Ngai Hing Hong Company Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 1047)
Website: http://www.nhh.com.hk

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2005
INTERIM RESULTS

The Board of Directors (the "Board") of Ngai Hing Hong Company 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 31st December 2005 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 31st December 2005 HK$'000	2004 HK$'000
Turnover	2	**710,128**	603,067
Cost of sales		**(647,357)**	(533,157)
Gross profit		**62,771**	69,910
Other revenues	2	**705**	502
Surplus on revaluation of investment properties		**110**	-
Distribution costs		**(18,196)**	(17,033)
Administrative expenses		**(34,144)**	(33,585)
Operating profit	3	**11,246**	19,794
Finance costs	4	**(5,058)**	(2,575)
Profit before taxation		**6,188**	17,219
Taxation	5	**(582)**	(3,881)
Profit for the period		**5,606**	13,338
Attributable to:			
Equity holders of the Company		**5,011**	12,843
Minority interests		**595**	495
		5,606	13,338
Earnings per share for profit attributable to the equity holders of the Company during the period	7	**HK cents 1.39**	HK cents 4.28
Dividends	6	**3,600**	3,000

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 31st December 2005 HK$'000	Audited 30th June 2005 HK$'000 (As restated)
Non-current assets			
Property, plant and equipment		**115,168**	117,106
Investment properties		**12,150**	12,040
Leasehold land and land use rights		**16,174**	15,054
Deferred tax assets		**3,596**	2,360
		147,088	146,560
Current assets			
Inventories		**157,330**	186,373
Trade and bills receivables	8	**283,308**	275,438
Other receivables, prepayments and deposits		**12,812**	15,804
Cash and bank balances		**46,645**	55,019
		500,095	532,634
Current liabilities			
Trade payables	9	**63,758**	102,012
Other payables		**8,652**	8,102
Accruals		**13,135**	12,975
Taxation		**6,625**	5,382
Obligations under finance leases - current portion		**7,518**	7,488
Trust receipt loans - secured		**122,048**	121,709
Short-term bank loans - secured		**53,788**	61,215
Bank advances for discounted bills	8	**9,825**	-
		285,349	318,883
Net current assets		**214,746**	213,751
Total assets less current liabilities		**361,834**	360,311
Non-current liabilities			
Obligations under finance leases		**14,084**	17,765
Deferred tax liabilities		**3,037**	3,275
		17,121	21,040
Net assets		**344,713**	339,271
EQUITY			
Capital and reserves attributable to the Company's equity holders		**36,000**	36,000
Share capital		**70,550**	73,623
Other reserves		**222,974**	215,854
Retained earnings		**3,600**	3,600
Proposed dividends	6		
		333,124	329,077
Minority interest		**11,589**	10,194
Total equity		**344,713**	339,271

Notes

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated interim accounts 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 accounts for the year ended 30th June 2005.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 30th June 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

These condensed interim accounts have been prepared in accordance with those new HKFRS standards and interpretations issued and effective as at the time of preparing the accounts. The HKFRS standards and interpretations that will be applicable at 30th June 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these condensed interim accounts.

On 1st July 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The comparatives for the six months ended 31st December 2004 and as at 30th June 2005 have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases - Incentives
HKAS-Int 21	Income Taxes - Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 33, 36 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interest and other disclosures.

— HKASs 2, 7, 8, 10, 16, 23, 27, 33, 36 and HKAS-Int 15 had no material effect on the Group's policies.

— HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is an impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land and land use rights was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss account as part of other income. In prior years, the increases in fair values were credited to the investment properties revaluation reserve. Decreases in fair values were first set off against increases on earlier valuations on a portfolio basis and thereafter were debited to operating profit.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30th June 2005, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1st July 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1st July 2005 was expensed retrospectively in the profit and loss account of the respective periods.

2. 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 resin, engineering plastic products and PVC compounds.

An analysis of the Group's revenues and results for the period by geographical segment is as follows:

	Unaudited Six months ended 31st December 2005			
	Hong Kong *HK$'000*	**The People's Republic of China excluding Hong Kong ("PRC")** *HK$'000*	**Elimination** *HK$'000*	**Group** *HK$'000*
Turnover	635,269	152,929	(78,070)	710,128
Other revenues	635	70	-	705
Total revenues	635,904	152,999	(78,070)	710,833
Segment results	8,942	(1,496)		7,446
Unallocated costs				(1,258)
Profit before taxation				6,188
Taxation				(582)
Profit after taxation				5,606
Minority interests				(595)
Profit attributable to shareholders				5,011

The segment assets and liabilities at 31st December 2005 and other segment information for the six months then ended are as follows:

	Unaudited		
	Hong Kong *HK$'000*	**The PRC** *HK$'000*	**Group** *HK$'000*
Segment assets	408,072	235,127	643,199
Unallocated assets			3,984
Total assets			647,183
Segment liabilities	197,780	92,560	290,340
Unallocated liabilities			12,130
Total liabilities			302,470

Other information:			
Capital expenditure	4,049	2,689	6,738
Depreciation of property, plant and equipment	3,359	3,995	7,354

An analysis of the Group's revenues and results for the six months ended 31st December 2004 by geographical segment is as follows:

	Unaudited			
	Hong Kong	**The PRC**	**Elimination**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
	(As restated)	(As restated)	(As restated)	(As restated)
Turnover	551,203	124,595	(72,731)	603,067
Other revenues	501	1	-	502
Total revenues	551,704	124,596	(72,731)	603,569
Segment results	17,928	1,133		19,061
Unallocated costs				(1,842)
Profit before taxation				17,219
Taxation				(3,881)
Profit after taxation				13,338
Minority interests				(495)
Profit attributable to the equity holders of the Company				12,843

The segment assets and liabilities at 30th June 2005 and other segment information for the six months then ended are as follows:

	Audited		
	Hong Kong	**The PRC**	**Group**
	HK$'000	***HK$'000***	***HK$'000***
	(As restated)	(As restated)	(As restated)
Segment assets	438,735	237,561	676,296
Unallocated assets			2,898
Total assets			679,194
Segment liabilities	231,847	96,491	328,338
Unallocated liabilities			11,585
Total liabilities			339,923
Other information:			
Capital expenditure	1,758	11,941	13,699
Depreciation of property, plant and equipment	4,427	3,375	7,802

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.

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 31st December	
	2005	2004
	HK$'000	*HK$'000*
Crediting		
Gain on disposal of property, plant and equipment	**-**	91
Charging		
Depreciation:		
- Owned property, plant and equipment	**5,379**	5,440
- Leased equipment	**1,975**	1,566
Amortisation of leasehold land and land use rights	**202**	114
Derivative instruments		
- foreign currency forward contracts:		
transactions not qualifying as hedges	**1,181**	-
Employee share option expenses	**583**	1,125

4. Finance costs

	Unaudited Six months ended 31st December	
	2005	**2004**
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**4,529**	2,279
Interest element of finance leases	**529**	296
	5,058	2,575

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Certain of the Group's subsidiaries operating in the PRC are fully exempted from PRC income tax for two years starting from their first profit-making years and are entitled to a 50% income tax reduction for a further three years.

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

	Unaudited Six months ended 31st December 2005 HK$'000	2004 HK$'000
Current taxation		
- Hong Kong profits tax	**1,890**	4,000
- The PRC income tax	**166**	-
Deferred taxation	**(1,474)**	(119)
	582	3,881

6. Dividends

The directors declare an interim dividend of HK 1.0 cent per share for the period (2004: HK 1.0 cent).

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$5,011,000 (2004 as restated: HK$12,843,000) and 360,000,000 (2004: 300,000,000) ordinary shares in issue 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. No information in respect of diluted earnings per share is disclosed as there were no dilutive potential ordinary shares.

8. Trade and bills receivables

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

	Unaudited 31st December 2005 *HK$'000*	Audited 30th June 2005 *HK$'000*
Below 90 days	**247,800**	241,259
91-180 days	**28,388**	29,746
Over 180 days	**7,120**	4,433
	283,308	275,438

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$9,825,000 to banks with recourse in exchange for cash during the period. The transactions have been accounted for as collateralised bank advances.

9. Trade payables

The aging analysis of trade payables is as follows:

	Unaudited 31st December 2005	Audited 30th June 2005
	HK$'000	*HK$'000*
Below 90 days	**61,988**	99,615
91-180 days	**805**	823
Over 180 days	**965**	1,574
	63,758	102,012

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 2005 to members whose names appear on the Register of Members on 6th April 2006. The dividend will be paid on or before 13th April 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3rd April 2006 to Thursday, 6th April 2006 (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, Abacus Share Registrars Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 31st March 2006.

BUSINESS REVIEW AND PROSPECTS

In the six months ended 31st December 2005, the Group recorded a turnover of HK$710,128,000 (2004: HK$603,067,000), profit attributable to shareholders of HK$5,011,000 (2004: HK$12,843,000), and earnings per share at HK1.39 cents (2004: HK4.28 cents). The Board of Directors has recommended the distribution of an interim dividend of HK1.0 cent per share (2004: HK1.0 cent).

The Group reported double digit growth in turnover in the first half of the year, representing an increase of 17.8% as compared with the same period last year. However, the Group's profit dropped from that of last year, attributable mainly to the consistently high crude oil and raw material prices, which drove up operating costs of the Group and caused gross margin to slide. In addition, the adoption of new HKFRS and the increase in interest rate resulted in the decrease of the Group's profit by approximately HK$1,700,000 and HK$2,500,000 respectively. During the period under review, the Group adopted various cost control measures, lowered the level of inventory and shortened the account receivables recovery period, so as to increase cash flows, reduce gearing and interest expenses. Although the economic environment still poses challenges, riding on the experience of its management and well-defined business strategies, the Group will forge ahead with business expansion, aiming at strengthening its foundation for future growth.

Among all major business segments of the Group, plastics trading and engineering plastics manufacturing business recorded the biggest increase in turnover. Benefited from the persistently high level of plastics prices and thanks to the Group's prudent raw material inventory policy and the efforts of its sales team, the Group's plastic trading business secured a satisfactory 16.6% growth in turnover over that of the same period last year. However, due to the impact of plastics prices fluctuation, the gross profit margin could not be maintained at last year's level, leading to the decrease in profit during the review period. On the other hand, the Group's engineering plastics manufacturing business maintained stable growth. The Group stepped up marketing efforts for its new products, introduced those products to other industries and developed new product applications, which contributed to the consistent rise in product prices and sales volume of engineering plastics products. The segment's turnover increased 36.3% as compared with the same period last year.

The domestic and overseas sales of colorants were still affected by keen market competition and high raw material prices. Customers had been cautious in placing orders, which affected the performance of this segment. On the other hand, the new business segment of the Group - production and sale of PVC compounds - recorded growth during the period. The Group is optimistic about the prospects of this new business in the investment stage, and expects it to start bringing in profits in the foreseeable future.

The Group has joined the International Colour Alliance in order to maintain close business relationship and exchange technical knowhow with other overseas colourants manufacturers, which will eventually solidify the Group's global sales network. As the global economy continues to improve, the Group sees rosy prospects for its future. Furthermore, the Group's past efforts in building plants to boost overall production capacity are expected to bring about better economies of scale and lowering of overall production costs. In the second half of the year, Ngai Hing Hong will step up its sales and marketing efforts, widen its customer base, enhance overall operating efficiency and strive for maximum cost-effectiveness. The Group also sees new business segments broadening its income base and driving its future growth. The Group is confident of sustaining stable growth and that the growth momentum it built up in the first half of the year will persist in the latter half.

Last but not least, the Board would like to take this opportunity to thank the Group's valuable customers and suppliers for their unsparing support over the years. Our gratitude also goes to our staff for their hard work and our shareholders who grace us with their steadfast support.

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 2005, the Group has available aggregate bank loan facilities of approximately HK$259,831,000, of which HK$175,836,000 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 2005 amounted to approximately HK$46,645,000. The Group's gearing ratio as at 31st December 2005 was approximately 62.2%, based on the total interest bearing debts of approximately HK$207,263,000 and the shareholders' funds of approximately HK$333,124,000.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31st December 2005, the Company had contingent liabilities in relation to corporate guarantee for the due performance of a subsidiary under a contract manufacturing agreement to the extent of HK$20,000,000 and corporate guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK$399,168,000.

In April 2003, a customer (the "Customer") issued a Writ of Summons in the High Court of Hong Kong (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"). Upon 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 will take place on 11th September 2006 (with 14 days reserved). In the opinion of the Directors, the Subsidiary is unlikely to suffer any loss for the Claim, therefore, no provision is considered necessary.

As at 31st December 2005, the Group had capital commitments for property, plant and equipment contracted but not provided for amounting to approximately HK$5,474,000.

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 2005, 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:

	2005 ***HK$'000***
Sell HK dollars for US dollars	**560,915**

EMPLOYEE INFORMATION

As at 31st December 2005, 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.

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 "HKSE"). 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors,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 2005, except for deviation of the code provisions A.2.1 and A.4.1 of the Code as mentioned below.

According to the code provision A.2.1 of the Code, 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.

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 accounts for the six months ended 31st December 2005 with the Directors.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF HKSE

The HKSE's website - http://www.hkex.com.hk will contain all the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules on HKSE on or before 31st March 2006.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong, 15th March 2006

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, Mr CHING Yu Lung and Madam LIU Sau Lai and three Independent Non-executive Directors, namely Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit Lung.