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NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER 2014

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 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 31st	
		December	
		2014	2013
	Note	HK\$'000	HK\$'000
Revenue	3	851,209	942,371
Cost of sales		(754,203)	(839,880)
Gross profit		97,006	102,491
Other income	4	2,525	2,413
Other gains, net	5	2,164	8,068
Distribution costs		(37,868)	(38,128)
Administrative expenses		(52,881)	(51,918)
Operating profit	6	10,946	22,926
Finance income	7	156	120
Finance costs	7	(4,070)	(4,645)
Finance costs, net		(3,914)	(4,525)
Profit before income tax		7,032	18,401
Income tax expense	8	(4,756)	(7,744)
Profit for the period		2,276	10,657

Unaudited
Six months ended 31st
December

		2014	2013
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		2,102	10,118
Non-controlling interests		174	539
		<u>2,276</u>	<u>10,657</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK cent per share)			
– Basic	10	<u>0.57</u>	<u>2.74</u>
– Diluted	10	<u>0.57</u>	<u>2.74</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 31st	
	December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	2,276	10,657
Other comprehensive income:		
<u>Item that may be reclassified subsequently to income statement:</u>		
Currency translation differences	<u>11</u>	<u>—</u>
Other comprehensive income for the period	<u>11</u>	<u>—</u>
Total comprehensive income for the period	<u>2,287</u>	<u>10,657</u>
Total comprehensive income attributable to:		
Equity holders of the Company	2,113	10,118
Non-controlling interests	<u>174</u>	<u>539</u>
	<u>2,287</u>	<u>10,657</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 31st December 2014 <i>HK\$'000</i>	Audited 30th June 2014 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		133,996	134,718
Leasehold land and land use rights		21,867	22,225
Investment properties		103,559	103,559
Available-for-sale financial asset		2,000	2,000
Deferred tax assets		5,765	5,571
Prepayment for property, plant and equipment and renovation costs		2,090	2,348
		269,277	270,421
Current assets			
Inventories		300,627	283,087
Trade and bills receivables	11	287,879	280,998
Other receivables, prepayments and deposits		19,158	21,407
Tax recoverable		1,349	14
Derivative financial instruments		858	152
Cash and bank balances		88,800	97,278
		698,671	682,936
Total assets		967,948	953,357

		Unaudited	Audited
		31st December	30th June
		2014	2014
	Note	HK\$'000	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		81,892	81,881
Retained earnings		292,694	290,592
		473,972	471,859
Non-controlling interests		19,731	21,461
Total equity		493,703	493,320
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		7,157	5,998
Current liabilities			
Trade payables	12	84,601	98,459
Other payables, deposits received and accruals		25,966	19,310
Bank borrowings		316,838	294,828
Derivative financial instruments		34,705	34,533
Tax payable		4,978	6,909
		467,088	454,039
Total liabilities		474,245	460,037
Total equity and liabilities		967,948	953,357
Net current assets		231,583	228,897
Total assets less current liabilities		500,860	499,318

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 31st December 2014 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 2014, 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 2014, 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 applied are consistent with those of the annual financial statements for the year ended 30th June 2014, 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) The following new standards, amendments/revises to standards and interpretation are mandatory for the Group’s financial year beginning 1st July 2014.

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement – Novation of Derivatives and Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
Hong Kong International Financial Reporting Interpretations Committee (“HK(IFRIC)”) - Int 21	Levies
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The adoption of the above new standards, amendments/revises to standards and interpretation has had no any material effect on the Group’s results and financial position, except for certain additional disclosures were made.

- (b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1st July 2014 and have not been early adopted by the Group:

HKAS 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation and Amortisation ²
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ²
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interest in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ³
Annual Improvements 2014	Annual Improvements 2012-2014 Cycle ²

¹ Effective for the Group for annual period beginning on 1st January 2016

² Effective for the Group for annual period beginning on 1st July 2016

³ Effective for the Group for annual period beginning on 1st July 2017

⁴ Effective for the Group for annual period beginning on 1st July 2018

The Directors anticipate that the adoption of above new standards and amendments to standards 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	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of goods	849,052	941,501
Provision of logistics services	2,157	870
	<u>851,209</u>	<u>942,371</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 CODM assesses the performance of operating segments based on a measure of profit/(loss) before income tax.

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2014 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	600,706	204,045	94,921	2,192	901,864
– Inter-segment revenue	(49,078)	(1,057)	(520)	—	(50,655)
Revenue from external customers	<u>551,628</u>	<u>202,988</u>	<u>94,401</u>	<u>2,192</u>	<u>851,209</u>
Segment results	<u>(25,281)</u>	<u>35,575</u>	<u>1,982</u>	<u>(1,330)</u>	<u>10,946</u>
Finance income	71	83	2	—	156
Finance costs	(2,467)	(927)	(571)	(105)	(4,070)
(Loss)/profit before income tax	(27,677)	34,731	1,413	(1,435)	7,032
Income tax expense					(4,756)
Profit for the period					2,276
Non-controlling interests					(174)
Profit attributable to equity holders of the Company					<u>2,102</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	634	2,271	4,564	238	7,707
Depreciation of property, plant and equipment	357	2,865	4,999	411	8,632
Amortisation of leasehold land and land use rights	199	104	16	39	358
Provision for/(reversal of) impairment of inventories	1,840	(5)	103	—	1,938
Unrealised fair value gain on derivative financial instruments	(534)	—	—	—	(534)

The segment information provided to the CODM for the reportable segments as at 31st December 2014 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	412,684	287,173	151,045	117,046	<u>967,948</u>
Total assets					<u><u>967,948</u></u>
Segment liabilities	107,977	27,678	14,458	7,294	157,407
Borrowings	247,013	28,241	37,980	3,604	<u>316,838</u>
Total liabilities					<u><u>474,245</u></u>

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2013 is as follows:

	Trading	Colorants	Unaudited Engineering plastic	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
– Gross revenue	692,225	197,229	101,594	1,092	992,140
– Inter-segment revenue	(48,002)	(787)	(980)	—	(49,769)
Revenue from external customers	<u>644,223</u>	<u>196,442</u>	<u>100,614</u>	<u>1,092</u>	<u>942,371</u>
Segment results	<u>(14,256)</u>	<u>34,848</u>	<u>4,411</u>	<u>(2,077)</u>	<u>22,926</u>
Finance income	38	80	2	—	120
Finance costs	(3,228)	(765)	(565)	(87)	(4,645)
(Loss)/profit before income tax	(17,446)	34,163	3,848	(2,164)	18,401
Income tax expense					(7,744)
Profit for the period					10,657
Non-controlling interests					(539)
Profit attributable to equity holders of the Company					<u>10,118</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	209	2,785	3,752	18	6,764
Depreciation of property, plant and equipment	303	3,033	4,572	414	8,322
Amortisation of leasehold land and land use rights	199	103	16	39	357
(Reversal of)/provision for impairment of inventories	(1,715)	515	220	—	(980)
Unrealised fair value gain on derivative financial instruments	<u>(5,051)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,051)</u>

The segment information provided to the CODM for the reportable segments as at 30th June 2014 is as follows:

	Trading	Colorants	Audited 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	412,372	276,398	148,901	115,686	<u>953,357</u>
Total assets					<u><u>953,357</u></u>
Segment liabilities	119,778	25,564	14,210	5,657	165,209
Borrowings	243,604	21,843	24,671	4,710	<u>294,828</u>
Total liabilities					<u><u>460,037</u></u>

The Group is principally domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong for the six months ended 31st December 2014 is approximately HK\$397,792,000 (2013: HK\$482,724,000) and the total of its revenue from external customers from other locations (mainly the People's Republic of China ("PRC")) is approximately HK\$453,417,000 (2013: HK\$459,647,000).

At 31st December 2014, 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\$159,603,000 (At 30th June 2014: HK\$160,641,000), and the total of these non-current assets located in other locations (mainly the PRC) is approximately HK\$101,909,000 (At 30th June 2014: HK\$102,209,000).

4 Other income

	Unaudited	
	Six months ended	
	31st December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	<u>2,525</u>	<u>2,413</u>

5 Other gains, net

	Unaudited	
	Six months ended	
	31st December	
	2014	2013
	HK\$'000	HK\$'000
Net exchange losses	(594)	(234)
Gain/(loss) on disposal of property, plant and equipment	217	(50)
Loss on disposal of a subsidiary	—	(32)
Derivative financial instruments		
– forward foreign exchange contracts held for trading		
– unrealised	534	5,051
– realised	1,481	2,991
Others	526	342
	<u>2,164</u>	<u>8,068</u>

6 Operating profit

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

	Unaudited	
	Six months ended	
	31st December	
	2014	2013
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses included in cost of sales	710,109	803,635
Depreciation of property, plant and equipment	8,632	8,322
Amortisation of leasehold land and land use rights	358	357
Operating lease rentals in respect of land and buildings	4,688	3,779
Employee benefit expenses, including Directors' emoluments	59,474	58,213
Provision for/(reversal of) impairment of trade receivables	368	(8)
Provision for/(reversal of) impairment of inventories	1,938	(980)
(Gain)/loss on disposal of property, plant and equipment	(217)	50
	<u>710,109</u>	<u>803,635</u>

7 Finance income and costs

	Unaudited	
	Six months ended	
	31st December	
	2014	2013
	HK\$'000	HK\$'000
Finance income:		
– Interest income from bank deposits	156	120
Finance costs:		
– Interest on bank borrowings wholly repayable within five years	(5,462)	(5,932)
– Net exchange gains on financing activities	1,392	1,287
	(4,070)	(4,645)
Finance costs, net	(3,914)	(4,525)

8 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (31st December 2013: 16.5%) on the estimated assessable profit for the period. Income tax on the Group's subsidiaries established and operate in the PRC has been calculated on the estimated assessable profit for the period at the rates of taxation as applicable to the relevant subsidiaries.

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

	Unaudited	
	Six months ended	
	31st December	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	408	1,208
– PRC corporate income tax	3,383	6,220
Deferred income tax	965	316
	4,756	7,744

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

9 Dividends

At a meeting held on 27th February 2015, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2014.

At a meeting held on 25th September 2014, the Directors resolved not to declare any final dividend for the year ended 30th June 2014.

At a meeting held on 27th February 2014, the Directors declared an interim dividend of HK\$1.0 cent per share, totalling HK\$3,692,000 for the six months ended 31st December 2013, which was paid during the year ended 30th June 2014, and has been reflected as appropriation of retained earnings for the year ended 30th June 2014.

10 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$2,102,000 (31st December 2013: HK\$10,118,000) and 369,200,000 (31st December 2013: 369,200,000) ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares arising from the Company's share options. Dilutive earnings per share for the period ended 31st December 2014 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

11 Trade and bills receivables

	Unaudited 31st December 2014 HK\$'000	Audited 30th June 2014 HK\$'000
Trade receivables	269,489	261,275
Less: provision for impairment of receivables	(3,857)	(3,489)
	<hr/> 265,632	<hr/> 257,786
Bills receivables	22,247	23,212
	<hr/> 287,879 <hr/>	<hr/> 280,998 <hr/>

At 31st December 2014, the aging analysis of trade receivables, based on invoice date, is as follows:

	Unaudited	Audited
	31st December	30th June
	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 90 days	240,706	231,545
91-180 days	17,932	17,548
Over 180 days	10,851	12,182
	<hr/> 269,489 <hr/>	<hr/> 261,275 <hr/>

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 2014, there are bills of exchange HK\$9,938,000 (30th June 2014: HK\$7,220,000) transferred to banks with recourse in exchange for cash. The transactions had been accounted for as collateralised bank advances.

12 Trade payables

At 31st December 2014, the aging analysis of trade payables, based on invoice date, is as follows:

	Unaudited	Audited
	31st December	30th June
	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 90 days	83,523	97,572
91-180 days	197	35
Over 180 days	881	852
	<hr/> 84,601 <hr/>	<hr/> 98,459 <hr/>

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31st December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the past year, persistent weak demand in Europe, weak recovery of the U.S. economy and slower economic growth in China have created uncertainties for the Group's development. In response, the Group has rapidly adjusted its business strategies, such as expanding its market in China and switching to sell higher margin products, to mitigate the impact of external factors on its business. For the six months ended 31st December 2014, the Group's total turnover only dropped by 9.7% year-on-year from HK\$942,371,000 to HK\$851,209,000 representing an increase of 4.4% from the previous six-month period.

During the period, although the plummeting oil price affected the prices of plastic materials, the Group's outstanding product quality and close relationship with customers has enabled it to maintain strong bargaining position, as well as securing higher margin customers. Thus, the gross profit is relatively stable at HK\$97,006,000 (2013: HK\$102,491,000) with gross profit margin up 0.5 percentage point to 11.4%. Profit attributable to equity holders recorded HK\$2,102,000 (2013: HK\$10,118,000) and basic earnings per share were HK0.57 cents (2013: HK2.74 cents).

To ensure the Group has sufficient financial resources for business development, the Board does not recommend the payment of interim dividend.

Among the Group's three main business segments, the colorants, pigments and compounded plastic resins (collectively "colorants") segment grew steadily with turnover increasing by around 3% to HK\$202,988,000 from the same period last year. While maintaining a close relationship with existing customers from the food packaging, automobile and decorative construction materials sectors, the Group continued its sales transformation strategy by expanding its product mix to secure higher-margin customers. During the period, the Group secured new customers for trendy and sophisticated products such as electronic healthcare products, which has boosted its overall sales and gross profit. Benefitting from increasing demand from export markets and higher demand for quality sanitary accessories from domestic customers, the Group's Xiamen office performed relatively well and made a notable profit contribution to the Group. In addition, capitalizing on strict cost control measures, the gross profit margin improved by around one percentage point and the profit before taxation amounted to HK\$34,731,000. In view of the trend of the consumer market in Southern China towards high value added products which offer higher gross margin, the Group believes this segment is set to benefit from this trend.

As for the engineering plastics segment, despite the uncertain outlook of the U.S. and European markets and the volatility of the RMB exchange rate causing customers to be more prudent about placing orders, the Group's turnover declined only slightly by 6% to HK\$94,401,000 when compared to the same period last year. Nevertheless, the Group continued to reposition this business in response to the demand of local customers during the period, including commencement of production and sales of metal substitutes which are mainly used in kitchenware and automobiles, thereby generating new profit contributors to the Group. Since this business segment is still at the investment stage in the transformation of the sales model, it has not yet brought an immediate profit contribution to the Group. Profit before taxation was HK\$1,413,000. Within this segment, the Group's subsidiary in Dongguan outperformed the others. It not only turned around to achieve a profit during the period under review, but also contributed 16% of the sales of this segment. The Group believes that its gradual business transformation and product diversification will broaden its revenue stream. In addition, its competitive advantage in leading-edge product technology will enable it to expand its customer base in Southern and Eastern China. Thus, this business segment is expected to continue to improve in the future.

During the period, the fluctuation of oil prices and raw material prices has affected the plastics trading segment. As customers were more prudent when placing orders, turnover declined by 14% to HK\$551,628,000. However, the Group has proactively adjusted its strategy to cope with the market environment. The Group aimed to boost the segmental gross profit by targeting to manufacture and sell higher margin products such as three-dimensional ("3D") printing materials and materials for public transportation systems, which are less affected by volatile materials prices with more specialised applications and satisfactory gross profit. Gross profit margin has improved slightly by approximately 0.5 percentage point. Moreover, the Group has been able to use its technological advantage to develop materials with unique value added technology suitable for 3D printing. The market has been receptive with the results to date so it is believed to become a new growth driver in the future. During the period, the Group's business in Mainland China has recorded a satisfactory performance, particularly in Northern China market. Its new sales office in Tianjin has reported more than a 40% growth in turnover when compared to the same period last year. The business has achieved a turnaround during the period and has started contributing a profit to the Group. In addition, the Group established a sales office in Chongqing targeting the Western China market and is expected to contribute profit to the Group in the near future. Looking ahead, the Group will continue to identify markets with strong potential elsewhere in China (including Central China) and tap the strong domestic demand with a more comprehensive sales network.

PROSPECTS

The Group believes that the uncertainties of the macroeconomic environment will persist, so the management remains cautious about the global macro economy. Looking ahead, apart from developing traditional products, the Group will also develop new products with high value added and higher margin that meet market demand and increase overall profit. In view of the notable fluctuations in oil prices and currency exchange rates, the Group will cautiously manage inventory, become more cautious in customer and product selection, as well as working selectively with creditworthy customers. These actions will enhance the Group's capabilities in maintaining overall profitability.

Meanwhile, the Group's development objectives still aim to capture the opportunities in Mainland China and expand its domestic market. Apart from strengthening the market share in Eastern, Southern and Northeastern China, the Group will also expand into the market in Central China in order to enlarge its overall market share. The management believes that stable economic growth remains the main strategic development direction of the Chinese government in the future. Thus, the launch of related government policies to stimulate domestic demand will facilitate the Group's business expansion in Mainland China market. The Group will also continue to look for opportunities to cooperate with more international brands and utilise this new channel for exporting its products to overseas markets.

Going forward, the Group will continue to adopt and execute solid business strategies and prudent wealth management solutions, as well as implement production cost control measures and share internal resource to generate greater economies of scale and support the Group's long term growth. With the extensive industry experience accumulated over the years, the management is set to lead the Group to overcome the challenges in the operating environment and capture every opportunity to achieve a better business performance.

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 2014, the Group has available aggregate bank loan facilities of approximately HK\$625,164,000 of which HK\$310,660,000 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 bank balances as at 31st December 2014 amounted to approximately HK\$88,800,000. The Group's gearing ratio as at 31st December 2014 was approximately 66.8%, based on the total bank borrowings of approximately HK\$316,838,000 and the shareholders' funds of approximately HK\$473,972,000.

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 2014, the Group had outstanding forward foreign exchange contracts mainly to sell/purchase US dollars and purchase Renminbi. The maximum notional principal amounts of these outstanding forward foreign exchange contracts at 31st December 2014 were as follows:

	2014
	<i>HK\$'000</i>
Sell HK dollars for US dollars	2,000,700
Sell US dollars for HK dollars	15,600
Sell US dollars for Renminbi	<u>1,094,964</u>

EMPLOYEE INFORMATION

As at 31st December 2014, the Group employed a total of approximately 746 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 emphasises on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Company has complied with all the applicable code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the “CG Code”) throughout the six months ended 31st December 2014, except for the deviation as mentioned below.

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive 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 any individual to be the chief executive. The roles of the chief executive 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 when it thinks appropriate.

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.

NOMINATION COMMITTEE

The Company has formulated written terms of reference for the nomination committee of the Company (the “Nomination Committee”) in accordance with the requirements of the Stock Exchange. The Nomination Committee consists of all 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 Nomination Committee is responsible for reviewing the structure, size and composition of the Board (including the skills, knowledge and experience) on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors. The Nomination Committee would review the Board’s composition from time to time where Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services. The Nomination Committee meets at least once a year to assess the structure, size and composition of the Board.

AUDIT COMMITTEE

The Company has formulated written terms of reference for the audit committee of the Company (the “Audit Committee”) in accordance with the requirements of the Stock Exchange. The Audit Committee consists of all independent non-executive Directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung and Mr CHING Yu Lung.

The principal duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company. The terms of reference of the Audit Committee are aligned with the recommendations set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants and Listing Rules.

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 2014 with the Directors.

REMUNERATION COMMITTEE

The Company has formulated written terms of reference for the remuneration committee of the Company (the “Remuneration Committee”) 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 making recommendations to the Board on the remuneration packages of the individual executive Director and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. 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.

CORPORATE GOVERNANCE COMMITTEE

The Company has formulated written terms of reference for the corporate governance committee of the Company (the “Corporate Governance Committee”) in accordance with the CG Code. The Corporate Governance Committee consists of all independent non-executive Directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung and Mr CHING Yu Lung.

The Corporate Governance Committee is responsible for developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Group’s policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and reviewing the Group’s compliance with the CG Code and disclosure in the Corporate Governance Report of the Company. The Corporate Governance Committee meets at least once a year to review the corporate governance functions.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong, 27th February 2015

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.