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NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER 2013

The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended	
		31st December	
	Note	2013	2012
		HK\$'000	HK\$'000
Revenue	3	942,371	923,897
Cost of sales		(839,880)	(838,293)
		<hr/>	<hr/>
Gross profit		102,491	85,604
Other income	4	2,413	1,841
Other gains, net	5	8,068	5,866
Distribution costs		(38,128)	(30,221)
Administrative expenses		(51,918)	(47,527)
		<hr/>	<hr/>
Operating profit	6	22,926	15,563
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Finance income	7	120	131
Finance costs	7	(4,645)	(5,835)
		<hr/>	<hr/>
Finance costs, net		(4,525)	(5,704)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Profit before income tax		18,401	9,859
Income tax expense	8	(7,744)	(3,920)
		<hr/>	<hr/>
Profit for the period		10,657	5,939
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		Unaudited	
		Six months ended	
		31st December	
	Note	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		10,118	4,594
Non-controlling interests		539	1,345
		<u>10,657</u>	<u>5,939</u>
Earnings per share for profit attributable			
to the equity holders of the Company during			
the period (expressed in HK cent per share)			
– Basic	10	<u>2.74</u>	<u>1.24</u>
– Diluted	10	<u>2.74</u>	<u>1.24</u>

Details of dividends payable to equity holders of the Company attributable to profit for the period are set out in Note 9.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended	
	31st December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	10,657	5,939
Other comprehensive income:		
<u>Item that will not be reclassified subsequently</u>		
<u>to income statement:</u>		
Revaluation gain of property, plant and equipment on transfer to investment properties, net of tax	—	1,893
Other comprehensive income for the period	—	1,893
Total comprehensive income for the period	10,657	7,832
Total comprehensive income attributable to:		
Equity holders of the Company	10,118	6,487
Non-controlling interests	539	1,345
	10,657	7,832

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 31st December 2013 <i>HK\$'000</i>	Audited 30th June 2013 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		135,331	139,285
Leasehold land and land use rights		22,582	22,939
Investment properties		76,325	76,325
Available-for-sale financial asset		1,730	1,730
Deferred tax assets		4,586	4,924
Prepayment for property, plant and equipment and renovation costs		5,278	2,991
		245,832	248,194
Current assets			
Inventories		282,669	301,442
Trade and bills receivables	11	277,519	318,411
Other receivables, prepayments and deposits		22,405	21,950
Tax recoverable		9	119
Derivative financial instruments		1,782	570
Cash and bank balances		109,211	112,082
		693,595	754,574
Total assets		939,427	1,002,768

	Note	Unaudited 31st December 2013 <i>HK\$'000</i>	Audited 30th June 2013 <i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		36,920	36,920
Share premium		62,466	62,466
Other reserves		81,619	81,619
Retained earnings		301,161	294,735
		<u>482,166</u>	475,740
Non-controlling interests		<u>21,081</u>	22,419
Total equity		<u>503,247</u>	498,159
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>4,435</u>	4,457
Current liabilities			
Trade payables	12	74,719	120,352
Other payables, deposits received and accruals		27,713	19,246
Bank borrowing		319,565	344,938
Derivative financial instruments		1,175	5,014
Tax payable		8,573	10,602
		<u>431,745</u>	500,152
Total liabilities		<u>436,180</u>	504,609
Total equity and liabilities		<u>939,427</u>	1,002,768
Net current assets		<u>261,850</u>	254,422
Total assets less current liabilities		<u>507,682</u>	502,616

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 31st December 2013 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30th June 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30th June 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

2 Accounting policies

Except as described below, the accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 30th June 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (a) The following new standards, amendments to standards and interpretation are mandatory for the Group’s financial year beginning 1st July 2013. The adoption of these new standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other entities: Transition Guidance
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Hong Kong International Financial Reporting Interpretations Committee (“HK (IFRIC)”) - Int 20	Stripping Costs in the Production Phase of a Surface Mine
HKFRSs (Amendment)	Annual Improvements 2009-2011 Cycle

- (b) The following new standard, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1st July 2013 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments ²
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions ¹
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK (IFRIC) - Int 21	Levies ¹
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date at HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ¹
HKFRSs (Amendment)	Annual Improvements 2010-2012 Cycle ¹
HKFRSs (Amendment)	Annual Improvements 2011-2013 Cycle ¹

¹ Effective for the Group for annual period beginning on 1st July 2014

² Effective for the Group for annual period beginning on 1st July 2015

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

3 Revenue and segment information

	Unaudited	
	Six months ended	
	31st December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of goods	941,501	923,055
Provision of logistics services	870	842
	<hr/>	<hr/>
	942,371	923,897
	<hr/> <hr/>	<hr/> <hr/>

The Group is principally engaged in the manufacturing and trading of plastic materials, pigments, colorants, compounded plastic resins and engineering plastic products.

The chief operating decision-maker (“CODM”) has been identified as the executive Directors of the Company. Management has determined the operating segments based on the reports reviewed by the CODM that are used to assess performance and allocate resources. The CODM considers the business from the operations nature and the type of products perspective, including the trading of plastic materials (“Trading”), manufacturing and sale of colorants, pigments and compounded plastic resins (“Colorants”), manufacturing and sale of engineering plastic products (“Engineering plastic”) and other corporate and business activities (“Others”).

Each of the Group’s operating segments represents a strategic business unit that is managed by different business unit leaders. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Information provided to the CODM is measured in a manner consistent with that in the condensed consolidated interim financial information.

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

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

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

	Trading	Colorants	Unaudited Engineering plastic	Others	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	417,813	278,371	154,115	89,128	<u>939,427</u>
Total assets					<u><u>939,427</u></u>
Segment liabilities	72,433	22,612	16,583	4,987	116,615
Borrowings	263,920	20,127	31,395	4,123	<u>319,565</u>
Total liabilities					<u><u>436,180</u></u>

The segment information provided to the CODM for the reportable segments for the six months ended 31st December 2012 is as follows:

	Trading <i>HK\$'000</i>	Colorants <i>HK\$'000</i>	Unaudited Engineering plastic <i>HK\$'000</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i> (Restated)
Turnover					
– Gross revenue	651,330	213,986	106,462	1,231	973,009
– Inter-segment revenue	<u>(45,867)</u>	<u>(2,411)</u>	<u>(834)</u>	<u>—</u>	<u>(49,112)</u>
Revenue from external customers	<u>605,463</u>	<u>211,575</u>	<u>105,628</u>	<u>1,231</u>	<u>923,897</u>
Segment results	<u>(15,767)</u>	<u>26,522</u>	<u>7,023</u>	<u>(2,215)</u>	15,563
Finance income	30	94	7	—	131
Finance costs	<u>(3,817)</u>	<u>(946)</u>	<u>(1,020)</u>	<u>(52)</u>	<u>(5,835)</u>
(Loss)/profit before income tax	(19,554)	25,670	6,010	(2,267)	9,859
Income tax expense					<u>(3,920)</u>
Profit for the period					5,939
Non-controlling interests					<u>(1,345)</u>
Profit attributable to equity holders of the Company					<u>4,594</u>
Other information:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	9,338	3,686	1,494	28	14,546
Depreciation of property, plant and equipment	241	3,656	4,225	600	8,722
Amortisation of leasehold land and land use rights	77	101	15	39	232
Provision for/(reversal of) impairment of inventories	1,418	(176)	(45)	—	1,197
Unrealised fair value gain on derivative financial instruments	<u>(1,753)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,753)</u>

The segment information provided to the CODM for the reportable segments as at 30th June 2013 is as follows:

	Trading	Colorants	Audited Engineering plastic	Others	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	460,648	292,030	160,658	89,432	<u>1,002,768</u>
Total assets					<u><u>1,002,768</u></u>
Segment liabilities	105,589	30,702	17,748	5,632	159,671
Borrowings	281,813	20,127	39,323	3,675	<u>344,938</u>
Total liabilities					<u><u>504,609</u></u>

The entity is domiciled in Hong Kong. The revenue from external customers attributed to Hong Kong for the six months ended 31st December 2013 is approximately HK\$482,724,000 (2012: HK\$500,173,000) and the total of its revenue from external customers from other locations (mainly the People's Republic of China ("PRC")) is approximately HK\$459,647,000 (2012: HK\$423,724,000).

At 31st December 2013, 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\$134,934,000 (At 30th June 2013: HK\$139,646,000), and the total of these non-current assets located in other locations (mainly the PRC) is approximately HK\$104,582,000 (At 30th June 2013: HK\$101,894,000).

4 Other income

	Unaudited	
	Six months ended	
	31st December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	<u>2,413</u>	<u>1,841</u>

5 Other gains, net

	Unaudited	
	Six months ended	
	31st December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net exchange (losses)/gains	(234)	1,518
Loss on disposal of property, plant and equipment	(50)	(38)
Loss on disposal of a subsidiary	(32)	—
Derivative financial instruments		
– forward foreign exchange contracts held for trading		
– unrealised	5,051	1,753
– realised	2,991	2,356
Others	342	277
	<u>8,068</u>	<u>5,866</u>

6 Operating profit

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

	Unaudited	
	Six months ended	
	31st December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories recognised as expenses		
included in cost of sales	803,635	801,394
Depreciation of property, plant and equipment	8,322	8,722
Amortisation of leasehold land and land use rights	357	232
Operating lease rentals in respect of land and buildings	3,779	3,540
Employee benefit expenses, including Directors' emoluments	58,213	52,017
Reversal of provision for impairment of trade receivables	(8)	—
(Reversal of)/provision for impairment of inventories	(980)	1,197
Loss on disposal of property, plant and equipment	50	38
	<u>50</u>	<u>38</u>

7 Finance income and costs

	Unaudited	
	Six months ended	
	31st December	
	2013	2012
	HK\$'000	HK\$'000
Finance income:		
– Interest income from bank deposits	120	131
	-----	-----
Finance costs:		
– Interest on bank borrowings wholly repayable within five years	(5,932)	(5,403)
– Net exchange gains/(losses) on financing activities	1,287	(432)
	-----	-----
	(4,645)	(5,835)
	-----	-----
Finance costs, net	<u>(4,525)</u>	<u>(5,704)</u>

8 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (31st December 2012: 16.5%) on the estimated assessable profit for the period. Income tax on the Group's subsidiaries established and operate in the PRC has been calculated on the estimated assessable profit for the period at the rates of taxation as applicable to the relevant subsidiaries.

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

	Unaudited	
	Six months ended	
	31st December	
	2013	2012
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,208	1,371
– PRC corporate income tax	6,220	3,113
– Under-provision in previous years	—	313
Deferred income tax	316	(877)
	-----	-----
	7,744	3,920
	-----	-----

9 Dividends

At a meeting held on 27th February 2014, the Directors declared an interim dividend of HK1.0 cent per share, totalling HK\$3,692,000 for the six months ended 31st December 2013. This dividend is not reflected as dividend payable in the interim financial information, but will be reflected as appropriation of retained earnings for the year ending 30th June 2014.

At a meeting held on 26th September 2013, the Directors declared a final dividend of HK1.0 cent per share, totalling HK\$3,692,000, which was paid during the period ended 31st December 2013, and has been reflected as an appropriation of retained earnings for the period ended 31st December 2013.

At a meeting held on 25th February 2013, the Directors declared an interim dividend of HK1.0 cent per share, totalling HK\$3,692,000 for the six months ended 31st December 2012, which was paid during the year ended 30th June 2013, and has been reflected as an appropriation of retained earnings for the year ended 30th June 2013.

10 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$10,118,000 (31st December 2012: HK\$4,594,000) and 369,200,000 (31st December 2012: 369,200,000) ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares arising from the company's share options. Dilutive earnings per share for the periods ended 31 December 2013 and 2012 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

11 Trade and bills receivables

	Unaudited 31st December 2013 HK\$'000	Audited 30th June 2013 HK\$'000
Trade receivables	268,319	303,348
Less: provision for impairment of receivables	(3,387)	(3,395)
	264,932	299,953
Bills receivables	12,587	18,458
	277,519	318,411

At 31st December 2013, the aging analysis of trade receivables, based on invoice date, is as follows:

	Unaudited 31st December 2013 HK\$'000	Audited 30th June 2013 HK\$'000
Below 90 days	247,416	285,099
91-180 days	14,116	9,406
Over 180 days	6,787	8,843
	268,319	303,348

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

Bill receivables are mainly with maturity period of within 180 days.

At 31st December 2013, there has been no bills of exchange (30th June 2013: HK\$2,320,000) transferred to banks with recourse in exchange for cash. The transactions had been accounted for as collateralised bank advances.

12 Trade payables

At 31st December 2013, the aging analysis of trade payables, based on invoice date, is as follows:

	Unaudited 31st December 2013 HK\$'000	Audited 30th June 2013 HK\$'000
Below 90 days	73,799	118,716
91-180 days	65	722
Over 180 days	855	914
	74,719	120,352

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 2013 to members whose names appear on the Register of Members on 21st March 2014. The dividend will be paid on or before 2nd April 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 19th March 2014 to Friday, 21st March 2014 (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 Registrar 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, 18th March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group's business grew steadily as it strived to expand within the People's Republic of China (the "PRC") market and continued to explore opportunities for collaboration with international brands. For the six months ended 31st December 2013, riding on the momentum in the first half of 2013, the Group's total turnover increased by 2% from HK\$923,897,000 to HK\$942,371,000. In Mainland China, stable economic growth remains the main development direction after the smooth transition of government leadership in the PRC. Thus government policies have helped stimulate domestic demand, in turn facilitating the Group's business expansion in Mainland China.

During the period, benefitting from stable prices of oil and plastic materials, the Group was able to better manage product pricing, which led to the increase in gross profit by 20% to HK\$102,491,000 (2012: HK\$85,604,000). Gross profit margin was maintained at 10.9%. Taking into account the net gains on forward foreign exchange contracts, coupled with the Group's enhanced operational efficiency, the Group has recorded a profit attributable to equity holders more than doubling to HK\$10,118,000 (2012: HK\$4,594,000). Basic earnings per share also increased from HK1.24 cents in 2012 to HK2.74 cents.

To reward shareholders for their ongoing support, the Board of Directors recommends the payment of an interim dividend of HK1.0 cent per share (2012: HK1.0 cent per share).

During the period, colorants, pigments and compounded plastic resin business segment performed the best among the Group's three major business segments. Turnover was recorded at HK\$196,442,000. In Eastern China, on one hand, the Group's Shanghai subsidiary showed the most outstanding performance as it has maintained good collaboration with customers in the food packaging and automobile sectors. On the other hand, its cooperation with international personal healthcare and toy brands has also generated considerable profit. In Southern China, the Group's Dongguan subsidiary has secured new customers in local and overseas markets while expanding its sales network. In light of the Group's efforts to maintain stringent cost control and implement measures to achieve economies of scale, its gross profit margin increased by three percentage points and profit before taxation increased by 33% from HK\$25,670,000 last year to HK\$34,163,000. As this business is mainly arising in Mainland China, by leveraging the strong domestic market demand from Mainland residents, the Group believes that it will become one of its main business growth drivers.

As for the engineering plastics business, its main customers are European and US export customers and the economy in these regions has yet to recover completely, thus there is still scope for improved market demand. Compared with the corresponding period last year, turnover dropped slightly by 5% to HK\$100,614,000 while profit before taxation was HK\$3,848,000. In addition, the Group transformed its business during the period to directly export its plastic materials to the European and US markets in order to capture the generally higher gross profit generated from the local engineering plastics users. As a result, the Group recorded a gross profit margin level from this business segment similar to that of the same period last year. As the Group needed time to establish sales networks and invest in research and development during the initial business transformation, the new export business has not yet brought profit contribution to the Group during the period under review. Nevertheless, the Group believes that the full operations of the new production lines in Shanghai, the gradual business transformation and the continuous expansion of the customer base in Southern and Eastern China can deliver improved segment business performance in the future.

In the plastics trading business, the export markets in Europe and the US are in the course of reviving. However, as the Group continued to expand in the Mainland China market, its total turnover still grew by 6% to HK\$644,223,000, and gross profit also improved one percentage point along with the increase in turnover. Loss attributable to equity holders also narrowed from HK\$19,554,000 in the same period last year to HK\$17,446,000. During the period, the Group's business in Mainland China recorded satisfactory performance, particularly in Northern China. The new sales office in Tianjin generated satisfactory sales exceeding HK\$10,000,000 during the period. Also in Southern and Eastern China, sales from the Guangzhou and Shanghai offices grew by more than 10%. In Northwestern China, the Chongqing sales office which started operation in the first half of 2013 has been progressing well and is expected to contribute profit to the Group in the near future. Looking ahead, the Group will continue to steadily develop markets with strong potential elsewhere in China and tap the strong demand there with a more comprehensive sales network. The Group will also continue to develop more new products. On top of automobile parts, it will expand its product range into covering automobile applications technology, such as sound proof and heat insulation materials as well as intake manifold and exhaust pipe. A greater product variety will enable the Group to enhance its income sources, thus reducing the reliance on markets for specific products.

PROSPECTS

The management remains cautiously optimistic about the global economy, expecting tapering measures of quantitative easing by the US Government will proceed in an orderly way, which will help to stabilise the export market. As for the Mainland China market, after the smooth transition of government leadership in PRC, maintaining a stable economy and boosting the growth in domestic demand appear to have become the main development directions in national policies.

The management believes that the prices of raw materials and oil will remain stable, which will benefit the Group's pricing strategy and maintain overall profitability. Looking ahead, the Group's development objectives still aim to capture the opportunities in Mainland China and expand its domestic market there.

At the same time, the Group will invest more resources on negotiating direct partnership opportunities with overseas customers, exporting plastic products to them without intermediaries. As these global customers generally bring higher gross profit margins, this direction can help the Group improve its profitability and create more new business channels. For the colorants, pigment and compounded plastic resin business segment, the Group will be negotiating and collaborating with internationally leading beverage brands. As these brands usually have production facilities around the world and a strong demand for the Group's products, the cooperation facilitates exporting its products to overseas markets.

As for cost control, according to the Ministry of Human Resources and Social Security of the PRC, minimum wage grew by about 17% in average during 2013. Thus, higher labour costs have become one of the challenges for the Group's operations. However, the management has confidence in controlling the cost by implementing proven polices to streamline its business and allocating resources which has been in place for years.

In addition, a majority of the Group's plants and offices are self-owned properties. This has given the Group a stronger cost advantage over its peers amid an operating environment with persistent rising rent. In the future, the Group intends to maintain its prudent financial management strategy to sustain its stable financial position which complements its long-term development.

In the long term, the management's strategy will be for the Group to continue to gradually increase its resource investment in the Mainland China market with the aim to capture the opportunities arising from increasing local market demand. The Group will also ride on its premium product quality, create new channels for exporting its products directly through collaborating with international brands and expanding its sales network. By adhering to the practical management principles successfully implemented over years, the management will accelerate business expansion both in the PRC and overseas markets while enhancing the brand awareness of Ngai Hing Hong. By so doing the Group will increase its overall market share, lead its business to new heights and generate satisfactory returns for shareholders.

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 2013, the Group has available aggregate bank loan facilities of approximately HK\$598,543,000 of which HK\$325,632,000 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 2013 amounted to approximately HK\$109,211,000. The Group's gearing ratio as at 31st December 2013 was approximately 66.3%, based on the total bank borrowings of approximately HK\$319,565,000 and the shareholders' funds of approximately HK\$482,166,000.

FOREIGN EXCHANGE RISK

The Group's bank borrowings and cash and cash equivalents are primarily denominated in Hong Kong dollars, Renminbi and US dollars. The Group's purchases were principally denominated in US dollars. The Group closely monitors currency fluctuations and manages its exchange risk by entering into forward exchange contracts from time to time.

As at 31st December 2013, the Group had outstanding forward foreign exchange contracts mainly to sell/purchase US dollars and purchase Renminbi. The maximum notional principal amounts of these outstanding forward foreign exchange contracts at 31st December 2013 were as follows:

	2013
	<i>HK\$'000</i>
Sell HK dollars for US dollars	1,887,600
Sell US dollars for HK dollars	7,800
Sell US dollars for Renminbi	<u>1,088,100</u>

EMPLOYEE INFORMATION

As at 31st December 2013, the Group employed a total of approximately 706 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group has an incentive scheme which is geared to the profit of the Group and the performance of its employees, as an incentive to motivate its employees to increase their contribution to the Group. The Group also provides social and medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Having made specific enquiry to all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the period.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to the establishment of good corporate governance practices and procedures which serve as an important element of risk management throughout the growth and expansion of the Company. The Company emphasises on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Company has complied with all the applicable code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the "CG Code") throughout the six months ended 31st December 2013, except for the deviation as mentioned below.

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Up to the date of this interim report, the Board has not appointed any individual to be the chief executive. The roles of the chief executive have been performed collectively by all the executive directors, including the chairman, of the Company. The Board considers that this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies. Going forward, the Board will periodically review the effectiveness of this arrangement and considers appointing an individual to chief executive when it thinks appropriate.

For the purpose of further enhancing the internal control systems, the Company has engaged an external consultant to carry out an on-going project to conduct independent internal review and to evaluate major operations of the Group. The Board of Directors has reviewed the effectiveness of the system of internal control of the Company and its subsidiaries with no material issues noted.

NOMINATION COMMITTEE

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

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

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 31st December 2013 with the Directors.

REMUNERATION COMMITTEE

The Company has formulated written terms of reference for the remuneration committee of the Company (the “Remuneration Committee”) in accordance with the requirements of the Stock Exchange. The Remuneration Committee consists of three independent non-executive Directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung and Mr CHING Yu Lung and an executive Director, Mr HUI Sai Chung.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and making recommendations to the Board on the remuneration packages of the individual executive Director and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives.

CORPORATE GOVERNANCE COMMITTEE

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

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

On behalf of the Board

HUI Sai Chung

Chairman

Hong Kong, 27th February 2014

As at the date of this announcement, the Board of Directors comprises six Executive Directors, namely Mr HUI Sai Chung (Chairman), Mr HUI Kwok Kwong, Dr WONG Chi Ying, Anthony, Mr LAI Kam Wah, Madam LIU Sau Lai and Mr NG Chi Ming and three Independent Non-executive Directors, namely Mr HO Wai Chi, Paul, Mr CHAN Dit Lung and Mr CHING Yu Lung.