



# Ngai Hing Hong Company Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 1047)

Interim Report





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The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2008 as follows:

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2008

		Unaudited Six months ended 31st December	
	Note	2008 HK\$'000	2007 HK\$'000
Turnover	4	667,872	793,553
Cost of sales		(610,517)	(724,106)
Gross profit		57,355	69,447
Other income	5	1,735	1,126
Other (losses)/gains – net	6	(8,756)	16,118
Distribution costs		(20,544)	(22,164)
Administrative expenses		(43,799)	(42,735)
Operating (loss)/profit	7	(14,009)	21,792
Finance income	8	107	240
Finance costs	8	(4,797)	(5,325)
(Loss)/profit before income tax		(18,699)	16,707
Income tax (charge)/credit	9	(4,179)	524
(Loss)/profit for the period		(22,878)	17,231

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT****(Cont'd)**

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2008

		Unaudited Six months ended 31st December	
	Note	2008 HK\$'000	2007 HK\$'000
Attributable to:			
Equity holders of the Company		(24,579)	13,114
Minority interests		1,701	4,117
		<b>(22,878)</b>	<b>17,231</b>
Dividends	10	—	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	11	<b>(6.66)</b>	3.64
- Diluted	11	<b>(6.66)</b>	3.64

The notes on pages 9 to 25 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**

AS AT 31ST DECEMBER 2008

	Note	Unaudited 31st December 2008 HK\$'000	Audited 30th June 2008 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	104,613	106,700
Leasehold land and land use rights	12	16,222	16,446
Investment properties	12	21,820	24,720
Intangible assets	12	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
		<b>161,234</b>	<b>166,809</b>
<b>Current assets</b>			
Inventories		227,809	204,362
Trade and bills receivables	13	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
		<b>492,619</b>	<b>597,622</b>
<b>Total assets</b>		<b>653,853</b>	<b>764,431</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	15	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
		<b>372,977</b>	<b>400,707</b>
<b>Minority interests</b>		<b>19,098</b>	<b>17,397</b>
<b>Total equity</b>		<b>392,075</b>	<b>418,104</b>

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Cont'd)**

AS AT 31ST DECEMBER 2008

	Note	Unaudited 31st December 2008 HK\$'000	Audited 30th June 2008 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank loans		5,523	6,523
Obligations under finance leases		1,557	2,743
Deferred tax liabilities		4,259	2,680
		<b>11,339</b>	<b>11,946</b>
<b>Current liabilities</b>			
Trade payables	14	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
		<b>250,439</b>	<b>334,381</b>
<b>Total liabilities</b>		<b>261,778</b>	<b>346,327</b>
<b>Total equity and liabilities</b>		<b>653,853</b>	<b>764,431</b>
<b>Net current assets</b>		<b>242,180</b>	<b>263,241</b>
<b>Total assets less current liabilities</b>		<b>403,414</b>	<b>430,050</b>

The notes on pages 9 to 25 form an integral part of this condensed consolidated interim financial information.



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2008

	Unaudited Attributable to equity holders of the Company									
						Other reserves				
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$' 000	Capital reserve HK\$' 000	Revaluation reserve HK\$' 000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Proposed dividends HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st July 2008	36,920	62,466	6,475	408	2,115	42,026	246,605	3,692	17,397	418,104
(Loss)/profit for the period	—	—	—	—	—	—	(24,579)	—	1,701	(22,878)
Employee share options scheme: - value of employee services	—	—	122	—	—	—	—	—	—	122
Release on liquidation of a subsidiary	—	—	—	—	—	419	—	—	—	419
2007/2008 final dividend	—	—	—	—	—	—	—	(3,692)	—	(3,692)
At 31st December 2008	36,920	62,466	6,597	408	2,115	42,445	222,026	—	19,098	392,075



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2008

	Unaudited Attributable to equity holders of the Company									
	Other reserves						Retained earnings	Proposed dividends	Minority interests	Total
	Share capital	Share premium	Share option reserve	Capital reserve	Revaluation reserve	Exchange fluctuation reserve				
HK\$'000	HK\$'000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st July 2007	36,000	57,611	7,021	408	2,115	15,070	229,796	3,600	7,444	359,065
Profit for the period	—	—	—	—	—	—	13,114	—	4,117	17,231
Loss written back on disposal of a business	—	—	—	—	—	—	—	—	4,388	4,388
Capital contribution by minority shareholders	—	—	—	—	—	—	—	—	4	4
Employee share options scheme: - value of employee services	—	—	22	—	—	—	—	—	—	22
Currency translation differences	—	—	—	—	—	10,141	—	—	—	10,141
2006/2007 final dividend	—	—	—	—	—	—	—	(3,600)	—	(3,600)
2007/2008 interim dividend	—	—	—	—	—	—	(3,600)	3,600	—	—
At 31st December 2007	36,000	57,611	7,043	408	2,115	25,211	239,310	3,600	15,953	387,251

The notes on pages 9 to 25 form an integral part of this condensed consolidated interim financial information.



**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2008

	Unaudited Six months ended 31st December	
	2008 HK\$'000	2007 HK\$'000
Net cash generated from/(used in) operating activities	37,271	(29,654)
Net cash used in investing activities	(3,146)	(3,880)
Net cash (used in)/generated from financing activities	(35,698)	37,642
(Decrease)/increase in cash and cash equivalents	(1,573)	4,108
Cash and cash equivalents at 1st July	78,882	59,217
Effect of foreign exchange rate changes	—	1,857
Cash and cash equivalents at 31st December	77,309	65,182
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	77,309	65,182

The notes on pages 9 to 25 form an integral part of this condensed consolidated interim financial information.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 General information

Ngai Hing Hong Company Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in manufacturing and trading of plastic materials, pigments, colorants, compounded plastic resins and engineering plastic products.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated, and has been approved for issue by the Board of Directors on 4th March 2009.

### 2 Basis of preparation

The Company has a financial year end date of 30th June. This condensed consolidated interim financial information for the six months 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”).

This 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.

### 3 Accounting policies

The accounting policies and method of computation used in the preparation of this 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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 3 Accounting policies (Cont'd)

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 standard 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)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 3 Accounting policies (Cont'd)

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.

### 4 Turnover and segment information

	Unaudited Six months ended 31st December	
	2008 HK\$'000	2007 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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 4 Turnover and segment information (Cont'd)

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

	Unaudited The People's Republic of China excluding Hong Kong			Unallocated costs	Group
	Hong Kong (the "PRC") HK\$'000	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)
	<u>498,635</u>	<u>169,237</u>	<u>—</u>		<u>667,872</u>
Segment results	<u>(15,154)</u>	<u>2,665</u>	(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					<u>(24,579)</u>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 4 Turnover and segment information (Cont'd)

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
<b>Total assets</b>			<b>653,853</b>
Segment liabilities	42,219	25,559	67,778
Borrowings			186,527
Other unallocated liabilities			7,473
<b>Total liabilities</b>			<b>261,778</b>
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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 4 Turnover and segment information (Cont'd)

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

	Hong Kong	The PRC	Unaudited Unallocated costs	Group
	HK\$'000	HK\$'000	HK\$'000	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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 4 Turnover and segment information (Cont'd)

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

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





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 4 Turnover and segment information (Cont'd)

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.

### 5 Other income

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 6 Other (losses)/gains - net

	Unaudited Six months ended 31st December	
	2008 HK\$'000	2007 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
	<b>(8,756)</b>	<b>16,118</b>

#### 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 (now known as NHH Coltec 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 2007 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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 7 Operating (loss)/profit

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

	Unaudited Six months ended 31st December	
	2008 HK\$'000	2007 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

### 8 Finance income and costs

	Unaudited Six months ended 31st December	
	2008 HK\$'000	2007 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)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 9 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 HK\$'000	2007 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)
	<b>4,179</b>	<b>(524)</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 10 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).

### 11 (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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 12 Capital expenditure

	Unaudited			
	Property, plant and equipment HK\$'000	Leasehold land and land use rights HK\$'000	Investment properties HK\$'000	Intangible assets HK\$'000
Opening net book amount as at 1st July 2008	106,700	16,446	24,720	3,200
Additions	3,322	—	—	—
Disposals	(83)	—	—	—
Depreciation/amortisation (Note 7)	(5,326)	(224)	—	(400)
Fair value loss	—	—	(2,900)	—
Closing net book amount as at 31st December 2008	104,613	16,222	21,820	2,800

	Unaudited			
	Property, plant and equipment HK\$'000	Leasehold land and land use rights HK\$'000	Investment properties HK\$'000	Intangible assets HK\$'000
Opening net book amount as at 1st July 2007	103,313	14,756	17,400	—
Exchange differences	5,185	362	—	—
Additions	2,120	—	—	4,000
Disposals	(145)	—	—	—
Depreciation/amortisation (Note 7)	(7,221)	(201)	—	—
Closing net book amount as at 31st December 2007	103,252	14,917	17,400	4,000



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 13 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
	<b>171,058</b>	<b>293,799</b>

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.

### 14 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
	<b>38,655</b>	<b>104,207</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)****15 Share capital**

	Unaudited 31st December 2008 HK\$'000	Audited 30th June 2008 HK\$'000
Authorised:		
800,000,000 (30th June 2008: 800,000,000) ordinary shares of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
369,200,000 (30th June 2008: 369,200,000) ordinary shares of HK\$0.10 each	36,920	36,920

**16 Commitments**

## (a) Capital commitments

	Unaudited 31st December 2008 HK\$'000	Audited 30th June 2008 HK\$'000
Property, plant and equipment:		
Contracted but not provided for	7,236	7,236
Authorised but not contracted for	—	—
	7,236	7,236



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)****16 Commitments (Cont'd)**

## (b) Commitments under operating leases

As at 31st December 2008, the Group had future aggregate minimum lease payments and receivables under non-cancellable operating leases as follows:

	<b>Unaudited 31st December 2008 HK\$'000</b>	<b>Audited 30th June 2008 HK\$'000</b>
Minimum lease payments:		
Not later than one year	7,728	8,910
Later than one year and not later than five years	11,485	16,637
Later than five years	251	295
	<b>19,464</b>	<b>25,842</b>
Minimum lease receivables:		
Not later than one year	1,695	1,312
Later than one year and not later than five years	1,326	107
	<b>3,021</b>	<b>1,419</b>

Generally, the Group's operating leases are for terms of 1 to 10 years.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

### 16 Commitments (Cont'd)

#### (c) Derivative instruments

At 31st December 2008, the maximum notional principal amounts of the Group's outstanding forward foreign exchange contracts and interest rate swap contracts were as follows:

	Unaudited 31st December 2008 HK\$'000	Audited 30th June 2008 HK\$'000
Sell HK dollars for US dollars	357,951	1,165,400
Sell US dollars for HK dollars	218,400	405,600
Pay interest at fixed rates for interest at floating rates	85,000	50,000

### 17 Related party transactions

Details of compensation paid to key management of the Group (all being directors of the Company) are as follows:

	Unaudited Six months ended 31st December 2008 HK\$'000	2007 HK\$'000
Basic salaries, allowances and other benefits in kind	5,756	5,730
Pensions - defined contribution plans	392	350
	6,148	6,080



## 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.



## **BUSINESS REVIEW AND PROSPECTS (Cont'd)**

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.



## **BUSINESS REVIEW AND PROSPECTS (Cont'd)**

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.

Details of the Group's capital commitments are disclosed in Note 16(a) to the condensed consolidated interim financial information.



## 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
	<hr/> <b>576,351</b>

## 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.

**SHARE OPTIONS**

On 5th December 2002, the Company has adopted a new share option scheme (the “New Scheme”) and terminated the old share option scheme. Under the terms of the New Scheme, the Directors may, at their discretion, invite Directors and employees of the Group to take up options (the “Share Options”) to subscribe for the shares of the Company subject to the terms and conditions stipulated therein. Details of the movements of Share Options granted under the New Scheme during the period and outstanding as at 31st December 2008 are as follows:

	Date of grant	Exercise period	Exercise price	Number of Share Options			End of the period
				Beginning of the period	Granted during the period	Exercised during the period	
<b>Executive directors</b>							
Mr HUI Sai Chung	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
Mr HUI Kwok Kwong	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
Dr WONG Chi Ying, Anthony	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000

**SHARE OPTIONS (Cont'd)**

	Date of grant	Exercise period	Exercise price	Number of Share Options			End of the period
				Beginning of the period	Granted during the period	Exercised during the period	
<b>Executive directors (Cont'd)</b>							
Mr LAI Kam Wah	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
Madam LIU Sau Lai	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
<b>Other continuous contract employees</b>	30th April 2003	30th April 2004 to 29th April 2009	HK\$0.82	500,000	—	—	500,000
	30th April 2003	30th April 2005 to 29th April 2009	HK\$0.82	500,000	—	—	500,000
	30th April 2003	30th April 2006 to 29th April 2009	HK\$0.82	500,000	—	—	500,000
	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000



**SHARE OPTIONS (Cont'd)**

Date of grant	Exercise period	Exercise price	Number of Share Options			End of the period
			Beginning of the period	Granted during the period	Exercised during the period	
Other continuous contract employees (Cont'd)						
2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,800,000	—	—	1,800,000
13th February 2008	13th February 2009 to 12th February 2014	HK\$0.78	500,000	—	—	500,000
13th February 2008	13th February 2010 to 12th February 2014	HK\$0.78	500,000	—	—	500,000
13th February 2008	13th February 2011 to 12th February 2014	HK\$0.78	500,000	—	—	500,000
			23,800,000	—	—	23,800,000

No Share Options were granted, exercised or cancelled during the period.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December 2008, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

### (I) ordinary shares of HK\$0.10 each in the Company

Name of Directors		Number of shares of the Company beneficially held			
		Personal interests	Corporate interests	Family interests	Other interests
Mr HUI Sai Chung	Long Positions	14,971,600	202,721,500(a)	—	—
Mr HUI Kwok Kwong	Long Positions	16,958,400	198,803,500(b)	—	—
Madam LIU Sau Lai	Long Positions	1,423,000	—	—	(c)

### (II) derivative to ordinary shares of HK\$0.10 each in the Company

Name of Directors		Unlisted Share Options (physically settled equity derivatives) as at 31st December 2008	
Mr HUI Sai Chung	Long Positions		3,000,000
Mr HUI Kwok Kwong	Long Positions		3,000,000
Dr WONG Chi Ying, Anthony	Long Positions		3,000,000
Mr LAI Kam Wah	Long Positions		3,000,000
Madam LIU Sau Lai	Long Positions		3,000,000



**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Cont'd)**

Notes:

- (a) 196,721,500 of these shares are held by Good Benefit Limited (“Good Benefit”), a company in which Ever Win Limited (“Ever Win”) holds a 45.1% interest (note (c)). In addition, 6,000,000 shares are held by Ever Win directly.

50,000 ordinary shares of one Canadian dollar each in Ever Win are held by Mr HUI Sai Chung. Mr HUI Sai Chung and his spouse further own 30,834 and 5 class A non-convertible redeemable preferred shares of no par value in Ever Win respectively.

- (b) 196,721,500 of these shares are held by Good Benefit, a company in which Evergrow Company Limited (“Evergrow”) holds a 45.1% interest (note (c)). In addition, 2,082,000 shares are held by Evergrow directly.

50,000 ordinary shares of one Canadian dollar each in Evergrow are held by Mr HUI Kwok Kwong. Mr HUI Kwok Kwong further owns 30,823 class A non-convertible redeemable preferred shares of no par value in Evergrow.

- (c) The beneficial interests of the Directors in the share capital of Good Benefit, which held 196,721,500 shares of the Company as at 31st December 2008, are as follows:

<b>Name of Directors</b>	<b>Number of shares</b>	<b>Percentage of holding</b>
Mr HUI Sai Chung	4,510	45.1%
Mr HUI Kwok Kwong	4,510	45.1%
Madam LIU Sau Lai	80	0.8%
Others	900	9.0%
	<b>10,000</b>	<b>100.0%</b>



## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Cont'd)**

At 31st December 2008, the following Directors owned interests in non-voting deferred shares in Ngai Hing Hong Plastic Materials Limited, which are subject to an option granted to Ngai Hing (International) Company Limited to acquire the said non-voting deferred shares.

<b>Name of Directors</b>	<b>Number of non-voting deferred shares held</b>	
	<b>Personal interests</b>	<b>Other interests</b>
Mr HUI Sai Chung	200,000	50,000 (i)
Mr HUI Kwok Kwong	200,000	50,000 (ii)

Notes:

- (i) These shares are held by Ever Win.
- (ii) These shares are held by Evergrow.

Save as disclosed above and other than certain nominee shares in the subsidiaries of the Company held by certain Directors of the Company in trust for the Group as at 31st December 2008, none of the Directors and chief executives have any beneficial or non-beneficial interests in the share capital of the Company and associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed under the section headed by "Share Options" above,

- (a) at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and
- (b) none of the Directors, chief executives, their spouses or children under the age of 18 had been granted any right to subscribe for shares in or debentures of the Company, or exercised any such right.



## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31st December 2008, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

## **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 set out in Appendix 10 to the Listing Rules. 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.



## **CORPORATE GOVERNANCE PRACTICE (Cont'd)**

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