



NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

interim report
06/07



CONTENTS

Condensed Consolidated Profit and Loss Account	2-3
Condensed Consolidated Balance Sheet	4-5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Cash Flow Statement	7
Notes to Condensed Interim Accounts	8-19
Interim Dividend	20
Closure of Register of Members	20
Business Review and Prospects	20-22
Liquidity and Financial Resources	22
Foreign Exchange Risk	23
Employee Information	23
Purchase, Sale and Redemption of the Company's Listed Securities	23
Share Options	24-26
Director's and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation	27-29
Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company	30
Compliance with the Model Code for Securities Transactions by Directors	30
Corporate Governance Practice	30-31
Audit Committee	31
Remuneration Committee	32

The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) is pleased to present the unaudited condensed interim accounts of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2006 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2006

	Note	Unaudited Six months ended 31st December	
		2006 HK\$'000	2005 HK\$'000
Turnover	4	691,129	710,128
Cost of sales		(622,343)	(647,357)
Gross profit		68,786	62,771
Other gains		766	815
Distribution costs		(21,559)	(18,196)
Administrative expenses		(34,297)	(34,144)
Operating profit	5	13,696	11,246
Finance costs	6	(4,472)	(5,058)
Profit before taxation		9,224	6,188
Taxation	7	(2,871)	(582)
Profit for the period		6,353	5,606

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (Cont'd)

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2006

		Unaudited	
		Six months ended	
		31st December	
	Note	2006	2005
		HK\$'000	HK\$'000
Attributable to:			
Equity holders of the Company		7,366	5,011
Minority interests		(1,013)	595
		6,353	5,606
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic	8	HK cents 2.05	HK cents 1.39
– Diluted	8	HK cents 2.05	HK cents 1.39
Dividends	9	3,600	3,600

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2006

	Note	Unaudited 31st December 2006 HK\$'000	Audited 30th June 2006 HK\$'000
Non-current assets			
Property, plant and equipment	10	109,007	114,285
Investment properties	10	12,260	12,260
Leasehold land and land use rights	10	16,191	16,177
Deferred tax assets		2,156	2,056
		139,614	144,778
Current assets			
Inventories		176,767	142,560
Trade and bills receivables	11	277,914	281,389
Other receivables, prepayments and deposits		17,947	14,635
Assets held for sale	14	29,876	—
Cash and cash equivalents		60,336	62,187
		562,840	500,771
Current liabilities			
Trade payables	12	100,284	93,856
Other payables and deposits received		26,407	7,232
Accruals		15,812	11,201
Taxation		4,196	5,588
Obligations under finance leases – current portion		6,676	7,699
Trust receipt loans - secured		127,204	103,649
Short-term bank loans - secured		47,160	50,155
Bank advances for discounted bills	11	5,516	4,549
Derivative financial instruments		1,287	27
		334,542	283,956
Net current assets		228,298	216,815
Total assets less current liabilities		367,912	361,593

CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

AS AT 31ST DECEMBER 2006

	Note	Unaudited 31st December 2006 HK\$'000	Audited 30th June 2006 HK\$'000
Non-current liabilities			
Obligations under finance leases		7,859	10,216
Deferred tax liabilities		4,016	3,129
		11,875	13,345
<hr style="border-top: 1px dashed black;"/>			
Net assets		356,037	348,248
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	36,000	36,000
Other reserves		80,873	75,722
Retained earnings		224,928	221,162
Proposed dividends	9	3,600	3,600
		345,401	336,484
Minority interests		10,636	11,764
Total equity		356,037	348,248

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 31ST DECEMBER 2006

Unaudited

	Attributable to equity holders of the Company							Total HK\$'000
	Other reserves					Retained earnings HK\$'000	Minority interests HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$' 000	Exchange				
				Capital reserve HK\$' 000	fluctuation reserve HK\$'000			
At 1st July 2006	36,000	57,611	7,777	408	9,926	224,762	11,764	348,248
Currency translation differences	—	—	—	—	5,084	—	—	5,084
Profit/(loss) for the period	—	—	—	—	—	7,366	(1,013)	6,353
Dividend paid to minority interests	—	—	—	—	—	—	(115)	(115)
Employees share options scheme: – value of employee services	—	—	67	—	—	—	—	67
2005/2006 final dividends paid	—	—	—	—	—	(3,600)	—	(3,600)
At 31st December 2006	36,000	57,611	7,844	408	15,010	228,528	10,636	356,037
At 1st July 2005	36,000	57,611	6,809	408	5,195	225,163	10,194	341,380
Currency translation differences	—	—	—	—	(56)	—	—	(56)
Profit for the period	—	—	—	—	—	5,011	595	5,606
Capital contribution by minority shareholders	—	—	—	—	—	—	800	800
Employees share options scheme: – value of employee services	—	—	583	—	—	—	—	583
2004/2005 final dividends paid	—	—	—	—	—	(3,600)	—	(3,600)
At 31st December 2005	36,000	57,611	7,392	408	5,139	226,574	11,589	344,713

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2006

	Unaudited Six months ended 31st December	
	2006 HK\$'000	2005 HK\$'000
Net cash (outflow)/inflow from operating activities	(8,992)	14,488
Net cash used in investing activities	(4,793)	(7,938)
Net cash generated from/(used in) financing activities	10,393	(14,868)
Decrease in cash and cash equivalents	(3,392)	(8,318)
Cash and cash equivalents at 1st July	62,187	55,019
Effect of foreign exchange rate changes	1,541	(56)
Cash and cash equivalents at 31st December	60,336	46,645
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	60,336	46,645

NOTES TO CONDENSED INTERIM ACCOUNTS

1 General information

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

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.

These condensed interim accounts are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. These condensed interim accounts have been approved for issue by the Board of Directors on 14th March 2007.

2 Basis of preparation

These unaudited condensed interim accounts for the half-year ended 31st December 2006 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed interim accounts should be read in conjunction with the annual report for the year ended 30th June 2006.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual report for the year ended 30th June 2006.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 30th June 2007.

- Amendment to HKAS 19, ‘Actuarial gains and losses, group plans and disclosures’, effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39, Amendment ‘The fair value option’, effective for annual periods beginning on or after 1st January 2006. This amendment does not have any impact on the classification and valuation of the Group’s financial instruments classified as at fair value through profit or loss prior to 1st January 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss;

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

3 Accounting policies (Cont'd)

- Amendment to HKAS 21, Amendment 'Net investment in a foreign operation', effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39, Amendment 'Cash flow hedge accounting of forecast intragroup transactions', effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39 and Hong Kong Financial Reporting Standard ("HKFRS") 4, Amendment 'Financial guarantee contracts', effective for annual periods beginning on or after 1st January 2006. This amendment has no material impact to the Group for the interim period;
- HKFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after 1st January 2006. This standard is not relevant for the Group;
- HK(IFRIC)-Int 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1st January 2006. This amendment has no material impact to the Group;
- HK(IFRIC)-Int 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after 1st January 2006. This interpretation is not relevant for the Group;
- HK(IFRIC)-Int 6, 'Liabilities arising from participating in a specific market - waste electrical and electronic equipment', effective for annual periods beginning on or after 1st December 2005. This interpretation is not relevant for the Group;
- HK(IFRIC)-Int 8, 'Scope of HKFRS 2', effective for annual periods beginning on or after 1st May 2006. This interpretation is not relevant for the Group; and
- HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1st June 2006. This interpretation is not relevant for the Group.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**4 Segment information**

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the trading and manufacturing of plastic materials, pigments, colorants, compounded plastic resins, engineering plastic products and PVC compounds.

An analysis of the Group's revenues and results for the six months ended 31st December 2006 by geographical segment is as follows:

	Unaudited			
	Hong Kong HK\$'000	The People's Republic of China excluding Hong Kong (the "PRC") HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover	685,715	203,811	(198,397)	691,129
Segment results	3,017	7,309		10,326
Unallocated costs				(1,102)
Profit before taxation				9,224
Taxation				(2,871)
Profit for the period				6,353

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)
4 Segment information (Cont'd)

The segment assets and liabilities at 31st December 2006 and other segment information for the six months then ended are as follows:

	Hong Kong HK\$'000	Unaudited The PRC HK\$'000	Group HK\$'000
Segment assets	442,912	257,031	699,943
Unallocated assets			2,511
Total assets			702,454
Segment liabilities	244,710	93,858	338,568
Unallocated liabilities			7,849
Total liabilities			346,417
Other information:			
Capital expenditure	4,087	3,633	7,720
Depreciation of property, plant and equipment	3,504	4,432	7,936
Amortisation of leasehold land and land use rights	129	82	211

An analysis of the Group's revenues and results for the six months ended 31st December 2005 by geographical segment is as follows:

	Hong Kong HK\$'000	Unaudited The PRC HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover	635,269	152,929	(78,070)	710,128
Segment results	8,942	(1,496)		7,446
Unallocated costs				(1,258)
Profit before taxation				6,188
Taxation				(582)
Profit for the period				5,606

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**4 Segment information (Cont'd)**

The segment assets and liabilities at 30th June 2006 and other segment information for the year then ended are as follows:

	Hong Kong HK\$'000	Audited The PRC HK\$'000	Group HK\$'000
Segment assets	407,134	236,104	643,238
Unallocated assets			2,311
Total assets			645,549
Segment liabilities	198,091	90,082	288,173
Unallocated liabilities			9,128
Total liabilities			297,301
Other information:			
Capital expenditure	5,430	5,113	10,543
Depreciation of property, plant and equipment	6,725	8,140	14,865
Amortisation of leasehold land and land use rights	260	155	415

Turnover and segment results are presented based on the operating locations of group companies. Unallocated costs represent corporate expenses.

All the Group's turnover and operating profit are attributable to the manufacturing and trading of plastic products and accordingly no analysis of the Group's turnover and contribution to operating profit by business segment is provided.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

5 Operating profit

Operating profit is stated after charging the following:

	Unaudited Six months ended 31st December	
	2006 HK\$'000	2005 HK\$'000
Depreciation:		
– Owned property, plant and equipment	5,838	5,379
– Leased equipment	2,098	1,975
Amortisation of leasehold land and land use rights	211	202
Fair value loss on derivative financial instruments		
– forward foreign exchange contracts: not qualifying as hedges	1,260	1,181
Employee share option expenses	67	583
	<hr/>	<hr/>

6 Finance costs

	Unaudited Six months ended 31st December	
	2006 HK\$'000	2005 HK\$'000
Interest on bank borrowings wholly repayable within five years	4,021	4,529
Interest element of finance leases	451	529
	<hr/>	<hr/>
	4,472	5,058
	<hr/>	<hr/>

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

7 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (31st December 2005: 17.5%) on the estimated assessable profit for the period. Taxation on profits of PRC subsidiaries has been calculated on the estimated assessable profit for the period at the rates of taxation as applicable to the local subsidiaries.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited Six months ended 31st December	
	2006 HK\$'000	2005 HK\$'000
Current taxation		
– Hong Kong profits tax	1,724	1,890
– The PRC income tax	359	166
Deferred taxation	788	(1,474)
	2,871	582

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$7,366,000 (31st December 2005: HK\$5,011,000) and 360,000,000 (31st December 2005: 360,000,000) ordinary shares in issue during the period. Dilutive earning per share is the same as basic earning per share as there was no dilutive potential share during the period. The outstanding share options were not included in the calculation of the diluted earnings per share as the exercise of these share options at the time would have an anti-dilutive effect.

9 Dividends

The Directors declare an interim dividend of HK 1.0 cent per share for the period (31st December 2005: HK 1.0 cent).

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)
10 Capital expenditure

	Property, plant and equipment HK\$'000	Unaudited Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Opening net book amount as at 1st July 2006	114,285	12,260	16,177
Additions	7,720	—	—
Disposals	(14)	—	—
Exchange differences	3,318	—	225
Depreciation/amortisation (<i>Note 5</i>)	(7,936)	—	(211)
Transfer to assets held for sale (<i>Note 14</i>)	(8,366)	—	—
Closing net book amount as at 31st December 2006	109,007	12,260	16,191

11 Trade and bills receivables

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

	Unaudited 31st December 2006 HK\$'000	Audited 30th June 2006 HK\$'000
Below 90 days	247,917	241,940
91-180 days	25,453	29,837
Over 180 days	4,544	9,612
	277,914	281,389

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.

Certain subsidiaries of the Group transferred certain bills of exchange amounting to approximately HK\$5,516,000 (30th June 2006: HK\$4,549,000) to banks with recourse in exchange for cash during the period. The transactions have been accounted for as collateralised bank advances.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)
12 Trade payables

The aging analysis of trade payables is as follows:

	Unaudited 31st December 2006 HK\$'000	Audited 30th June 2006 HK\$'000
Below 90 days	97,192	91,646
91-180 days	2,143	1,334
Over 180 days	949	876
	100,284	93,856

13 Share capital

	Unaudited 31st December 2006 HK\$'000	Audited 30th June 2006 HK\$'000
Authorised:		
800,000,000 (30th June 2006: 800,000,000) ordinary shares of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
360,000,000 (30th June 2006: 360,000,000) ordinary shares of HK\$0.10 each	36,000	36,000

14 Assets held for sale

Certain assets related to Ngai Hing PlastChem Company Limited, a subsidiary of the Group, have been presented as held for sale following the Board approval of the decision to dispose of these assets. The completion date for the transaction is expected to be in April 2007. These assets are a disposal group and an analysis of the disposal group is as follows:

	Unaudited 31st December 2006 HK\$'000
Assets held for sale:	
Property, plant and equipment	8,366
Inventory	8,484
Prepayment	334
Cash and cash equivalents	12,692
	29,876

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

15 Contingent liabilities

As at 31st December 2006, the Company and the Group had the following contingent liabilities:

- (a) Guarantee in respect of the due performance of a subsidiary under a contract manufacturing agreement to the extent of HK\$20,000,000 (30th June 2006: HK\$20,000,000);
- (b) Guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$455,294,000 (30th June 2006: HK\$410,294,000); and
- (c) In April 2003, a customer (the "Customer") issued a Writ of Summons in the High Court of the Hong Kong Special Administrative Region (the "Proceedings") against a subsidiary of the Company (the "Subsidiary") and filed a Statement of Claim in June 2003 claiming against the Subsidiary for US\$589,590.53 (the "Claim") for losses and damages alleged to have been suffered by the Customer as a result of alleged breach of contract entered into between the Customer and the Subsidiary for goods sold by the Subsidiary to the Customer (the "Goods"). On basis of independent legal advice, the Subsidiary has (i) filed a defence and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the company, which supplied the Goods to the Subsidiary for resale to the Customer (the "Third Party"). The Third Party has also taken out the Fourth Party Proceedings against the company, which supplied the Goods to the Third Party for resale to the Subsidiary. The trial of the Proceedings had completed on 27th September 2006 and the judgement has yet to be delivered. Counsel for the Subsidiary has advised that the likely outcome of the Proceedings would be the Subsidiary either succeeds in defending the Claim and obtaining judgement on its counterclaim or if the Claim shall succeed, being indemnified by the Third Party. In such circumstances, the Directors are of the view that the Subsidiary is unlikely to suffer any loss for the Claim, therefore, no provision is considered necessary.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)
16 Commitments

- (a) Capital commitments for property, plant and equipment

	Unaudited 31st December 2006 HK\$'000	Audited 30th June 2006 HK\$'000
Contracted but not provided for	593	6,251
Authorised but not contracted for	12,500	—
	13,093	6,251

- (b) Commitments under operating leases

As at 31st December 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 31st December 2006 HK\$'000	Audited 30th June 2006 HK\$'000
Not later than one year	7,214	6,800
Later than one year and not later than five years	10,967	12,399
Later than five years	3,165	3,868
	21,346	23,067

- (c) At 31st December 2006, the Group had maximum outstanding commitments in respect of forward contracts in order to hedge the Group's exposure in foreign currencies from its operations as follows:

	Unaudited 31st December 2006 HK\$'000	Audited 30th June 2006 HK\$'000
Sell HK dollars for US dollars	712,951	886,964

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

17 Related party transactions

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

	Unaudited Six months ended 31st December	
	2006 HK\$'000	2005 HK\$'000
Basic salaries, allowances and other benefits in kinds	6,195	7,073
Pensions – defined contribution plans	409	392
Share-based compensation	—	311
	6,604	7,776

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 2006 to members whose names appear on the Register of Members on 30th March 2007. The dividend will be paid on or before 12th April 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 29th March 2007 to Friday, 30th March 2007 (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, Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 28th March 2007.

BUSINESS REVIEW AND PROSPECTS

In the six months ended 31st December 2006, the Group recorded a turnover of HK\$691,129,000 (2005: HK\$710,128,000), profit attributable to shareholders of HK\$7,366,000 (2005: HK\$5,011,000), and earnings per share at HK2.05 cents (2005: HK1.39 cents). The Board of Directors has recommended the distribution of an interim dividend of HK1.0 cent per share (2005: HK1.0 cent).

In the first half of the financial year, the Group's turnover dropped 2.7% when compared to the same period last year mainly because of the decline in turnover of plastics trading. However, despite that, the Group's profit saw double digit growth, thanks to the satisfactory performance of its manufacturing business and the Group's effective cost control efforts. The Group's gross profit margin also improved from last year's 8.8% to this year's 10%. During the review period, high crude oil and raw material prices pushed up the Group's operating costs. In combat, the Group adopted a series of cost control measures including lowering fuel cost, continuing to shorten account receivables recovery period so as to increase cash flows and reduce interest expenses. The Group's tax expenditure also rose mainly because it had to write back its deferred tax assets resulted from the disposal of its assets. Although the operating environment is still tough, with the management's efforts and prudent business strategy, the Group continued to achieve reasonable progress in its business development.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

During the review period, the turnover from plastics trading decreased by 9.2% when compared with the same period last year. In the light of severe fluctuation of plastic material prices, the Group was cautious in accepting orders and opted for lower risk orders. That explains the drop in turnover from the business segment though its gross profit margin was maintained at a level similar to that in the previous corresponding period.

The Group's engineering plastics manufacturing business grew steadily reporting a turnover 8.8% higher than that in the same period last year. Through active and strengthened development and promotion of its new products and finding new markets and new applications for them, the sales of engineering plastics products grew in steadily strides in the review period.

Among its major business segments, domestic sales of colorants and compounded plastic resins boasted the most impressive growth with turnover 31.6% higher than in the same period last year. To support its business development and meet growing orders, the Group opened a new factory in Xiamen in October 2006 to increase production capacity.

During the review period, the Group reached an agreement with PolyOne Corporation ("PolyOne"), which is listed on the New York Stock Exchange, to work together in developing the PVC market in the PRC. Pursuant to the agreement, the Group will sell part of the assets of a subsidiary to PolyOne and subsequently acquire a 5% stake in PolyOne's subsidiary that focuses in the PVC business. PolyOne is a leading compounding and North American distribution company of thermoplastic compounds, specialty PVC resins, colour and additives. Combining the Group's extensive experience and network in the PRC and PolyOne's existing clientele in Asia and its diverse product portfolio and abundant market experience and technologies, the Group is confident of expanding the scope of its PVC business and advancing its competitive edges and standing in the PRC market.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

As the prices of crude oil and raw materials have begun to stabilize, the Group is optimistic about its business prospects in the second half year. It will continue the production cost control measures to improve cost effectiveness and operational efficiency. In addition, the new plant that the Group constructed in Xiamen in the first half of the year has commenced full operation. The new plant has not only boosted the Group's overall production capacity, but has been vital in supporting the Group's sales growth. It has also enabled the Group to achieve greater economies of scale and lower overall production cost. In the second half year, the Group will step up sales and marketing efforts to secure new customers especially large enterprise customers who are more likely to place massive orders, have shorter accounts receivables period which pose lower bad debt risk. The Group will push on with developing the abundant potential it sees in the PRC market. It believes, as raw material prices stabilize, its trading business will pick up, and its overall performance will advance in steady strides in the second half year.

To build a global business network, the Group has joined the International Colour Alliance which allows it to forge close business connections and exchange technical know-how with its counterparts in different countries around the world.

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 2006, the Group has available aggregate bank loan facilities of approximately HK\$293,958,000, of which HK\$194,415,000 have been utilised and were secured by corporate guarantee issued by the Company and legal charges on certain leasehold land and buildings in the PRC and Hong Kong owned by the Group. The Group's cash and bank balances as at 31st December 2006 amounted to approximately HK\$60,336,000. The Group's gearing ratio as at 31st December 2006 was approximately 56.3%, based on the total bank borrowings of approximately HK\$179,880,000, together with obligations under finance leases of approximately HK\$14,535,000 and the shareholders' funds of approximately HK\$345,401,000.

Details of the Company's contingent liabilities and the Group's capital commitments are disclosed in notes 15 and 16(a) to the interim accounts respectively.

FOREIGN EXCHANGE RISK

The Group's borrowings and cash balances are primarily denominated in Hong Kong dollars. The Group's purchases were principally denominated in US dollars. The Group closely monitors currency fluctuations and reduces its exchange risk by hedging with forward exchange contracts from time to time.

At 31st December 2006, the Group had maximum outstanding commitments in respect of forward contracts in order to hedge the Group's exposure in foreign currencies from its operations as follows:

	2006 HK\$'000
Sell HK dollars for US dollars	712,951

EMPLOYEE INFORMATION

As at 31st December 2006, the Group employed a total of approximately 890 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 2006 are as follows:

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

SHARE OPTIONS (Cont'd)

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

*Mr CHING Yu Lung resigned on 1st January 2007 and all his share options lapsed on the same date.

SHARE OPTIONS (Cont'd)

	Date of grant	Exercise period	Exercise price	Beginning of the period	Number of Share Options		End of the period
					Granted during the period	Exercised during the period	
Other continuous contract employees (Cont'd)							
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
	21st October 2004	21st October 2005 to 20th October 2010	HK\$0.65	1,000,000	—	—	1,000,000
	21st October 2004	21st October 2006 to 20th October 2010	HK\$0.65	1,000,000	—	—	1,000,000
	21st October 2004	21st October 2007 to 20th October 2010	HK\$0.65	1,000,000	—	—	1,000,000
				28,500,000	—	—	28,500,000

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 2006, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

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

Name of Directors		Number of shares of the Company beneficially held			
		Personal interests	Corporate interests	Family interests	Other interests
Mr HUI Sai Chung	Long Positions	14,971,600	202,721,500(a)	—	—
Mr HUI Kwok Kwong	Long Positions	15,642,400	198,803,500(b)	—	—
Madam LIU Sau Lai	Long Positions	1,323,000	—	—	(c)

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

Name of Directors		Unlisted Share Options (physically settled equity derivatives) As at 31st December 2006	
Mr HUI Sai Chung	Long Positions		3,000,000
Mr HUI Kwok Kwong	Long Positions		3,000,000
Dr WONG Chi Ying, Anthony	Long Positions		3,000,000
Mr LAI Kam Wah	Long Positions		3,000,000
Mr CHING Yu Lung	Long Positions		3,000,000
Madam LIU Sau Lai	Long Positions		3,000,000

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

Notes:

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

50,000 ordinary shares of one Canadian dollar each in Ever Win are held by a trustee on behalf of a discretionary trust, the discretionary objects of which include Mr HUI Sai Chung and his family members. 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 a trustee on behalf of a discretionary trust, the discretionary objects of which include Mr HUI Kwok Kwong and his family members. 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 2006, 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 2006, 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 2006, 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 year 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 2006, 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 2006, 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.

The Board has received a high level risk assessment from an external consultant and has also reviewed the effectiveness of the internal control system of the Group 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 The Formation of An Audit Committee" published by the HKICPA.

The Audit Committee provides an important link between the Board of Directors and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three independent non-executive directors, namely Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit 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 interim accounts for the six months ended 31st December 2006 with the Directors.

REMUNERATION COMMITTEE

The Company has formulated written terms of reference for the Remuneration Committee which stated clearly its authorities and duties in accordance with the requirements of the Stock Exchange. The remuneration committee consists of three independent non-executive directors, namely Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit 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,
14th March 2007