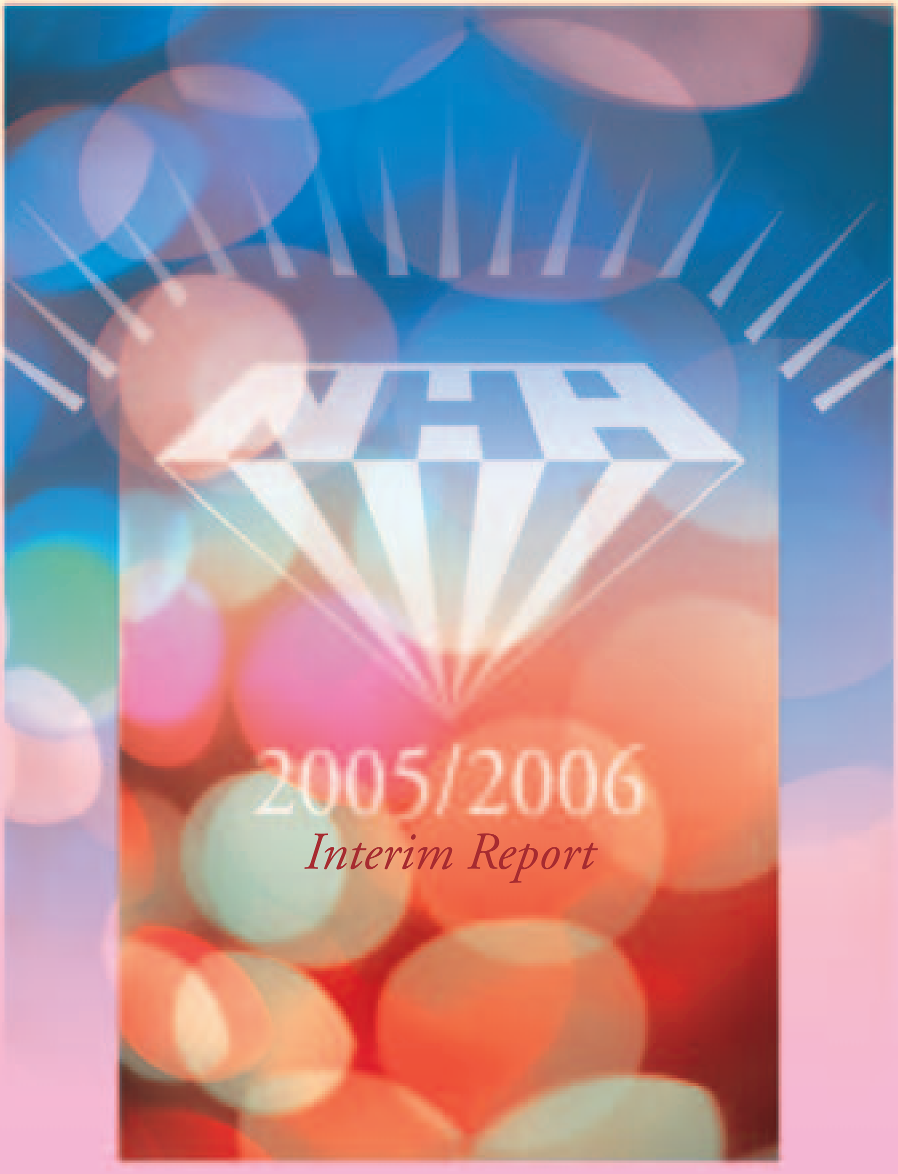
Ngai Hing Hong

NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)



CONTENTS

The Board of Directors (the "Board") of Ngai Hing Hong Company Limited (the "Company") is pleased to present the unaudited condensed consolidated interim accounts of the Company and its subsidiaries (the "Group") for the six months ended 31st December 2005 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2005

		Unaudited Six months ended 31st December	
	Note	**2005 HK$'000**	2004 HK$'000 (As restated)
Turnover	5	**710,128**	603,067
Cost of sales		**(647,357)**	(533,157)
Gross profit		**62,771**	69,910
Other revenues	5	**705**	502
Surplus on revaluation of investment properties		**110**	—
Distribution costs		**(18,196)**	(17,033)
Administrative expenses		**(34,144)**	(33,585)
Operating profit	6	**11,246**	19,794
Finance costs	7	**(5,058)**	(2,575)
Profit before taxation		**6,188**	17,219
Taxation	8	**(582)**	(3,881)
Profit for the period		**5,606**	13,338

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (Cont'd)

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2005

	Note	Unaudited Six months ended 31st December 2005 HK$'000	2004 HK$'000 (As restated)
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	9	**HK cents 1.39**	HK cents 4.28
Dividends	10	**3,600**	3,000

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2005

	Note	Unaudited 31st December 2005 HK$'000	Audited 30th June 2005 HK$'000 (As restated)
Non-current assets			
Property, plant and equipment	11	**115,168**	117,106
Investment properties	11	**12,150**	12,040
Leasehold land and land use rights	11	**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	12	**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	13	**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	12	**9,825**	—
		285,349	318,883
Net current assets		**214,746**	213,751
Total assets less current liabilities		**361,834**	360,311

CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

AS AT 31ST DECEMBER 2005

	Note	Unaudited 31st December 2005 HK$'000	Audited 30th June 2005 HK$'000 (As restated)
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			
Share capital	14	**36,000**	36,000
Other reserves		**70,550**	73,623
Retained earnings		**222,974**	215,854
Proposed dividends	10	**3,600**	3,600
		333,124	329,077
Minority interest		**11,589**	10,194
Total equity		**344,713**	339,271

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2005

		Unaudited								
		Attributable to equity holders of the Company								
			Other reserves							
	Note	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Investment properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Minority interests HK$'000	Total HK$'000
At 30th June 2005, as previously reported as equity		36,000	57,611	–	408	3,600	5,195	227,379	–	330,193
At 30th June 2005, as previously reported as minority interests		–	–	–	–	–	–	–	10,194	10,194
Increase in amortisation expenses in respect of leasehold land and land use rights	2(a)(i)	–	–	–	–	–	–	(1,116)	–	(1,116)
Opening adjustment for the adoption of HKFRS 2	2(a)(iv)	–	–	6,809	–	–	–	(6,809)	–	–
At 30th June 2005, as restated		36,000	57,611	6,809	408	3,600	5,195	219,454	10,194	339,271
Adjustment for the adoption of HKAS 39	2(a)(ii)	–	–	–	–	–	–	2,109	–	2,109
Adjustment for the adoption of HKAS 40	2(a)(iii)	–	–	–	–	(3,600)	–	3,600	–	–
At 1st July 2005, as restated		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 STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2005

		Unaudited								
		Attributable to equity holders of the Company								
			Other reserves							
	Note	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Investment properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Minority interests HK$'000	Total HK$'000
At 1st July 2004, as previously reported as equity		30,000	28,475	–	408	2,795	5,229	219,277	–	286,184
At 1st July 2004, as previously separately reported as minority interests		–	–	–	–	–	–	–	8,814	8,814
Increase in amortisation expenses in respect of leasehold land and land use rights	2(a)(i)	–	–	–	–	–	–	(1,130)	–	(1,130)
Opening adjustment for the adoption of HKFRS 2	2(a)(iv)	–	–	4,644	–	–	–	(4,644)	–	–
At 1st July 2004, as restated		30,000	28,475	4,644	408	2,795	5,229	213,503	8,814	293,868
Currency translation differences		–	–	–	–	–	(34)	–	–	(34)
Profit for the period		–	–	–	–	–	–	12,843	495	13,338
Employees share options scheme: – value of employee services		–	–	1,125	–	–	–	–	–	1,125
2003/2004 final dividends paid		–	–	–	–	–	–	(6,000)	–	(6,000)
At 31st December 2004		30,000	28,475	5,769	408	2,795	5,195	220,346	9,309	302,297

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2005

	Unaudited Six months ended 31st December	
	2005	2004
	HK$'000	HK$'000
Net cash inflow/(outflow) from operating activities	**14,488**	(19,754)
Net cash used in investing activities	**(7,938)**	(6,015)
Net cash (used in)/generated from financing activities	**(14,868)**	20,061
Decrease in cash and cash equivalents	**(8,318)**	(5,708)
Cash and cash equivalents at 1st July	**55,019**	51,303
Currency translation differences	**(56)**	(34)
Cash and cash equivalents at 31st December	**46,645**	45,561
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**46,645**	45,561

NOTES TO CONDENSED INTERIM ACCOUNTS

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.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies

(a) Effect of adopting new HKFRS

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.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

(a) Effect of adopting new HKFRS (Cont'd)

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 of investment properties are recorded in the profit and loss account as part of other income/expenses. 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 (Note 2.8).

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

(a) Effect of adopting new HKFRS (Cont'd)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

— HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

— HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

— HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis.

— HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st July 2005, including the reclassification of any amount held in revaluation surplus for investment properties;

— HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st July 2005; and

— HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st July 2005.

(i) The adoption of revised HKAS 17 resulted in a decrease in retained earnings at 1st July 2004 by approximately HK$1,130,000. The details of the adjustments to the balance sheets at 30th June 2005 and 31st December 2005, profit and loss accounts for the six months ended 31st December 2004 and 2005 are as follows:

	Unaudited 31st December 2005 HK$'000	Audited 30th June 2005 HK$'000 (As restated)
Decrease in property, plant and equipment	**(17,291)**	(16,170)
Increase in leasehold land and land use rights	**16,174**	15,054
Decrease in retained earnings	**(1,117)**	(1,116)

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

(a) Effect of adopting new HKFRS (Cont'd)

	Unaudited Six months ended 31st December 2005 HK$'000	Unaudited Six months ended 31st December 2004 HK$'000 (As restated)
Increase/(decrease) in administrative expenses	1	(7)

(ii) The adoption of HKAS 39 resulted in an increase in retained earning at 1st July 2005 by approximately HK$2,109,000. The details of the adjustments to the balance sheet at 31st December 2005 and profit and loss account for the six months ended 31st December 2005 are as follows:

	Unaudited 31st December 2005 HK$'000
Increase in trade and bills receivables	9,825
Increase in collateralised bank advances	9,825
Increase in retained earnings	928

	Unaudited Six months ended 31st December 2005 HK$'000
Increase in administrative expenses	1,181

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

(a) Effect of adopting new HKFRS (Cont'd)

(iii) The adoption of HKAS 40 resulted in the following adjustments to the balance sheet at 31st December 2005:

	Unaudited 31st December 2005 HK$'000
Decrease in investment properties revaluation reserve	**(3,600)**
Increase in retained earnings at 1st July 2005	**3,600**

(iv) The adoption of HKFRS 2 resulted in a decrease in retained earnings at 1st July 2004 by approximately HK$4,644,000. The details of the adjustments to the balance sheets at 30th June 2005 and 31st December 2005, profit and loss accounts for the six months ended 31st December 2004 and 2005 are as follows:

	Unaudited 31st December 2005 HK$'000	Audited 30th June 2005 HK$'000 (As restated)
Increase in share option reserve	**7,392**	6,809
Decrease in retained earnings	**(7,392)**	(6,809)

	Unaudited Six months ended 31st December	
	2005 HK$'000	2004 HK$'000 (As restated)
Increase in administrative expenses	583	1,125

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

(b) New accounting policies

The accounting policies used for these unaudited condensed consolidated interim accounts for the six months ended 31st December 2005 are the same as those set out in note 1 to the annual accounts for the year ended 30th June 2005 except for the following:

2.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

2.1 Foreign currency translation (Cont'd)

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.2 Property, plant and equipment

Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

2.3 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is determined based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset by independent external professional valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the accounts.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

2.3 Investment properties (Cont'd)

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

2.4 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.5 Inventories

Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

2.6 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

2 Changes in accounting policies (Cont'd)

2.8 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, including the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Mainland China Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group enters into forward currency contracts to reduce foreign exchange risk.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

3 Financial risk management (Cont'd)

3.1 Financial risk factors (Cont'd)

(b) Credit risk

The carrying amount of trade receivable included in the condensed consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible trade receivable has been made in the condensed consolidated accounts.

(c) Liquidity risk

The Group has been prudent in liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The management aims to maintain flexibility in funding by keeping credit lines available.

(d) Interest-rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from bank borrowings. As at 31st December 2005, borrowings were primarily at floating rates.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

3 Financial risk management (Cont'd)

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in Hong Kong and Mainland China. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

4 Critical accounting estimates and judgements (Cont'd)

(b) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(c) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of bills receivable and accounts receivable. Provisions are applied to bills receivable and accounts receivable where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of bills receivable and accounts receivable and doubtful debt expenses in the period in which such estimate has been changed.

(d) Estimated write-downs of inventories to net realisble value

The Group writes down inventories to net realisble value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

5 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 period by geographical segment is as follows:

	Unaudited Six months ended 31st December 2005			
	Hong Kong HK$'000	The People's Republic of China excluding Hong Kong (the "PRC") HK$'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 the equity holders of the Company				5,011

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

5 Segment information (Cont'd)

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

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

5 Segment information (Cont'd)

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 HK$'000 (As restated)	The PRC HK$'000 (As restated)	Elimination HK$'000 (As restated)	Group HK$'000 (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

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

5 Segment information (Cont'd)

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.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

6 Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 31st December	
	2005	2004
	HK$'000	HK$'000 (As restated)
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

7 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

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

8 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	2004
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**1,890**	4,000
– The PRC income tax	**166**	—
Deferred taxation	**(1,474)**	(119)
	582	3,881

9 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.

10 Dividends

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

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

11 Capital expenditure

	Unaudited		
	Property, plant and equipment HK$'000 (As restated)	Investment properties HK$'000	Leasehold land and land use rights HK$'000 (As restated)
Opening net book amount as at 1st July 2005	117,106	12,040	15,054
Additions	5,416	—	1,322
Revaluation surplus	—	110	—
Depreciation/amortisation (Note 6)	(7,354)	—	(202)
Closing net book amount as at 31st December 2005	**115,168**	**12,150**	**16,174**

12 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.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

13 Trade payables

The aging analysis of trade payables is as follows:

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

14 Share capital

	Unaudited 31st December 2005 HK$'000	Audited 30th June 2005 HK$'000
Authorised:		
800,000,000 (30th June 2005: 800,000,000) ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
360,000,000 (30th June 2005: 360,000,000) ordinary shares of HK$0.10 each	**36,000**	36,000

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

15 Contingent liabilities

As at 31st December 2005, 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 2005: HK$20,000,000);

(b) Guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK$399,168,000 (30th June 2005: HK$399,168,000); and

(c) 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.

16 Commitments

(a) Capital commitments for property, plant and equipment

	Unaudited 31st December 2005 HK$'000	Audited 30th June 2005 HK$'000
Contracted but not provided for	**5,474**	1,429
Authorised but not contracted for	**—**	—
	5,474	1,429

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

16 Commitments (Cont'd)

(b) Commitments under operating leases

As at 31st December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 31st December 2005 HK$'000	Audited 30th June 2005 HK$'000
Not later than one year	**3,402**	2,029
Later than one year and not later than five years	**8,039**	5,155
Later than five years	**3,854**	4,496
	15,295	11,680

(c) 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:

	Unaudited 31st December 2005 HK$'000	Audited 30th June 2005 HK$'000
Sell HK dollars for US dollars	**560,915**	836,267

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	
	2005	2004
	HK$'000	HK$'000 (As restated)
Basic salaries, allowances and other benefits in kinds	**7,073**	6,187
Pensions – defined contribution plans	**392**	374
Share-based compensations	**311**	746
	7,776	7,307

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.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

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 cannot 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.

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 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.

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 2005 are as follows:

				Number of Share Options			
	Date of grant	Exercise period	Exercise price	Beginning of the period	Granted during the period	Exercised during the period	End of 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

SHARE OPTIONS (Cont'd)

				Number of Share Options			
	Date of grant	Exercise period	Exercise price	Beginning of the period	Granted during the period	Exercised during the period	End of the period
Executive directors (Cont'd)							
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
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

SHARE OPTIONS (Cont'd)

	Date of grant	Exercise period	Exercise price	Number of Share Options: Beginning of the period	Granted during the period	Exercised during the period	End of the period
Executive directors (Cont'd)							
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

SHARE OPTIONS (Cont'd)

	Date of grant	Exercise period	Exercise price	Number of Share Options: Beginning of the period	Granted during the period	Exercised during the period	End of 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 2005, 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

		Number of shares of the Company beneficially held			
Name of Directors		Personal interests	Corporate interests	Family interests	Other interests
Mr HUI Sai Chung	Long Positions	14,721,600	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 2005
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 2005, 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 2005, 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.

	Number of non-voting deferred shares held	
Name of Directors	**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 2005, 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 2005, 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.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (Cont'd)

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.

REMUNERATION COMMITTEE

According to the Code, the Company has established its Remuneration Committee in July 2005. There are four members in the Remuneration Committee, majority of which are independent non-executive directors.

The Remuneration Committee's objectives are to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate directors and key executives to run the Company successfully. The Remuneration Committee will ensure that the remuneration policies and systems of the Group support the Group's objective and strategies.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong,
15th March 2006