



NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

Interim Report

07 08



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The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2007 as follows:

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 31ST DECEMBER 2007

		Unaudited Six months ended 31st December	
	Note	2007 HK\$'000	2006 HK\$'000
Turnover	4	793,553	691,129
Cost of sales		(724,106)	(622,343)
Gross profit		69,447	68,786
Other income	5	1,366	766
Other gains – net	6	16,118	2,588
Distribution costs		(22,164)	(21,559)
Administrative expenses		(42,735)	(36,885)
Operating profit	7	22,032	13,696
Finance costs	8	(5,325)	(4,472)
Profit before taxation		16,707	9,224
Taxation credit/(charge)	9	524	(2,871)
Profit for the period		17,231	6,353

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT
(Cont'd)

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2007

	Note	Unaudited Six months ended 31st December	
		2007 HK\$'000	2006 HK\$'000
Attributable to:			
Equity holders of the Company		13,114	7,366
Minority interests		4,117	(1,013)
		17,231	6,353
Dividends	10	3,600	3,600
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK cents per share)			
– Basic	11	3.64	2.05
– Diluted	11	3.64	2.05

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 31ST DECEMBER 2007

	Note	Unaudited 31st December 2007 HK\$'000	Audited 30th June 2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	103,252	103,313
Investment properties	12	17,400	17,400
Leasehold land and land use rights	12	14,917	14,756
Intangible assets	12	4,000	—
Deposits for acquisition of investment properties		6,649	6,250
Deferred tax assets		3,107	527
		149,325	142,246
Current assets			
Inventories		213,540	152,802
Trade and bills receivables	13	293,707	316,316
Other receivables, prepayments and deposits		28,334	15,058
Tax recoverable		5,021	3,418
Assets held for sale	16	—	21,417
Derivative financial instruments		312	1,575
Cash and cash equivalents		65,182	59,217
		606,096	569,803
Total assets		755,421	712,049
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	36,000	36,000
Other reserves		92,388	82,225
Retained earnings		239,310	229,796
Proposed dividends		3,600	3,600
		371,298	351,621
Minority interests		15,953	7,444
Total equity		387,251	359,065

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Cont'd)

AS AT 31ST DECEMBER 2007

	Note	Unaudited 31st December 2007 HK\$'000	Audited 30th June 2007 HK\$'000
LIABILITIES			
Non-current liabilities			
Amount due to a minority shareholder		2,000	—
Obligations under finance leases		4,057	5,536
Deferred tax liabilities		2,568	3,343
		8,625	8,879
Current liabilities			
Trade payables	14	112,706	128,888
Other payables and deposits received		12,957	26,884
Accruals		15,487	12,624
Obligations under finance leases – current portion		3,799	5,711
Short-term bank loans – secured		58,579	40,660
Trust receipt loans – secured		143,432	116,718
Bank advances for discounted bills	13	7,132	7,083
Derivative financial instruments		1,092	603
Tax payable		4,361	4,934
		359,545	344,105
Total liabilities		368,170	352,984
Total equity and liabilities		755,421	712,049
Net current assets		246,551	225,698
Total assets less current liabilities		395,876	367,944

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2007

Unaudited

Attributable to equity holders of the Company

	Other reserves						Retained earnings	Minority interests	Total
	Share capital	Share premium	Share option reserve	Capital reserve	Revaluation reserve	Exchange fluctuation reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st July 2007	36,000	57,611	7,021	408	2,115	15,070	233,396	7,444	359,065
Currency translation differences	—	—	—	—	—	10,141	—	—	10,141
Profit for the period	—	—	—	—	—	—	13,114	4,117	17,231
Loss written back on disposal of a business	—	—	—	—	—	—	—	4,388	4,388
Capital contribution by minority shareholders	—	—	—	—	—	—	—	4	4
Employee share options scheme:									
– value of employee services	—	—	22	—	—	—	—	—	22
2006/2007 final dividend	—	—	—	—	—	—	(3,600)	—	(3,600)
At 31st December 2007	36,000	57,611	7,043	408	2,115	25,211	242,910	15,953	387,251
At 1st July 2006	36,000	57,611	7,777	408	—	9,926	224,762	11,764	348,248
Currency translation differences	—	—	—	—	—	5,084	—	—	5,084
Profit / (loss) for the period	—	—	—	—	—	—	7,366	(1,013)	6,353
Dividends paid to minority interests	—	—	—	—	—	—	—	(115)	(115)
Employee share options scheme:									
– value of employee services	—	—	67	—	—	—	—	—	67
2005/2006 final dividend	—	—	—	—	—	—	(3,600)	—	(3,600)
At 31st December 2006	36,000	57,611	7,844	408	—	15,010	228,528	10,636	356,037

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2007

	Unaudited	
	Six months ended	
	31st December	
	2007	2006
	HK\$'000	HK\$'000
Net cash used in operating activities	(29,654)	(8,992)
Net cash used in investing activities	(3,880)	(4,793)
Net cash generated from financing activities	37,642	10,393
Increase/(decrease) in cash and cash equivalents	4,108	(3,392)
Cash and cash equivalents at 1st July	59,217	62,187
Effect of foreign exchange rate changes	1,857	1,541
Cash and cash equivalents at 31st December	65,182	60,336
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	65,182	60,336

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated, and has been approved for issue by the Board of Directors on 12th March 2008.

2 Basis of preparation

The Company has a financial year end date of 30th June. This condensed consolidated interim financial information for the six-months period ended 31st December 2007 has 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”).

This condensed consolidated interim financial information should be read in conjunction with the annual accounts for the year ended 30th June 2007.

3 Accounting policies

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those of the annual accounts for the year ended 30th June 2007.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 30th June 2008.

HKAS 1 (Amendment) Hong Kong Financial Reporting Standard (“HKFRS”) 7	Presentation to Financial Statements: Capital Disclosures Financial Instruments: Disclosures
Hong Kong International Financial Reporting Interpretations Committee (“HK(IFRIC)”) - Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

3 Accounting policies (Cont'd)

The adoption of the above standards, amendments to standards and interpretations did not have any significant financial impact to the Group. Full disclosures as required by HKAS 1 and HKFRS 7 will be disclosed in the annual accounts for the year ending 30th June 2008.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ending 30th June 2008 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Directors anticipate that the adoption of these new standards, amendments to standards and interpretations in future periods will have no significant financial impact to the Group.

4 Turnover and segment information

	Unaudited Six months ended 31st December	
	2007 HK\$'000	2006 HK\$'000
Turnover		
Sales of goods	793,553	691,129

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

4 Turnover and segment information (Cont'd)

An analysis of the Group's turnover and results for the six months ended 31st December 2007 by geographical segment is as follows:

	Hong Kong HK\$'000	Unaudited The People's Republic of China excluding Hong Kong (the "PRC") HK\$'000	Group HK\$'000
Turnover			
– Gross segment	643,262	208,567	851,829
– Inter-segment	(36,911)	(21,365)	(58,276)
	606,351	187,202	793,553
Segment results	1,392	8,639	10,031
Gain on disposal of a business (Note 16)	13,235	—	13,235
Unallocated costs			(1,234)
Finance costs			(5,325)
Profit before taxation			16,707
Taxation credit			524
Profit for the period			17,231

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

4 Turnover and segment information (Cont'd)

The segment assets and liabilities at 31st December 2007 and other segment information for the six months then ended are as follows:

	Hong Kong HK\$'000	Unaudited PRC HK\$'000	Group HK\$'000
Segment assets	433,890	312,964	746,854
Unallocated assets			8,567
Total assets			755,421
Segment liabilities	98,396	52,304	150,700
Borrowings			209,867
Other unallocated liabilities			7,603
Total liabilities			368,170
Other information:			
Capital expenditure	4,322	1,798	6,120
Depreciation of property, plant and equipment	2,373	4,848	7,221
Amortisation of leasehold land and land use rights	76	125	201

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

4 Turnover and segment information (Cont'd)

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

	Hong Kong HK\$'000	Unaudited PRC HK\$'000	Group HK\$'000
Turnover			
– Gross segment	589,667	168,006	757,673
– Inter-segment	(41,534)	(25,010)	(66,544)
	<u>548,133</u>	<u>142,996</u>	<u>691,129</u>
Segment results	<u>5,794</u>	<u>9,002</u>	14,796
Unallocated costs			(1,100)
Finance costs			(4,472)
Profit before taxation			9,224
Taxation charge			(2,871)
Profit for the period			<u>6,353</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

4 Turnover and segment information (Cont'd)

The segment assets and liabilities at 30th June 2007 and other segment information for the six months ended 31st December 2006 are as follows:

	Hong Kong HK\$'000	Audited PRC HK\$'000	Group HK\$'000
Segment assets	443,410	264,476	707,886
Unallocated assets			4,163
Total assets			712,049
Segment liabilities	130,799	44,808	175,607
Borrowings			168,625
Other unallocated liabilities			8,752
Total liabilities			352,984
Other information:		Unaudited PRC HK\$'000	Group HK\$'000
Capital expenditure	4,087	3,633	7,720
Depreciation of property, plant and equipment	3,504	4,432	7,936
Amortisation of leasehold land and land use rights	75	136	211

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.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, inventories, trade and bills receivables, other receivables and deposits, cash and cash equivalents and assets held for sale. Unallocated assets mainly comprise deferred tax assets and tax recoverable.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

4 Turnover and segment information (Cont'd)

Segment liabilities comprise operating liabilities. Other unallocated liabilities mainly comprise deferred tax liabilities and tax payable.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and intangible assets.

5 Other income

	Unaudited Six months ended 31st December	
	2007 HK\$'000	2006 HK\$'000
Rental income	1,126	576
Interest income	240	190
	1,366	766

6 Other gains – net

	Unaudited Six months ended 31st December	
	2007 HK\$'000	2006 HK\$'000
Gain on disposal of a business (Note 16)	13,235	—
Net exchange gains	4,635	3,848
Derivative financial instruments – forward contracts held for trading	(1,752)	(1,260)
	16,118	2,588

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

7 Operating profit

Operating profit is stated after charging the following:

	Unaudited Six months ended 31st December	
	2007 HK\$'000	2006 HK\$'000
Depreciation:		
– Owned property, plant and equipment	5,066	5,838
– Leased equipment	2,155	2,098
Amortisation of leasehold land and land use rights	201	211
Operating lease rentals in respect of land and buildings	4,113	3,917
Employee benefit expenses, including directors' emoluments	42,186	38,174
	<hr/>	<hr/>

8 Finance costs

	Unaudited Six months ended 31st December	
	2007 HK\$'000	2006 HK\$'000
Interest on bank borrowings wholly repayable within five years	5,059	4,021
Interest element of finance leases	266	451
	<hr/>	<hr/>
	5,325	4,472
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

9 Taxation (credit)/charge

Hong Kong profits tax has been provided for at the rate of 17.5% (31st December 2006: 17.5%) on the estimated assessable profit for the period. The provision for current income tax of subsidiaries established in the PRC has been calculated based on the estimated assessable profit for the period at the rates of taxation as applicable to the relevant PRC subsidiaries.

The amount of taxation (credited)/charged to the consolidated interim profit and loss account represents:

	Unaudited Six months ended 31st December	
	2007 HK\$'000	2006 HK\$'000
Current taxation		
– Hong Kong profits tax	1,268	1,724
– PRC income tax	2,313	359
Overprovision for Hong Kong profits tax in prior years	(750)	—
Deferred taxation	(3,355)	788
	(524)	2,871

10 Dividends

At a meeting held on 12th March 2008, the Directors declared an interim dividend of HK1.0 cent per share, totaling HK\$3,600,000 for the year ending 30th June 2008 (31st December 2006: HK 1.0 cent per share). This dividend is not reflected as a dividend payable in the interim financial information but will be reflected as an appropriation of retained earnings for the year ending 30th June 2008.

11 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$13,114,000 (31st December 2006: HK\$7,366,000) and 360,000,000 (31st December 2006: 360,000,000) ordinary shares in issue during the period.

Diluted earnings per share equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive for the six months ended 31st December 2006 and 2007.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

12 Capital expenditure

	Unaudited			
	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000	Intangible assets HK\$'000
Opening net book amount as at 1st July 2007	103,313	17,400	14,756	—
Exchange differences	5,185	—	362	—
Additions	2,120	—	—	4,000
Disposals	(145)	—	—	—
Depreciation/amortisation (Note 7)	(7,221)	—	(201)	—
Closing net book amount as at 31st December 2007	103,252	17,400	14,917	4,000

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

13 Trade and bills receivables

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

	Unaudited 31st December 2007 HK\$'000	Audited 30th June 2007 HK\$'000
Below 90 days	258,737	288,940
91-180 days	31,373	23,910
Over 180 days	3,597	3,466
	293,707	316,316

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.

A subsidiary of the Group transferred certain bills of exchange amounting to HK\$7,132,000 (30th June 2007: HK\$7,083,000) to banks with recourse in exchange for cash as at 31st December 2007. The transactions have been accounted for as collateralised bank advances.

14 Trade payables

The aging analysis of trade payables is as follows:

	Unaudited 31st December 2007 HK\$'000	Audited 30th June 2007 HK\$'000
Below 90 days	110,133	124,547
91-180 days	2,545	3,895
Over 180 days	28	446
	112,706	128,888

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

15 Share capital

	Unaudited 31st December 2007 HK\$'000	Audited 30th June 2007 HK\$'000
Authorised:		
800,000,000 (2006: 800,000,000) ordinary shares of HK\$0.10 each	80,000	80,000
Issued and fully paid:		
360,000,000 (2006: 360,000,000) ordinary shares of HK\$0.10 each	36,000	36,000

16 Assets held for sale

Pursuant to an agreement entered into between the Group and certain third parties dated 19th October 2006, the Group agreed to dispose of certain assets, representing the business of Ngai Hing PlastChem Company Limited, a subsidiary of the Group, to the relevant parties. Details of these assets held for sale as a disposal group at 30th June 2007 were as follows:

	Audited 30th June 2007 HK\$'000
Property, plant and equipment	7,460
Inventories	4,588
Prepayments	115
Cash and cash equivalents	9,254
	21,417

Immediately before the completion of the disposal, the carrying value of these assets held for sale as a disposal group and the costs directly attributable to the disposal amounted to HK\$29,877,000. The disposal was completed on 31st December 2007 at a final consideration of HK\$43,112,000. Consequently a profit on disposal of a business amounting to HK\$13,235,000 was recorded for the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

17 Commitments

(a) Capital commitments

	Unaudited 31st December 2007 HK\$'000	Audited 30th June 2007 HK\$'000
Property, plant and equipment:		
Contracted but not provided for	7,160	6,863
Authorised but not contracted for	—	—
Available-for-sale financial asset:		
Contracted but not provided for	2,000	—
Authorised but not contracted for	—	—
	9,160	6,863

(b) Commitments under operating leases

As at 31st December 2007, the Group had future aggregate minimum lease payments and receivables under non-cancellable operating leases as follows:

	Unaudited 31st December 2007 HK\$'000	Audited 30th June 2007 HK\$'000
Minimum lease payments:		
Not later than one year	2,289	2,630
Later than one year and not later than five years	2,767	3,079
Later than five years	318	97
	5,374	5,806
Minimum lease receivables:		
Not later than one year	1,901	639
Later than one year and not later than five years	457	132
	2,358	771

Generally, the Group's operating leases are for terms of 1 to 10 years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Cont'd)

17 Commitments (Cont'd)

(c) Foreign exchange contracts

At 31st December 2007, the notional principal amounts of the Group's outstanding forward foreign exchange contracts were as follows:

	Unaudited 31st December 2007 HK\$'000	Audited 30th June 2007 HK\$'000
Sell HK dollars for US dollars	554,885	800,280
Sell HK dollars for Renminbi	15,957	—
Sell US dollars for HK dollars	—	39,000
	570,842	839,280

18 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 2007 HK\$'000	2006 HK\$'000
Basic salaries, allowances and other benefits in kinds	5,730	6,195
Pensions – defined contribution plans	350	409
	6,080	6,604

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 2007 to members whose names appear on the Register of Members on 28th March 2008. The dividend will be paid on or before 10th April 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 27th March 2008 to Friday, 28th March 2008 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Union Registrars Limited, Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 26th March 2008.

BUSINESS REVIEW AND PROSPECTS

In the six months ended 31 December 2007, the Group recorded a turnover of HK\$793,553,000 (2006: HK\$691,129,000), profit attributable to shareholders of HK\$13,114,000 (2006: HK\$7,366,000) and earnings per share of HK3.64 cents (2006: HK2.05 cents). The Board of Directors has recommended payment of an interim dividend of HK1.0 cent per share (2006: HK1.0 cent).

In the first half of the financial year, thanks to the double-digit growth in turnover of both the plastics trading business and manufacturing business, the Group's total turnover increased by 15% against the same period last year. More than 78% surge in profit attributable to shareholders was recorded, attributable mainly to the gain of HK\$13,235,000 from the disposal of PVC business to PolyOne Corporation ("PolyOne") in December 2007. Although crude oil and raw material prices remained high during the period, the Group was able to maintain its gross profit margin at 9% through effective cost control measures and prudence in taking orders. Drawing on its abundant experience in the plastics industry, the management has mapped out flexible yet prudent strategies that navigated the Group through challenging operating environment and resulting in generating satisfactory returns for shareholders.

During the review period, turnover from plastics trading business increased by 10% when compared with the same period last year. The subsidiaries set up in Guangzhou and Shanghai in 2006 commenced operation and have secured new customers. They performed satisfactorily and started to contribute to the Group's revenue during the period.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

As for the engineering plastics manufacturing business, it grew satisfactorily during the period reporting a turnover 12% higher than that of the same period last year, becoming the Group's major growth driving force. During the review period, the Group strengthened research and development of new engineering plastic products and found new applications for them to stimulate sales and attract new customers. Furthermore, the Group also boosted its capability in customizing products for customers, with the aim of fostering stable growth of such segment.

Domestic sales of colorants and compounded plastic resins in Northern and Eastern China continued to grow, reporting 17% more in turnover against the same period last year. However, the Group's customers in Dongguan, mostly toy exporters, had been cautious in ordering as a result of recent tense trade relations between the PRC and the United States of America (the "U.S."). This led to a reduced sales in the Dongguan market and hence an approximately 3% drop in overall turnover from the colorants and compounded plastic resins business in the review period. In addition, this segment experienced a slight increase in cost due to the new policies introduced by the Customs Bureau last year. The gross profit margin of the Group's colorants and compound plastic resins business in the Southern China for the period thus declined slightly.

Upholding its corporate spirit emphasising innovation, the Group has been relentless in exploring new products and markets. Tapping the growing acceptance of environmentally friendly products in recent years, the Group started developing and promoting new biodegradable plastics products in August last year. The new plastics products are primarily used in the production of disposable household and packaging products. They facilitated expansion of business of the Group in the high margin U.S. and European markets, thus boosted the Group's profitability.

Looking forward, the Group will not only focus on developing its environmentally friendly products, but will also continue to control production costs, with the aim of boosting cost effectiveness and overall operational efficiency. In the second half of the year, the Group will step up sales and marketing efforts and strive to secure new customers among especially large enterprises likely to place volume orders and promising shorter receivable period and lower bad debt risks.

To expand the engineering plastics business, the Group will accelerate research and development of new products and applications and mount active promotion for those products, and also strive to improve product quality and after-sale services. In addition, the Group disposed of its PVC business, which had given it 5% interest in the related subsidiary of PolyOne. The Group is looking forward to collaborating with PolyOne to secure opportunities in the PVC market in the PRC.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

For enterprises operating in mainland China, recently launched new Customs policies and Labour Law are expected to increase their operation costs. To boost its competitive strengths, the Group will continue to adopt sound business strategies and manage its finance with prudence. It will also actively study the feasibility of expanding the Southern China productions to other districts close by. The Group envisages this move will reduce overall production cost as well as enhance its overall production capacity conducive to improving economies of scale and the long-term growth of its business.

Last but not least, the Board wishes to take this opportunity to thank its customers, suppliers and shareholders of the Group for their invaluable support, and its employees for their hard work over the years.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. As at 31st December 2007, the Group has available aggregate bank loan facilities of approximately HK\$314,819,000, of which HK\$216,999,000 have been utilised and were secured by corporate guarantee issued by the Group 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 2007 amounted to approximately HK\$65,182,000. The Group's gearing ratio as at 31st December 2007 was approximately 58.4%, based on the total bank borrowings of approximately HK\$209,143,000, together with obligations under finance leases of approximately HK\$7,856,000 and the shareholders' funds of approximately HK\$371,298,000.

Details of the Group's capital commitments are disclosed in Note 17(a) to the condensed consolidated interim financial information.

FOREIGN EXCHANGE RISK

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

At 31st December 2007, 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:

	2007 HK\$'000
Sell HK dollars for US dollars	554,885
Sell HK dollars for Renminbi	15,957
	570,842

EMPLOYEE INFORMATION

As at 31st December 2007, the Group employed a total of approximately 801 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 2007 are as follows:

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

SHARE OPTIONS (Cont'd)

	Date of grant	Exercise period	Exercise price	Number of Share Options			End of the period
				Beginning of the period	Granted during the period	Exercised during the period	
Executive directors (Cont'd)							
Mr LAI Kam Wah	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
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	Beginning of the period	Number of Share Options		End of the period
					Granted during the period	Exercised during the period	
Other continuous contract employees (Cont'd)							
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
	21st October 2004	21st October 2005 to 20th October 2010	HK\$0.65	1,000,000	—	—	1,000,000
	21st October 2004	21st October 2006 to 20th October 2010	HK\$0.65	1,000,000	—	—	1,000,000
	21st October 2004	21st October 2007 to 20th October 2010	HK\$0.65	1,000,000	—	—	1,000,000
				25,500,000	—	—	25,500,000

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 2007, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

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

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

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

Name of Directors		Unlisted Share Options (physically settled equity derivatives) as at 31st December 2007	
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
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 2007, 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 2007, the following Directors owned interests in non-voting deferred shares in Ngai Hing Hong Plastic Materials Limited, which are subject to an option granted to Ngai Hing (International) Company Limited to acquire the said non-voting deferred shares.

Name of Directors	Number of non-voting deferred shares held	
	Personal interests	Other interests
Mr HUI Sai Chung	200,000	50,000 (i)
Mr HUI Kwok Kwong	200,000	50,000 (ii)

Notes:

- (i) These shares are held by Ever Win.
- (ii) These shares are held by Evergrow.

Save as disclosed above and other than certain nominee shares in the subsidiaries of the Company held by certain Directors of the Company in trust for the Group as at 31st December 2007, 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 period 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 2007, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the period.

CORPORATE GOVERNANCE PRACTICE

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

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31st December 2007, except for deviation of the code provisions A.2.1 and A.4.1 of the Code as mentioned below.

CORPORATE GOVERNANCE PRACTICE (Cont'd)

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

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company's independent non-executive directors were not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

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

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 Effective Audit Committees" 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 consolidated interim financial information for the six months ended 31st December 2007 with the Directors.

REMUNERATION COMMITTEE

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

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive Directors and senior management. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong,
12th March 2008