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 2009
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 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited Six months ended 31st December 2009** *HK$'000*	2008 *HK$'000*
Turnover	3	**582,206**	667,872
Cost of sales		**(510,131)**	(610,517)
Gross profit		**72,075**	57,355
Other income	4	**1,367**	1,735
Other losses – net	5	**(432)**	(7,972)
Distribution costs		**(17,227)**	(20,544)
Administrative expenses		**(40,270)**	(44,583)
Operating profit/(loss)	6	**15,513**	(14,009)
Finance income	7	**94**	107
Finance costs	7	**(1,606)**	(4,797)
Profit/(loss) before income tax		**14,001**	(18,699)
Income tax	8	**(6,320)**	(4,179)
Profit/(loss) for the period		**7,681**	(22,878)

	Note	Unaudited Six months ended 31st December **2009** *HK$'000*	2008 *HK$'000*
Profit/(loss) attributable to:			
Equity holders of the Company		**7,513**	(24,579)
Non-controlling interests		**168**	1,701
		7,681	(22,878)
Dividends	9	**3,692**	—
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the period (expressed in HK cents per share)			
– Basic	10	**2.03**	(6.66)
– Diluted	10	**2.03**	(6.66)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31st December	
	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) for the period	**7,681**	(22,878)
Other comprehensive income:		
Revaluation gain of property, plant and equipment and leasehold land and land use rights on transfer to investment properties	**1**	—
Currency translation differences	**—**	419
Total comprehensive income for the period	**7,682**	(22,459)
Total comprehensive income attributable to:		
Equity holders of the Company	**7,514**	(24,160)
Non-controlling interests	**168**	1,701
	7,682	(22,459)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 31st December 2009** *HK$'000*	Audited 30th June 2009 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**120,294**	97,991
Leasehold land and land use rights		**20,767**	15,998
Investment properties		**27,307**	25,430
Intangible assets		**—**	2,400
Available-for-sale financial assets		**694**	850
Deposits for acquisition of properties		**8,125**	11,025
Deferred tax assets		**7,321**	8,386
		184,508	162,080
Current assets			
Inventories		**169,326**	156,605
Trade and bills receivables	11	**177,797**	170,469
Other receivables, prepayments and deposits		**14,284**	9,034
Tax recoverable		**2,419**	2,338
Derivative financial instruments		**654**	862
Cash and cash equivalents		**105,015**	90,652
		469,495	429,960
Total assets		**654,003**	592,040
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		**45,320**	45,260
Retained earnings		**236,050**	232,229
Proposed dividends		**3,692**	—
		384,448	376,875
Non-controlling interests		**18,423**	19,348
Total equity		**402,871**	396,223

	Note	**Unaudited 31st December 2009** *HK$'000*	Audited 30th June 2009 *HK$'000*
LIABILITIES			
Non-current liabilities			
Long-term bank loans		**18,000**	—
Obligations under finance leases		**466**	693
Deferred tax liabilities		**4,379**	4,155
		22,845	4,848
Current liabilities			
Trade payables	12	**65,281**	63,962
Other payables and deposits received		**7,305**	5,767
Accruals		**11,833**	9,893
Long-term bank loans – current portion		**4,800**	—
Obligations under finance leases - current portion		**1,091**	2,047
Short-term bank borrowings		**130,918**	98,971
Derivative financial instruments		**4,484**	4,742
Tax payable		**2,575**	5,587
		228,287	190,969
Total liabilities		**251,132**	195,817
Total equity and liabilities		**654,003**	592,040
Net current assets		**241,208**	238,991
Total assets less current liabilities		**425,716**	401,071

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 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by 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 2009, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

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 2009, except as described below.

(a) The following new standard, amendments to standards and interpretations are mandatory for financial year ending 30th June 2010.

HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

HKFRS 8, "Operating Segments", replaces HKAS 14, "Segment Reporting". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change in the reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2008 have been restated. However, such restatement in note disclosure does not have any impact on the balance sheet.

Amendments to HKFRS 7, 'Financial instruments: disclosures'. The amendments increase the disclosure requirements about fair value measurement and amend the disclosure about liquidity risk. The amendments introduce a three-level hierarchy for fair value measurement disclosures about financial instruments and require some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. They also require a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 30th June 2010.

The following amendments to standards and interpretations are also mandatory for the financial year beginning 1st July 2009:

HKFRSs (Amendment)	Improvements to HKFRS 2008
HKFRSs (Amendment)	Improvements to HKFRS 2009[1]
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedge Items
HKFRS 1 (Revised)	First Time Adoption of HKFRS
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations

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

[1] Except for the amendments to HKFRS 2, HKAS 38, Hong Kong International Financial Reporting Interpretations Committee ("HK(IFRIC)")-Int 9 and HK(IFRIC)-Int 16 which are effective for the Group for annual period beginning on 1st July 2009, all other amendments are effective for the Group for annual period beginning on 1st July 2010

(b) The following interpretations are mandatory for the first time for the financial year ending 30th June 2010, but are not currently relevant to the Group.

HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-Cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

(c) The following new standard, amendments to standards and interpretations have been issued but are not effective for the year ending 30th June 2010 and have not been early adopted:

HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Right Issue[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adoption[1]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[1]
HKFRS 9	Financial Instruments[3]
HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[1]

[1] Effective for the Group for annual period beginning on 1st July 2010
[2] Effective for the Group for annual period beginning on 1st July 2011
[3] Effective for the Group for annual period beginning on 1st July 2013

The Directors anticipate that the adoption of these new standard, amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

3 Turnover and segment information

	Unaudited Six months ended 31st December	
	2009	2008
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**582,206**	667,872

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 plastics") 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 2009 is as follows:

			Unaudited		
	Trading	Colorants	Engineering plastics	Others	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
– Gross revenue	**351,169**	**135,549**	**116,055**	**681**	**603,454**
– Inter-segment revenue	**(2,877)**	**(9,995)**	**(8,376)**	**—**	**(21,248)**
Revenue from external customers	**348,292**	**125,554**	**107,679**	**681**	**582,206**
Segment results	**2,950**	**9,402**	**7,438**	**(4,277)**	**15,513**
Finance income	**14**	**80**	**—**	**—**	**94**
Finance costs	**(704)**	**(740)**	**(162)**	**—**	**(1,606)**
Profit/(loss) before income tax	**2,260**	**8,742**	**7,276**	**(4,277)**	**14,001**
Income tax					**(6,320)**
Profit for the period					**7,681**
Non-controlling interests					**(168)**
Profit attributable to equity holders of the Company					**7,513**
Other information:					
Capital expenditure	**6,719**	**1,034**	**29,309**	**—**	**37,062**
Depreciation of property, plant and equipment	**152**	**4,552**	**2,064**	**460**	**7,228**
Amortisation of leasehold land and land use rights	**27**	**93**	**8**	**131**	**259**
Amortisation of intangible assets	**—**	**—**	**—**	**400**	**400**
Impairment of available-for-sale financial assets	**—**	**—**	**—**	**156**	**156**
Impairment of intangible assets	**—**	**—**	**—**	**2,000**	**2,000**
Provision for impairment of inventories	**—**	**—**	**—**	**—**	**—**
Provision for impairment of receivables	**—**	**—**	**259**	**—**	**259**
Unrealised loss/(gain) on derivative financial instruments	**270**	**—**	**—**	**(320)**	**(50)**

The segment information provided to the CODM for the reportable segments at 31st December 2009 is as follows:

	Trading	**Colorants**	**Unaudited Engineering plastics**	**Others**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**215,388**	**249,887**	**136,994**	**51,734**	**654,003**
Total assets					**654,003**
Segment liabilities	**49,538**	**23,543**	**16,555**	**6,221**	**95,857**
Borrowings	**91,305**	**27,535**	**36,435**	**—**	**155,275**
Total liabilities					**251,132**

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2008 is as follows:

	Trading	Colorants	Unaudited Engineering plastics	Others	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
– Gross revenue	414,659	139,459	136,928	901	691,947
– Inter-segment revenue	(2,299)	(10,818)	(10,953)	(5)	(24,075)
Revenue from external customers	412,360	128,641	125,975	896	667,872
Segment results	(14,251)	(1,222)	6,977	(5,513)	(14,009)
Finance income	41	66	—	—	107
Finance costs	(2,307)	(1,847)	(643)	—	(4,797)
(Loss)/profit before income tax	(16,517)	(3,003)	6,334	(5,513)	(18,699)
Income tax					(4,179)
Loss for the period					(22,878)
Non-controlling interests					(1,701)
Loss attributable to equity holders of the Company					(24,579)
Other information:					
Capital expenditure	409	2,438	402	73	3,322
Depreciation of property, plant and equipment	120	2,814	1,913	479	5,326
Amortisation of leasehold land and land use rights	—	93	—	131	224
Amortisation of intangible assets	—	—	—	400	400
Provision for impairment of inventories	4,141	—	—	—	4,141
Provision/(reversal of provision) for impairment of receivables	1,395	1	537	(8)	1,925
Unrealised loss on derivative financial instruments	4,865	—	—	2,071	6,936

The segment information provided to the CODM for the reportable segments at 30th June 2009 is as follows:

			Audited		
	Trading	Colorants	Engineering plastics	Others	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	165,549	262,918	108,137	55,436	592,040
Total assets					592,040
Segment liabilities	39,778	24,070	23,857	6,401	94,106
Borrowings	58,877	41,590	1,244	—	101,711
Total liabilities					195,817

The entity is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong for the six months ended 31st December 2009 is approximately HK$369,936,000 (2008: HK$498,635,000), and the total of its revenue from external customers from other locations (mainly the People's Republic of China) is approximately HK$212,270,000 (2008: HK$169,237,000).

At 31st December 2009, 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$85,986,000(At 30th June 2009: HK$64,785,000), and the total of these non-current assets located in other locations (mainly the People's Republic of China) is approximately HK$90,507,000 (At 30th June 2009: HK$88,059,000).

4 Other income

	Unaudited Six months ended 31st December	
	2009	2008
	HK$'000	*HK$'000*
Rental income	**1,367**	1,735

5 Other losses - net

	Unaudited Six months ended 31st December 2009 *HK$'000*	2008 *HK$'000*
Net exchange gains	**1,581**	46
Impairment of available-for-sale financial assets	**(156)**	—
Impairment of intangible assets	**(2,000)**	—
Fair value loss on investment properties	**—**	(2,900)
(Loss)/gain on disposal of property, plant and equipment	**(626)**	93
Derivative financial instruments		
– forward foreign exchange contracts and interest rate swap contracts held for trading		
– unrealised	**50**	(6,936)
– realised	**(96)**	1,034
Others	**815**	691
	(432)	(7,972)

6 Operating profit/(loss)

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

	Unaudited Six months ended 31st December 2009 *HK$'000*	2008 *HK$'000*
Cost of inventories sold	**509,731**	606,376
Depreciation:		
– Owned property, plant and equipment	**4,777**	2,818
– Leased equipment	**2,451**	2,508
Amortisation of leasehold land and land use rights	**259**	224
Amortisation of intangible assets	**400**	400
Operating lease rentals in respect of land and buildings	**5,201**	5,388
Employee benefit expenses, including directors' emoluments	**37,847**	40,254
Provision for impairment of inventories	**—**	4,141
Provision for impairment of receivables	**259**	1,925

7 Finance income and costs

	Unaudited Six months ended 31st December	
	2009	2008
	HK$'000	*HK$'000*
Finance income:		
– Interest income from bank deposits	**94**	107
Finance costs:		
– Interest on bank borrowings wholly repayable within five years	**(1,572)**	(4,719)
– Interest element of finance leases	**(34)**	(78)
	(1,606)	(4,797)
Finance costs - net	**(1,512)**	(4,690)

8 Income tax

Hong Kong profits tax has been provided for at the rate of 16.5% (31st December 2008: 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 ("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 income statement represents:

	Unaudited Six months ended 31st December	
	2009	2008
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**1,465**	1,973
– PRC corporate income tax	**3,566**	663
Deferred taxation	**1,289**	1,543
	6,320	4,179

9 Dividends

At a meeting held on 25th February 2010, the Directors recommended an interim dividend for the six months ended 31st December 2009 of HK1.0 cent per share, totalling HK$3,692,000. The dividend is not reflected as an appropriation of retained earnings for the six months ended 31st December 2009.

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.

10 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity holders of the Company for the period of HK$7,513,000 (31st December 2008: a loss of HK$24,579,000) and 369,200,000 (31st December 2008: 369,200,000) ordinary shares in issue during the period.

Diluted earnings/(loss) per share equals basic earnings/(loss) per share as the exercise of the outstanding share options would be anti-dilutive for the six months ended 31st December 2008 and 2009.

11 Trade and bills receivables

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

	Unaudited 31st December 2009	Audited 30th June 2009
	HK$'000	*HK$'000*
Below 90 days	**164,167**	146,535
91-180 days	**11,218**	13,184
Over 180 days	**2,412**	10,750
	177,797	170,469

The majority of the Group's sales are with credit terms of 30 to 90 days. The remainings are on letter of credit or documents against payment.

At 30th June 2009, bills of exchange amounting to HK$2,515,000 were transferred to certain banks with recourse in exchange for cash. The transactions had been accounted for as collateralised bank advances. There was no such transfer of bills as at 31st December 2009.

12 Trade payables

The aging analysis of trade payables is as follows:

	Unaudited 31st December 2009	Audited 30th June 2009
	HK$'000	*HK$'000*
Below 90 days	**64,610**	58,923
91-180 days	**438**	879
Over 180 days	**233**	4,160
	65,281	63,962

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of Hong Kong 1.0 cent per share for the six months ended 31st December 2009 to members whose names appear on the Register of Members on 26th March 2010. The dividend will be paid on or before 8th April 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 24th March 2010 to Friday, 26th March 2010 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 23rd March 2010.

BUSINESS REVIEW AND PROSPECTS

In the six months ended 31 December 2009, the Group recorded a turnover of HK$582,206,000 (2008: HK$667,872,000) and turned around its business with profit attributable to equity holders of the Company of HK$7,513,000 (2008: loss of HK$24,579,000). Basic earnings per share were HK2.03 cents (2008: loss per share of HK6.66 cents). The Board of Directors recommends payment of an interim dividend of HK1.0 cent per share (2008: Nil).

In the second quarter of 2009, the global economy started to come out from the shadow of the financial crisis with the market showing signs of revival. Such trends were duly reflected in the results of the Group for the first half of the financial year. During the review period, the Group's profitability improved significantly and the Group also managed to turn around from loss in 2008/09 to making a profit attributable to equity holders of the Company of HK$7,513,000 after the Group adjusted its sales strategy to focus on the more profitable China market and optimised product mix by increasing the proportion of higher-margin engineering plastics business and colorant and compounded plastic resin business. Stable material costs also allowed the Group to better control selling prices of its products, avoid over-stocking and lower inventory cost, hence ultimately afforded to increase overall gross profit margin to 12% from approximately 9% in the corresponding period of last financial year.

Since the financial turmoil in 2008, to enhance risk management, the Group has become more prudent in selecting customers with emphasis on long-standing customers with good reputation. Together with the comparative decrease in plastic material prices, that resulted in a slightly smaller turnover relative to the corresponding period of last financial year, but still achieved a 26% improvement when compared with the first six months of 2009.

During the period under review, the Group adopted more stringent cost control measures, which was rewarded with a 16% trim in distribution costs and a 6% saving in employee benefits expenses, whereas interest cost was down by a marked 67%, which was mainly attributable to lower interest rates and reduction in average borrowings. Hence, the Group remained healthy financially and sustained profitability.

All the three major businesses of the Group managed to return to profit during the period, with the colorant and compounded plastic resin business reporting the best performance. The Chinese Government's RMB4 trillion stimulus package and policies to promote sales of household appliances in rural areas have boosted domestic consumption and created increasing demand for colorant and compounded plastic resin products used in the manufacture of digital products. The Group grasped the opportunities and strategically increased sales to mainland China. The move complemented by effective inventory management measures allowed the Group to maintain turnover at the same level as the corresponding period of last financial year, with gross profit margin up 5% and profit before taxation at HK$8,742,000.

On the front of plastics trading business, profit before taxation of HK$2,260,000 was recorded in the second half of 2009 against loss recorded for the same period of 2008. With China's economy climbing, market demand for imported quality plastics materials is also rising. This development pushed up turnover from Guangzhou and Shanghai by more than two folds. Furthermore, with the mainland market generally having a higher gross profit margin than that of the Hong Kong market, plastics trading business contributed profit to the Group.

As for the engineering plastics business, the Group was prudent in selecting customers with more steady businesses to work with. This strategic move to lower risks led to a reduction of provision for bad debts by the Group. Because of the move, turnover from the business was lower but it can still achieve a slight increase in profit before taxation to HK$7,276,000.

Looking ahead to 2010, the market expects crude oil and raw material prices to stabilise which will give the Group control on pricing strategy and costs and in turn maintain the overall gross profit margin of its business. Thus, the management remains cautiously optimistic about the prospects of the Group.

More importantly, the Group believes as the negative impacts of the global financial crisis recede and the GDP of the mainland China keeps surging, demand for quality plastics products will rise in the country. Moreover, with some of the weaker players ousted from the industry, the Group is well-positioned to capture rising opportunities in the future.

To snatch opportunities and unearth potential in the market, the Group has started investing in new plants and expanding its sales networks. In China, the Group has invested more than RMB5,000,000 in setting up a sales office in Tianjin scheduled to commence operation in the first half of 2010. The sales office will mainly develop plastics trading business in northern China and three northeast provinces targeting heavy industries such as automobile and aircraft that require high quality imported plastics products. In Hong Kong, the Group also plans to invest capital of approximately HK$10,000,000 in its Taipo plant. With the basic layout confirmed, the plant is expected to begin operation by the end of 2010. The Group plans to relocate more operations from the mainland to Hong Kong after the new Taipo plant is completed. This will allow the Group to enjoy preferential tax treatment under The Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") thereby save taxation payment.

Generally speaking, the Group is cautiously optimistic about the economic development of China and the prospects of the plastics industry. It will closely monitor the market trends, adjust its business strategy and product mix to explore new customers with the aim of bringing encouraging returns to shareholders.

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 2009, the Group has available aggregate bank loan facilities of approximately HK$310,983,000 of which HK$155,275,000 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 2009 amounted to approximately HK$105,015,000. The Group's gearing ratio as at 31st December 2009 was approximately 40%, based on the total bank borrowings of approximately HK$153,718,000, together with obligations under finance leases of approximately HK$1,557,000 and the shareholders' funds of approximately HK$384,448,000.

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 2009, 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:

	2009
	HK$'000
Sell HK dollars for US dollars	**721,500**
Sell US dollars for HK dollars	**397,800**
	1,119,300

EMPLOYEE INFORMATION

As at 31st December 2009, the Group employed a total of approximately 632 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 2009, 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 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 2009 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, 25th February 2010

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.