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 2008
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 2008 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	**Unaudited Six months ended 31st December 2008** *HK$'000*	2007 *HK$'000*
Turnover	3	**667,872**	793,553
Cost of sales		**(610,517)**	(724,106)
Gross profit		**57,355**	69,447
Other income	4	**1,735**	1,126
Other (losses)/gains – net	5	**(8,756)**	16,118
Distribution costs		**(20,544)**	(22,164)
Administrative expenses		**(43,799)**	(42,735)
Operating (loss)/profit	6	**(14,009)**	21,792
Finance income	7	**107**	240
Finance costs	7	**(4,797)**	(5,325)
(Loss)/profit before income tax		**(18,699)**	16,707
Income tax (charge)/credit	8	**(4,179)**	524
(Loss)/profit for the period		**(22,878)**	17,231

	Note	Unaudited Six months ended 31st December **2008** ***HK$'000***	 2007 *HK$'000*
Attributable to:			
Equity holders of the Company		**(24,579)**	13,114
Minority interests		**1,701**	4,117
		(22,878)	17,231
Dividends	9	**—**	3,600
(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	**(6.66)**	3.64
- Diluted	10	**(6.66)**	3.64

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**Unaudited 31st December 2008** *HK$'000*	Audited 30th June 2008 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**104,613**	106,700
Leasehold land and land use rights		**16,222**	16,446
Investment properties		**21,820**	24,720
Intangible assets		**2,800**	3,200
Available-for-sale financial assets		**2,000**	2,000
Deposits for acquisition of an investment property		**8,125**	8,125
Deferred tax assets		**5,654**	5,618
		161,234	166,809
Current assets			
Inventories		**227,809**	204,362
Trade and bills receivables	11	**171,058**	293,799
Other receivables, prepayments and deposits		**13,961**	16,429
Tax recoverable		**2,482**	2,876
Derivative financial instruments		**—**	1,274
Cash and cash equivalents		**77,309**	78,882
		492,619	597,622
Total assets		**653,853**	764,431
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		**51,565**	51,024
Retained earnings		**222,026**	246,605
Proposed dividends		**—**	3,692
		372,977	400,707
Minority interests		**19,098**	17,397
Total equity		**392,075**	418,104

	Note	Unaudited 31st December 2008 *HK$'000*	Audited 30th June 2008 *HK$'000*
LIABILITIES			
Non-current liabilities			
Long-term bank loans		**5,523**	6,523
Obligations under finance leases		**1,557**	2,743
Deferred tax liabilities		**4,259**	2,680
		11,339	11,946
Current liabilities			
Trade payables	12	**38,655**	104,207
Other payables and deposits received		**10,985**	10,324
Accruals		**12,123**	11,726
Long-term bank loans – current portion		**—**	2,000
Obligations under finance leases – current portion		**2,468**	2,764
Short-term borrowings		**176,979**	199,956
Derivative financial instruments		**6,015**	352
Tax payable		**3,214**	3,052
		250,439	334,381
Total liabilities		**261,778**	346,327
Total equity and liabilities		**653,853**	764,431
Net current assets		**242,180**	263,241
Total assets less current liabilities		**403,414**	430,050

Notes

1 Basis of preparation

The Company has a financial year end date of 30th June. The condensed consolidated interim financial information for the six-months period ended 31st December 2008 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30th June 2008, which have been prepared in accordance with the Hong Kong Financial Reporting Standards.

2 Accounting policies

The accounting policies and method of computation 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 2008.

The following amendments to standards and interpretations are mandatory for the financial year ending 30th June 2009.

HKAS 39 and Hong Kong Financial Reporting Standard ("HKFRS") 7 (Amendments)	Reclassification of Financial Assets
Hong Kong International Financial Reporting Interpretations Committee ("HK(IFRIC)")-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of the above amendments to standards and interpretations did not have any significant financial impact to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ending 30th June 2009 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 23 (Amendment)	Borrowing Costs (effective for annual periods beginning on or after 1st January 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1st July 2009)
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations arising on Liquidation (effective for annual periods beginning on or after 1st January 2009)
HKAS 39 (Amendment)	Eligible Hedge Items (effective for annual periods beginning on or after 1st January 2009)
HKFRS 1 (Amendment)	First time adoption of HKFRS (effective for annual periods beginning on or after 1st January 2009)
HKFRS 2 (Amendment)	Share-based Payment (effective for annual periods beginning on or after 1st January 2009)

HKFRS 3 (Revised)	Business Combinations (effective for annual periods beginning on or after 1st July 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1st January 2009)
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1st January 2009)
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1st October 2008)
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners (effective for annual periods beginning on or after 1st July 2009)
HK(IFRIC)-Int 18	Transfers of assets from customers (effective for transfers of assets from customers received on or after 1st July 2009)

In addition, there are also a number of improvements to Hong Kong Financial Reporting Standards published by the HKICPA in October 2008 which will be effective for the Group's financial year ending 30th June 2010. The Directors anticipate that the adoption of these standards, amendments to standards and interpretations would not result in a significant change in the results and financial position of the Group.

3 Turnover and segment information

	Unaudited Six months ended 31st December	
	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**667,872**	793,553

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the manufacturing and trading of plastic materials, pigments, colorants, compounded plastic resins and engineering plastic products.

An analysis of the Group's turnover and results for the six months ended 31st December 2008 by geographical segment is as follows:

	Unaudited			
	Hong Kong	The People's Republic of China excluding Hong Kong (the "PRC")	Unallocated costs	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
- Gross segment	**534,507**	**185,972**	**—**	**720,479**
- Inter-segment	**(35,872)**	**(16,735)**	**—**	**(52,607)**
	498,635	**169,237**	**—**	**667,872**
Segment results	**(15,154)**	**2,665**	**(1,520)**	**(14,009)**
Finance income				**107**
Finance costs				**(4,797)**
Loss before income tax				**(18,699)**
Income tax expense				**(4,179)**
Loss for the period				**(22,878)**
Minority interests				**(1,701)**
Loss attributable to equity holders of the Company				**(24,579)**

The segment assets and liabilities at 31st December 2008 and other segment information for the six months then ended are as follows:

	Hong Kong HK$'000	Unaudited The PRC HK$'000	Group HK$'000
Segment assets	**349,110**	**296,607**	**645,717**
Unallocated assets			**8,136**
Total assets			**653,853**
Segment liabilities	**42,219**	**25,559**	**67,778**
Borrowings			**186,527**
Other unallocated liabilities			**7,473**
Total liabilities			**261,778**
Other information:			
Capital expenditure	**2,331**	**991**	**3,322**
Depreciation of property, plant and equipment	**2,404**	**2,922**	**5,326**
Amortisation of leasehold land and land use rights	**131**	**93**	**224**
Amortisation of intangible assets	**400**	**—**	**400**
Provision for impairment of inventories	**4,141**	**—**	**4,141**
Provision for impairment of receivables	**1,925**	**—**	**1,925**

An analysis of the Group's turnover and results for the six months ended 31st December 2007 by geographical segment is as follows:

	Unaudited Hong Kong HK$'000	The PRC HK$'000	Unallocated costs HK$'000	Group HK$'000
Turnover				
- Gross segment	643,262	208,567	—	851,829
- Inter-segment	(36,911)	(21,365)	—	(58,276)
	606,351	187,202	—	793,553
Segment results	14,488	8,538	(1,234)	21,792
Finance income				240
Finance costs				(5,325)
Profit before income tax				16,707
Income tax credit				524
Profit for the period				17,231
Minority interests				(4,117)
Profit attributable to equity holders of the Company				13,114

The segment assets and liabilities at 30th June 2008 and other segment information for the six months ended 31st December 2007 are as follows:

		Audited	
	Hong Kong	**The PRC**	**Group**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	419,174	334,763	753,937
Unallocated assets			10,494
Total assets			764,431
Segment liabilities	85,152	40,975	126,127
Borrowings			213,986
Other unallocated liabilities			6,214
Total liabilities			346,327

		Unaudited	
	Hong Kong	**The PRC**	**Group**
	HK$'000	***HK$'000***	***HK$'000***
Other information:			
Capital expenditure	4,322	1,798	6,120
Depreciation of property, plant and equipment	2,373	4,848	7,221
Amortisation of leasehold land and land use rights	76	125	201
Provision for impairment of inventories	23	—	23
Provision for impairment of receivables	—	88	88

Turnover and segment results are presented based on the economic environment that the group companies engaged in providing products and services are operating in. Unallocated costs represent corporate expenses.

All the Group's turnover and operating (loss)/profit are attributable to the manufacturing and trading of plastic products and accordingly no analysis of the Group's turnover and contribution to operating (loss)/profit by business segment is provided.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories, trade and bills receivables, other receivables, prepayments and deposits and cash and cash equivalents. Unallocated assets mainly comprise deferred tax assets and tax recoverable.

Segment liabilities comprise operating liabilities. Other unallocated liabilities mainly comprise deferred tax liabilities and tax payable.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and intangible assets.

4 Other income

	Unaudited Six months ended 31st December 2008	
	2008	2007
	HK$'000	*HK$'000*
Rental income	**1,735**	1,126

5 Other (losses)/gains - net

	Unaudited Six months ended 31st December	
	2008	2007
	HK$'000	*HK$'000*
Gain on disposal of a business (Note)	**—**	13,235
Net exchange gains	**46**	3,343
Fair value loss on investment properties	**(2,900)**	—
Derivative financial instruments		
- forward foreign exchange contracts and interest rate swap contracts held for trading - unrealised	**(6,936)**	(1,752)
- forward foreign exchange contracts and interest rate swap contracts held for trading - realised	**1,034**	1,292
	(8,756)	16,118

Note:

Pursuant to an agreement entered into between the Group and certain third parties dated 19th October 2006, the Group agreed to dispose of certain assets, representing the business of Ngai Hing PlastChem Company Limited, a subsidiary of the Group, to the relevant parties. Immediately before the completion of the disposal, the carrying value of these assets held for sale as a disposal group and the costs directly attributable to the disposal amounted to HK$29,877,000. The disposal was completed on 31st December 2008 at a final consideration of HK$43,112,000. Consequently a profit on disposal of a business amounting to HK$13,235,000 was recorded in the prior period.

6 Operating (loss)/profit

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

	Unaudited Six months ended 31st December	
	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**606,376**	724,083
Depreciation:		
- Owned property, plant and equipment	**2,818**	5,066
- Leased equipment	**2,508**	2,155
Amortisation of leasehold land and land use rights	**224**	201
Amortisation of intangible assets	**400**	—
Operating lease rentals in respect of land and buildings	**5,388**	4,113
Employee benefit expenses, including directors' emoluments	**40,254**	42,186
Gain on disposal of property, plant and equipment	**93**	—
Provision for impairment of inventories	**4,141**	23
Provision for impairment of receivables	**1,925**	88

7 Finance income and costs

	Unaudited Six months ended 31st December	
	2008	2007
	HK$'000	*HK$'000*
Finance income:		
- Interest income from bank deposits	**107**	240
Finance costs:		
- Interest on bank borrowings wholly repayable within five years	**4,719**	5,059
- Interest element of finance leases	**78**	266
	4,797	5,325
Finance costs - net	**(4,690)**	(5,085)

8 Income tax

Hong Kong profits tax has been provided for at the rate of 16.5% (31st December 2007: 17.5%) on the estimated assessable profit for the period. Income tax on the Group's subsidiaries established and operated in 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/(credited) to the consolidated interim income statement represents:

	Unaudited Six months ended 31st December	
	2008	2007
	HK$'000	*HK$'000*
Current taxation		
- Hong Kong profits tax	**1,973**	1,268
- PRC corporate income tax	**663**	2,313
Overprovision in prior years	**—**	(750)
Deferred taxation	**1,543**	(3,355)
	4,179	(524)

9 Dividends

At a meeting held on 3rd October 2008, the Directors recommended a final dividend for the year ended 30th June 2008 of HK1.0 cent per share, totalling HK$3,692,000 (30th June 2007: HK1.0 cent per share, totalling HK$3,600,000), which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 31st December 2008.

At a meeting held on 4th March 2009, the Directors resolved not to declare any interim dividend for the six months ended 31st December 2008 (31st December 2007: HK1.0 cent per share, totalling HK$3,600,000).

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$24,579,000 (31st December 2007: a profit of HK$13,114,000) and 369,200,000 (31st December 2007: 360,000,000) 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 2007 and 2008.

11 Trade and bills receivables

The aging analysis of trade and bills receivables is as follows:

	Unaudited 31st December 2008 *HK$'000*	Audited 30th June 2008 *HK$'000*
Below 90 days	**147,124**	263,527
91-180 days	**18,664**	19,650
Over 180 days	**5,270**	10,622
	171,058	293,799

The majority of the Group's sales are with credit terms of 30 to 120 days. The remaining amounts are on letter of credit or documents against payment.

A subsidiary of the Group transferred certain bills of exchange amounting to HK$4,652,000 (30th June 2008: HK$10,563,000) to banks with recourse in exchange for cash as at 31st December 2008. The transactions have been accounted for as collateralised bank advances.

12 Trade payables

The aging analysis of trade payables is as follows:

	Unaudited 31st December 2008 *HK$'000*	Audited 30th June 2008 *HK$'000*
Below 90 days	**34,888**	103,085
91-180 days	**2,827**	432
Over 180 days	**940**	690
	38,655	104,207

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31st December 2008.

BUSINESS REVIEW AND PROSPECTS

In the six months ended 31st December 2008, the Group recorded a turnover of HK$667,872,000 (2007: HK$793,553,000), loss attributable to equity holders of the Company of HK$24,579,000 (2007: profit of HK$13,114,000) and basic loss per share of HK6.66 cents (2007: earnings per share of HK3.64 cents). To reserve cash for future development or operational uses, the Board of Directors does not recommend payment of interim dividend.

The first half of the year was filled with challenges for the plastics industry with oil and raw material prices fluctuating seriously, the impacts of the post-Beijing Olympics and outbreak of the global financial turmoil, certainly the Group's businesses were also inevitably affected. However, supported by a solid long-standing customer base, turnover of the Group was down only by approximately 16% year-on-year. Also, by applying effective cost control measures, the Group managed to maintain gross profit margin at 8.6%. The Group's EBITDA amounted to approximately HK$1,777,000 before taking into account of two non-cash items including a fair value loss on investment properties and an unrealised fair value loss on forward contracts. Loss was recorded after including the above two non-cash items.

Amid macroeconomic uncertainties in the period under review, the Group implemented more stringent cost control measures including reviewing the term of receivables and natural attrition policy, thereby maintained a healthy financial position. Those measures bore fruits during the review period lowering distribution costs and employee benefits expenditure by 7% and 5% year-on-year respectively. Trade and bills receivables also reduced by a notable 40%.

Engineering plastics business reported the most satisfactory performance among the different business operations during the period. Its R&D division is responsible for tailoring products for customers and developing new product types and applications. The engineering plastics business which specializes in producing plastics with specific functions for use in manufacturing home products, was successful in raising its gross profit margin, though its turnover was down by 8%, this was still able to contribute profit to the Group.

Among the Group's three major businesses, plastics trading is most vulnerable to fluctuation of raw material prices. During the period under review, although the turnover derived by the Group from Mainland customers had single-digit growth, export customers in the Hong Kong market placed fewer orders because of the sluggish macroeconomic environment. As a result, the overall turnover and gross profit margin of the segment declined and loss was incurred.

Also affected by the decreased orders from export customers, colorant and compounded plastic resin business reported a 17% drop in turnover. However, the Group was still able to maintain a gross profit margin for these products and hence only reported a minor loss. After the Beijing Olympics in August and the financial turmoil hit in October last year, consumption sentiment in the Mainland and around the world slumped and indirectly caused loss of orders for the Group. Nevertheless, with some products manufactured by the Group's Tai Po plant in Hong Kong beginning to enjoy custom tariff benefit under The Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") during the period, the impact of the unfavourable macroeconomic environment on the business was mitigated.

Looking ahead to 2009, the Group continues to see uncertainties in the macroeconomic environment. However, it is noticed that as some of the players have been withdrawn recently, competitions in the industry is expected to be less severe as compared to the period under review, which give better chances for the Group to expand its market share. Thus, the management is still positive about the Group's prospects.

According to market analysis, oil price is expected to be more stabilised in 2009 instead of drastic fluctuation like last year. The management believes the trend will assist in stabilising the overall gross profit margin of the Group's businesses.

Guided by the principle of controlling expenses and increasing income, the Group will continue to implement cost control measures, that have started to show effect, to conduct timely review of the term of receivables and keep operational costs and risks at the minimum. In addition, the Group has decided to postpone the construction of the engineering plastics factory in Shanghai to reduce capital expenditure. Regarding taxation, some products manufactured at the Hong Kong factory will continue to enjoy the custom tariff benefit under CEPA. In the meantime, the Group will study closely the production processes in Mainland China and Hong Kong with the aim of achieving the highest cost effectiveness against the CEPA backdrop.

To increase income, the Group will strive to develop new products and markets, and watch closely the order trend in the traditional peak season in mid 2009 and adjust business strategies flexibly to meet market demand. For the higher margin engineering plastics business, in particular, the Group will exploit into the plastic products for automobiles that have been attracting more orders generally with larger quantity in its bid to bring steady and substantial income.

Riding on its years of experience in the plastics industry, the management will endeavour to cope with all the challenge caused by the macro business environment, capturing each and every business opportunity and maintaining stable growth.

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 2008, the Group has available aggregate bank loan facilities of approximately HK$342,255,000, of which HK$186,527,000 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 2008 amounted to approximately HK$77,309,000. The Group's gearing ratio as at 31st December 2008 was approximately 50%, based on the total bank borrowings of approximately HK$182,502,000, together with obligations under finance leases of approximately HK$4,025,000 and the shareholders' funds of approximately HK$372,977,000.

FOREIGN EXCHANGE RISK

The Group's borrowings and cash balances 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.

At 31st December 2008, the Group had outstanding commitments in respect of forward contracts in order to manage the Group's exposure in foreign currencies from its operations as follows:

	2008
	HK$'000
Sell HK dollars for US dollars	**357,951**
Sell US dollars for HK dollars	**218,400**
	576,351

EMPLOYEE INFORMATION

As at 31st December 2008, the Group employed a total of approximately 687 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 2008, 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.

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 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 (resigned on 9th February 2009), Mr CHAN Dit Lung and Mr CHING Yu Lung (appointed on 9th February 2009). 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 2008 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 (resigned on 9th February 2009), Mr CHAN Dit Lung and Mr CHING Yu Lung (appointed on 9th February 2009) 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, 4th March 2009

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 CHAN Dit Lung and Mr CHING Yu Lung.