currently running at full capacity. The resources sharing procedures within the production process has assisted in enhancing operational efficiency. The completion of relocation of this plant is planned to boost the competitiveness of the plastics engineering R&D team in Hong Kong to develop innovative products with higher margins meeting the requirements of customers for specialised plastic products. The stable base of customers requiring customised products made to specification is of particular importance to the Group under the current challenging market conditions.

In the year ahead, the Group will continue to chart a prudent business direction, including adjusting its business strategy to respond quickly to changing market conditions in the global economy, and strictly control financing and costs while maintaining a healthy cash flow. Meanwhile, the Group will focus on expanding the Mainland China market and actively utilise the larger production capacity of its new Taipo plant to drive a steady business growth in the future.

Last but not least, the Board wishes to take this opportunity to thank its customers, suppliers and shareholders of the Group for their unwavering support, and the Group's employees for their dedicated efforts 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 2011, the Group has available aggregate bank loan facilities of approximately HK\$520,924,000 of which HK\$282,866,000 have been utilised and were secured by corporate guarantee issued by the Group and legal charges on certain leasehold land and buildings, investment properties and machinery and equipment in the PRC and Hong Kong owned by the Group. The Group's cash and cash equivalents as at 31st December 2011 amounted to approximately HK\$83,136,000. The Group's gearing ratio as at 31st December 2011 was approximately 65%, based on the total bank borrowings of approximately HK\$282,866,000 and the shareholders' funds of approximately HK\$433,610,000.

FOREIGN EXCHANGE RISK

The Group's bank borrowings and cash and cash equivalents are primarily denominated in Hong Kong dollars, Renminbi and US dollars. The Group's purchases were principally denominated in US dollars. The Group closely monitors currency fluctuations and manages its exchange risk by entering into forward exchange contracts from time to time.

As at 31st December 2011, the Group had outstanding forward foreign exchange contracts mainly to sell/purchase US dollars. The maximum notional principal amounts of these outstanding forward foreign exchange contracts at 31st December 2011 were as follows:

	2011 HK\$'000
Sell HK dollars for US dollars	2,332,200
Sell US dollars for HK dollars	327,600

EMPLOYEE INFORMATION

As at 31st December 2011, the Group employed a total of approximately 649 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 "Stock Exchange"). 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 2011, 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.

For the purpose of further enhancing the internal control systems, the Company has engaged an external consultant to carry out an on-going project to conduct independent internal review and to evaluate major operations of the Group. The Board of Directors has reviewed the effectiveness of the system of internal control of the Company and its subsidiaries with no material issues noted.

In view of the latest amendments to the Listings Rules and the Code, the Board has taken actions and measures to make sure that the Company is in all aspects in strict compliance. The current practices will be reviewed and updated regularly to be in line with the Code.

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 Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board of Directors and the Company’s auditor 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 CHAN Dit Lung and Mr CHING Yu 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 consolidated interim financial information for the six months ended 31st December 2011 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 CHAN Dit Lung and Mr CHING Yu 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.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong, 27th February 2012

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