



GREENFIELD CHEMICAL HOLDINGS LIMITED

嘉輝化工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 582)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

RESULTS

The Board of Directors (“Directors”) of Greenfield Chemical Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007 together with the comparative figures which have been prepared on the basis described as below.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June,	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue		138,740	135,557
Cost of sales		(118,874)	(104,364)
Gross profit		19,866	31,193
Other income		6,531	3,482
Distribution costs		(4,554)	(5,168)
Administrative expenses		(15,050)	(19,010)
Share of profits of associates		6,789	8,146
Profit before taxation	4	13,582	18,643
Taxation	5	(1,895)	(1,541)
Profit for the period		11,687	17,102
Attributable to:			
– Equity holders of the Company		11,811	17,102
– Minority interests		(124)	–
		11,687	17,102
Dividends	6	15,000	20,000
Earnings per share, basic	7	HK4.7 cents	HK6.8 cents

* For identification purposes only

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June, 2007 (Unaudited) HK\$'000	At 31st December, 2006 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	71,609	70,418
Prepaid lease payments		8,181	8,082
Interests in associates		49,351	42,024
Available-for-sale investments		10	10
Deposits for acquisition of property, plant and equipment		—	1,294
Deferred tax assets		25	25
		129,176	121,853
Current assets			
Prepaid lease payments		208	203
Inventories		30,638	33,110
Advance to an associate		15,000	15,000
Trade and other receivables	9	87,437	82,753
Dividend receivable from an associate		3,600	6,300
Tax recoverable		1,644	3,053
Bank balances and cash		40,293	47,212
		178,820	187,631
Current liabilities			
Trade and other payables	10	38,684	37,546
Deferred income		1,598	3,195
Amount due to a related company		33	133
		40,315	40,874
Net current assets		138,505	146,757
		267,681	268,610
Capital and reserves			
Share capital		25,000	25,000
Reserves		242,794	243,610
Equity attributable to equity holders of the Company		267,794	268,610
Minority interest		(113)	—
		267,681	268,610

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2006.

In the current period, the Group has applied, for the first time, a new standard, amendment and interpretations (“new HKFRS”) issued by the HKICPA, which are effective for accounting periods beginning on 1st January, 2007. The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st March, 2007

³ Effective for annual periods beginning on or after 1st January, 2008

3. SEGMENTAL INFORMATION

The Group is principally engaged in manufacturing and trading of liquid coatings, powder coatings and solvents which are subject to the same risks and returns and which accounts for more than 90% of the revenue and profit of the Group for the current and prior periods. Accordingly, no business segment is presented.

The Group operates mainly in the People’s Republic of China (“PRC”). Accordingly, no geographical segment is presented.

4. PROFIT BEFORE TAXATION

	For the six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	103	99
Depreciation of property, plant and equipment	5,040	4,636
Loss on disposal of property, plant and equipment	127	36
Share of taxation of associates (included in share of profits of associates)	1,767	—
and after crediting:		
Interest income on:		
Bank deposits	515	563
Advance to associates	668	660

5. TAXATION

	For the six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,801	1,418
PRC Enterprise Income Tax	94	—
	1,895	1,418
Deferred taxation	—	123
	1,895	1,541

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the current and prior periods.

Pursuant to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are entitled to exemption from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. These subsidiaries continue to enjoy their tax holiday during the period. The tax holiday will expire by December 2007.

During the year ended 31st December, 2006, the Inland Revenue Department issued additional assessments to an indirect wholly-owned subsidiary of the Company disallowing its offshore claim in respect of its production activities for years of assessment 2002/03, 2003/04, 2004/05 and 2005/06 in aggregate of approximately HK\$11,001,000. The Group had purchased tax reserve certificates totalling HK\$11,001,000 and an amount of HK\$10,000,000 was recognized as income tax expense against the tax reserve certificates, with the remaining amount of tax reserve certificates of HK\$1,001,000 included in tax recoverable as at 31st December, 2006 and 30th June, 2007. In the opinion of the Directors, the ultimate outcome of the tax inquiries remains undetermined and the Group will continue to defend vigorously against the additional assessments.

6. DIVIDENDS

	For the six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Dividends paid during the period:		
2006 Final – HK3 cents (2006: 2005 Final – HK3 cents) per ordinary share	7,500	7,500
2006 Special – HK3 cents (2006: 2005 Special – HK5 cents) per ordinary share	7,500	12,500
	<u>15,000</u>	<u>20,000</u>

The Directors of the Company have resolved to declare an interim dividend of HK2.5 cents (six months ended 30th June, 2006: HK3 cents) per share for the period. The interim dividend will be payable on 18th October, 2007 to shareholders whose names appear on the register of members of the Company on 12th October, 2007.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit for the period of HK\$11,811,000 (six months ended 30th June, 2006: HK\$17,102,000) and on 250,000,000 shares (six months ended 30th June, 2006: 250,000,000 shares) in issue throughout the period.

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares in issue at any time during the period.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$5,447,000 on acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	At 30th June, 2007 HK\$'000	At 31st December, 2006 HK\$'000
Trade receivables from third parties	73,671	66,779
Trade receivables from associates	9,387	14,492
Other receivables	4,379	1,482
	<u>87,437</u>	<u>82,753</u>

The Group allows a credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet dates:

	Trade receivables from third parties		Trade receivables from associates	
	At 30th June, 2007 HK\$'000	At 31st December, 2006 HK\$'000	At 30th June, 2007 HK\$'000	At 31st December, 2006 HK\$'000
0 – 30 days	24,576	18,841	5,848	12,571
31 – 60 days	22,812	19,517	1,542	1,310
61 – 90 days	15,733	15,223	1,997	274
Over 90 days	10,550	13,198	–	337
	<u>73,671</u>	<u>66,779</u>	<u>9,387</u>	<u>14,492</u>

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$33,420,000 (31st December, 2006: HK\$27,651,000).

The following is an aged analysis of trade payables at the balance sheet dates:

	At 30th June, 2007 HK\$'000	At 31st December, 2006 HK\$'000
0 – 30 days	23,588	16,657
31 – 60 days	7,565	8,862
61 – 90 days	2,049	1,688
Over 90 days	218	444
	<u>33,420</u>	<u>27,651</u>

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10th October, 2007 to 12th October, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend of HK2.5 cents per share, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 9th October, 2007. Dividend warrants will be dispatched on 18th October, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th June, 2007, the Group had a turnover of HK\$138,740,000, representing an increase of 2.3% from the corresponding period last year. The profit attributable to shareholders for the period was HK\$11,811,000, a decrease of 31% from HK\$17,102 000. Earnings per share decreased from HK6.8 cents for the same period last year to HK4.7 cents.

The increased turnover was mainly due to the expansion of business scope and the launch of newly developed products to the market. However, the growth of the turnover was unable to set off the effect caused by the high prices of raw materials and the rising operation costs in the period. We could only shift part of the rising prices of raw materials on to customers owing to the prevalent narrow profit margin of manufacturing industries themselves. Thus, the profit after taxation for the period decreased as compared with that of last year.

Facing similar challenges, the Group's associate company, Weilburger Manfield Limited, also recorded a decrease in profit after taxation. Thus, the Group's share of profits of associates in the period was HK\$6,789,000, representing a decrease of 16.7% from the corresponding period last year.

In order to eliminate the influence of the drop in the Group's business and gain an immediate financial return, the Company entered into an agreement with related parties on 30th July, 2007 to dispose of 49% interests in Rookwood Investments Limited, a major wholly-owned subsidiary of the Company, so as to obtain additional resources.

OUTLOOK

The core product of the Group is toy paints. The recent recalls of toys that exceeded the lead content limit by toy companies have positive effect on the Group. With a well-defined and reliable quality control process, our products have a long track record to have met the strictest quality assurance standards set by European and American countries. As a result, we won the confidence of customers and became one of their approved and preferred suppliers. This certainly would bring new opportunities to the Group. In accordance with the existing policy, the Group will keep on enhancing quality control and service and continuing to invest resources to enhance product quality. To achieve a win-win situation, the Group had taken measures to increase its brand value, as well as adding value to customers' products.

Changzhou Manfield Chemical Company Limited, a subsidiary of the Group established in Jiangsu Province, has come into operation which provides the Group with advantages in developing the Eastern China industrial paints market.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30th June, 2007, the Group had no borrowings outstanding. The Group has sufficient cash surplus to finance operation from internally generated cashflow. The Group maintained a satisfactory financial position derived from the steady growth of its business. As at 30th June, 2007, the Group had cash on hand of HK\$40,293,000 (31st December, 2006: HK\$47,212,000).

PLEDGE OF ASSETS

At 30th June, 2007, the Group pledged certain land and buildings in Hong Kong with a carrying value of approximately HK\$2,170,000 (31st December, 2006: HK\$2,204,000) to a bank to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

	At 30th June, 2007 HK\$'000	At 31 December, 2006 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>805</u>	<u>511</u>

POST BALANCE SHEET EVENT

On 30th July, 2007, the Company entered into a conditional agreement with certain connected persons of the Company in connection with the disposal of 49% equity interest in Rookwood Investments Limited (“Rookwood”) for a total consideration of HK\$122,500,000. Rookwood is the sole directly wholly-owned subsidiary of the Company which directly and indirectly holds the entire interest of other subsidiaries of the Company. Upon completion, Rookwood will remain as a 51% owned subsidiary of the Company. The transaction is subject to the approval of the Company’s independent shareholders. Details of the transaction are set out in a circular dated 31st August, 2007.

EXPOSURE TO FOREIGN EXCHANGE RISK

Business transactions of the Group are mainly denominated in Hong Kong dollars and Renminbi. Though the Group does not engage in any hedging contract, the Group’s exposure to foreign exchange risk is minimal. In view of the revaluation of the Renminbi during the period, the Group will monitor the situation closely and will introduce suitable hedging measures if there are any adverse changes.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2007, the Group had a workforce of about 1,200 full-time employees. They included management and administrative staff and production workers. Most were stationed in Mainland China, while the rest were in Hong Kong. The remuneration, promotion and salary increments of employees are assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2007.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30th June, 2007, except for the following deviations:

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a separate chairman and chief executive officer and Mr. Yuen Shu Wah currently assumes both roles. The Board believes that the vesting of the roles of chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies, as well as ensuring effective oversight of management. The Board also believes that the Company already has a strong corporate governance structure and as such the present structure is considered to be appropriate under the circumstances.

Code provisions A.4.1 and A.4.2

Code provisions A.4.1 and A.4.2 stipulate that (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a causal vacancy should be subject to election at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company does not fully comply with code provisions A.4.1 and A.4.2. The existing Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting.

The Board does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long-term interests of the Shareholders.

Pursuant to the Articles of Association of the Company, the Managing Director is not subject to rotation and the Directors are not subject to retirement by rotation at least once every three years. This constituted a deviation from code provision A.4.2. However, the Articles of Association requires one-third of the Directors (other than the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from the office by rotation at every annual general meeting. The Board believes that the continuity in office of the Managing Director is of considerable benefit to the Group in view of his leadership, vision and profound knowledge in the business conducted by the Group.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules for securities transaction by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended on 30th June, 2007.

AUDIT COMMITTEE

The Audit Committee comprises Mr. Lau Siu Ki, Kevin, Mr. Wu Wing Kit and Dr. Chui Hong Sheung, the Independent Non-Executive Directors of the Company. The Audit Committee reviews and supervises the Group’s financial reporting and internal control systems.

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and has discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended on 30th June, 2007.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Yuen Shu Wah, Mr. Ko Jack Lum and Mr. Ng Kai On as Executive Directors, Mr. Chung Tze Hien and Mr. Ng Seng Nam as Non-Executive Directors, Mr. Lau Siu Ki, Kevin, Mr. Wu Wing Kit and Dr. Chui Hong Sheung as Independent Non-Executive Directors.

By Order of the Board
Yuen Shu Wah
Managing Director

Hong Kong, 17th September, 2007