



Ngai Hing Hong Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1047)

09/10
Interim Report

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The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2009

		Unaudited Six months ended 31st December	
	Note	2009 HK\$'000	2008 HK\$'000
Turnover	4	582,206	667,872
Cost of sales		(510,131)	(610,517)
Gross profit		72,075	57,355
Other income	5	1,367	1,735
Other losses – net	6	(432)	(7,972)
Distribution costs		(17,227)	(20,544)
Administrative expenses		(40,270)	(44,583)
Operating profit/(loss)	7	15,513	(14,009)
Finance income	8	94	107
Finance costs	8	(1,606)	(4,797)
Profit/(loss) before income tax		14,001	(18,699)
Income tax	9	(6,320)	(4,179)
Profit/(loss) for the period		7,681	(22,878)
Profit/(loss) attributable to:			
Equity holders of the Company		7,513	(24,579)
Non-controlling interests		168	1,701
		7,681	(22,878)
Dividends	10	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	11	2.03	(6.66)
– Diluted	11	2.03	(6.66)

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2009

	Unaudited Six months ended 31st December	
	2009 HK\$'000	2008 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
<hr style="border-top: 1px dashed #000;"/>		
Total comprehensive income for the period	7,682	(22,459)
<hr style="border-top: 3px double #000;"/>		
Total comprehensive income attributable to:		
Equity holders of the Company	7,514	(24,160)
Non-controlling interests	168	1,701
<hr style="border-top: 3px double #000;"/>		
	7,682	(22,459)
<hr style="border-top: 3px double #000;"/>		

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2009

	Note	Unaudited 31st December 2009 HK\$'000	Audited 30th June 2009 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	120,294	97,991
Leasehold land and land use rights	12	20,767	15,998
Investment properties	12	27,307	25,430
Intangible assets	12	—	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	13	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	16	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

CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

AS AT 31ST DECEMBER 2009

	Note	Unaudited 31st December 2009 HK\$'000	Audited 30th June 2009 HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term bank loans	15	18,000	—
Obligations under finance leases	15	466	693
Deferred tax liabilities		4,379	4,155
		22,845	4,848
Current liabilities			
Trade payables	14	65,281	63,962
Other payables and deposits received		7,305	5,767
Accruals		11,833	9,893
Long-term bank loans – current portion	15	4,800	—
Obligations under finance leases - current portion	15	1,091	2,047
Short-term bank borrowings	15	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

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2009

	Unaudited Attributable to equity holders of the Company									
	Other reserves						Retained earnings	Proposed dividends	Non- controlling 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				
At 1st July 2009	36,920	62,466	292	408	2,115	42,445	232,229	—	19,348	396,223
Comprehensive income										
Profit for the period	—	—	—	—	—	—	7,513	—	168	7,681
Other comprehensive income										
Revaluation gain of property, plant and equipment and leasehold land and land use rights on transfer to investment properties	—	—	—	—	1	—	—	—	—	1
Total comprehensive income	—	—	—	—	1	—	7,513	—	168	7,682
Transactions with owners										
Employee share options scheme: - value of employee services	—	—	59	—	—	—	—	—	—	59
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(1,093)	(1,093)
2009/2010 interim dividend	—	—	—	—	—	—	(3,692)	3,692	—	—
Total transactions with owners	—	—	59	—	—	—	(3,692)	3,692	(1,093)	(1,034)
At 31st December 2009	36,920	62,466	351	408	2,116	42,445	236,050	3,692	18,423	402,871

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

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2009

	Unaudited Attributable to equity holders of the Company										
	Other reserves							Retained earnings	Proposed dividends	Non- controlling interests	Total
	Share capital	Share premium	Share option reserve	Capital reserve	Revaluation reserve	Exchange fluctuation reserve	HKS'000				
At 1st July 2008	36,920	62,466	6,475	408	2,115	42,026	246,605	3,692	17,397	418,104	
Comprehensive income (Loss)/ profit for the period	—	—	—	—	—	—	(24,579)	—	1,701	(22,878)	
Other comprehensive income											
Release on liquidation of a subsidiary	—	—	—	—	—	419	—	—	—	419	
Total comprehensive income	—	—	—	—	—	419	(24,579)	—	1,701	(22,459)	
Transactions with owners											
Employee share options scheme:											
- value of employee services	—	—	122	—	—	—	—	—	—	122	
2007/2008 final dividend	—	—	—	—	—	—	—	(3,692)	—	(3,692)	
Total transactions with owners	—	—	122	—	—	—	—	(3,692)	—	(3,570)	
At 31st December 2008	36,920	62,466	6,597	408	2,115	42,445	222,026	—	19,098	392,075	

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2009

	Unaudited Six months ended 31st December	
	2009 HK\$'000	2008 HK\$'000
Net cash (used in)/generated from operating activities	(2,435)	37,271
Net cash used in investing activities	(34,161)	(3,146)
Net cash generated from/(used in) financing activities	50,959	(35,698)
Increase/(decrease) in cash and cash equivalents	14,363	(1,573)
Cash and cash equivalents at 1st July	90,652	78,882
Cash and cash equivalents at 31st December	105,015	77,309
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	105,015	77,309

The notes on pages 9 to 26 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 the 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 Hong Kong dollars, unless otherwise stated, and has been approved for issue by the Board of Directors on 25th February 2010.

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 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”).

This 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 Hong Kong Financial Reporting Standards (“HKFRS”).

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

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 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.

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

3 Accounting policies (Cont'd)

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

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

3 Accounting policies (Cont'd)

- (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.

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

4 Turnover and segment information

	Unaudited Six months ended 31st December	
	2009 HK\$'000	2008 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.

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

4 Turnover and segment information (Cont'd)

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

	Trading HK\$'000	Colorants HK\$'000	Unaudited Engineering plastics HK\$'000	Others HK\$'000	Group 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

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

4 Turnover and segment information (Cont'd)

	Trading HK\$'000	Colorants HK\$'000	Unaudited Engineering plastics HK\$'000	Others HK\$'000	Group HK\$'000
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 HK\$'000	Colorants HK\$'000	Unaudited Engineering plastics HK\$'000	Others HK\$'000	Group 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

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

4 Turnover and segment information (Cont'd)

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

	Trading HK\$'000	Colorants HK\$'000	Unaudited Engineering plastics HK\$'000	Others HK\$'000	Group 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

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

4 Turnover and segment information (Cont'd)

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

	Trading HK\$'000	Colorants HK\$'000	Audited Engineering plastics HK\$'000	Others HK\$'000	Group 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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)**5 Other income**

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

6 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)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)**7 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)**8 Finance income and costs**

	Unaudited Six months ended 31st December	
	2009 HK\$'000	2008 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)

9 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 HK\$'000	2008 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

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

10 Dividends

At a meeting held on 25th February 2010, the Directors recommended an interim dividend for the six months ended 31st December 2009 of HK 1.0 cent per share, totalling HK\$3,692,000. The dividend is not reflected as an appropriation of retained earnings for the six months ended 31 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.

11 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.

12 Capital expenditure

	Property, plant and equipment HK\$'000	Unaudited Leasehold land and land use rights HK\$'000	Investment properties HK\$'000	Intangible assets HK\$'000
Opening net book amount as at 1st July 2009	97,991	15,998	25,430	2,400
Transfer to investment properties	(818)	(1,058)	1,877	—
Additions	30,976	6,086	—	—
Disposals	(627)	—	—	—
Depreciation/amortisation (Note 7)	(7,228)	(259)	—	(400)
Impairment	—	—	—	(2,000)
Closing net book amount as at 31st December 2009	120,294	20,767	27,307	—
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

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 2009 HK\$'000	Audited 30th June 2009 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 remaining amounts 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.

14 Trade payables

The aging analysis of trade payables is as follows:

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

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

	Unaudited 31st December 2009 HK\$'000	Audited 30th June 2009 HK\$'000
Non-current borrowings		
Long-term bank loans - secured	22,800	—
Less: Current portion of long-term bank loans	(4,800)	—
	18,000	—
Obligations under finance leases	1,557	2,740
Less: Obligation under finance lease – current portion	(1,091)	(2,047)
	466	693
	18,466	693
Current borrowings		
Short-term bank loans – secured	31,861	40,987
Trust receipt loans – secured	99,057	55,469
Bank advances for discounted bills	—	2,515
	130,918	98,971
Current portion of long-term bank loans	4,800	—
Obligations under finance leases – current portion	1,091	2,047
	136,809	101,018
Total borrowings	155,275	101,711

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

	Unaudited 31st December 2009 HK\$'000	Audited 30th June 2009 HK\$'000
Authorised:		
800,000,000 (30th June 2009: 800,000,000) ordinary shares of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
369,200,000 (30th June 2009: 369,200,000) ordinary shares of HK\$0.10 each	36,920	36,920

17 Commitments

(a) Capital commitments

	Unaudited 31st December 2009 HK\$'000	Audited 30th June 2009 HK\$'000
Property, plant and equipment and leasehold land and land use rights:		
Contracted but not provided for	6,717	32,656
Authorised but not contracted for	—	—
	6,717	32,656
Investment in a logistics project:		
Contracted but not provided for	—	—
Authorised but not contracted for	2,500	—
	2,500	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)**17 Commitments (Cont'd)**

(b) Commitments under operating leases

As at 31st December 2009, the Group had future aggregate minimum lease payments and receivables under non-cancellable operating leases as follows:

	Unaudited 31st December 2009 HK\$'000	Audited 30th June 2009 HK\$'000
Minimum lease payments:		
Not later than one year	7,870	7,250
Later than one year and not later than five years	4,961	6,908
Later than five years	143	207
	12,974	14,365
Minimum lease receivables:		
Not later than one year	1,569	1,417
Later than one year and not later than five years	80	642
	1,649	2,059

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)**17 Commitments (Cont'd)**

(c) Derivative financial instruments

At 31st December 2009, 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 2009 HK\$'000	Audited 30th June 2009 HK\$'000
Sell HK dollars for US dollars	721,500	1,107,600
Sell US dollars for HK dollars	397,800	195,000
Pay interest at fixed rates and receive interest at floating rates	85,000	85,000

18 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 2009 HK\$'000	2008 HK\$'000
Basic salaries, allowances and other benefits in kind	5,756	5,756
Pensions – defined contribution plans	407	392
	6,163	6,148

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 31st 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).

BUSINESS REVIEW AND PROSPECTS (Cont'd)

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.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

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.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

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.

Details of the Group's capital commitments are disclosed in Note 17(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 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.

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 2009 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	
Continuous contract employees	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
				1,500,000	—	—	1,500,000

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 2009, 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:

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	17,484,400	198,803,500(b)	—	—
Madam LIU Sau Lai	Long Positions	1,423,000	—	—	(c)

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 2009, are as follows:

Name of Directors	Number of shares	Percentage of holding
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%
	10,000	100.0%

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 2009, 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.

Name of Directors	Number of non-voting deferred shares held	
	Personal interests	Other interests
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 2009, 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 2009, 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 2009, 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 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