
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ngai Hing Hong Company Limited, you should at once hand this Prospectus (as defined herein) to the purchaser or transferee or to the bank, licensed securities dealer or other agents through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this Prospectus, together with copies of the other documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix II to this Prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance in Hong Kong and filed with the Registrar of Companies in Bermuda as required by Section 26 of the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong, the Securities and Futures Commission in Hong Kong, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority take no responsibility as to the contents of any of these documents.

Dealings in the securities of Ngai Hing Hong Company Limited may be settled through CCASS (as defined herein) and you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.



NGAI HING HONG COMPANY LIMITED

毅興行有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

OPEN OFFER OF NEW SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY FIVE SHARES HELD ON RECORD DATE PAYABLE IN FULL ON ACCEPTANCE

Financial adviser to the Company



First Shanghai Capital Limited

The latest time for application and payment for the Offer Shares is 4:00 p.m. on Thursday, 9 June 2005. The procedure for application is set out on page 18 of this Prospectus.

The Underwriter may terminate the Underwriting Agreement if prior to 4:00 p.m. on the second Business Day following the Acceptance Date, that second Business Day expected to be Monday, 13 June 2005, in the absolute opinion of the Underwriter:

- the occurrence of the following events would materially prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable for the Underwriter to proceed with the Open Offer:
 - the introduction of any new law or regulation or any material change in existing law or regulation or any material change in the judicial interpretation or application thereof by any court or other competent authority; or
 - the occurrence of any local, national or international event, development or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Underwriting Agreement) of a political, military, financial, regulatory or economic nature (whether or not ejusdem generis with any of the foregoing) resulting in a material adverse change in, or which might reasonably be expected to result in a material adverse change in, securities market conditions; or
 - the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange (i) occurring due to exceptional financial circumstances; or (ii) for a period of more than five consecutive Business Days (excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcement or circular in connection with the Open Offer); or
 - the occurrence of a change or development involving a prospective material change in taxation in Hong Kong or Bermuda or the implementation of exchange controls which will or might reasonably be expected to materially and adversely affect the Company; or
 - any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs;
- the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would be untrue or inaccurate in any material respect if repeated as provided in the Underwriting Agreement and the Underwriter shall in its absolute opinion determine that any such untrue representation or warranty is likely to have a materially prejudicial effect on the Open Offer; or
- any change occurs in the circumstances of the Company or any member of the Group which would materially and adversely affect the prospects, business, financial or trading position of the Group taken as a whole including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement in any material respect which breach or omission would have a material and adverse effect on the prospects, business, financial or trading position of the Group taken as a whole; or
- the occurrence of any event, or series of events, beyond the control of the Underwriter (including, without limitation, acts of government, strike, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism or acts of God) which in its absolute opinion has or would have the effect of materially and adversely affecting the Open Offer.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement have not been fulfilled in accordance with the terms thereof, the Open Offer will not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares have been dealt with on an ex-entitlement basis commencing from Monday, 23 May 2005 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholders or other persons dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Monday, 13 June 2005), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholders or other person contemplating selling or purchasing Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

* For identification purposes only

26 May 2005

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DEFINITIONS

In this Prospectus, the following expressions have the following meanings, unless the context otherwise requires:

“Acceptance Date”	Thursday, 9 June 2005 (or such other date as the Underwriter may agree in writing with the Company as the latest date for lodging the application of and payment for the Offer Shares)
“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (other than a Saturday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	The Companies Act 1981 of Bermuda
“Company”	Ngai Hing Hong Company Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company, including the independent non-executive directors of the Company
“Excess Application Form(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Offer Shares
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	6 May 2005, being the last trading day which was immediately prior to the suspension of trading in the Shares on the Stock Exchange pending the release of the Company’s announcement dated 11 May 2005 regarding, among other things, the proposed Open Offer

DEFINITIONS

“Latest Practicable Date”	23 May 2005, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	The Macau Special Administrative Region of the PRC
“Offer Share(s)”	60,000,000 new Shares to be allotted and issued under the Open Offer
“Open Offer”	the issue of the Offer Shares at the Subscription Price by way of open offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein
“Option(s)”	the outstanding option(s) granted by the Company pursuant to the share option scheme of the Company adopted on 5 December 2002
“Option Holder(s)”	the holder(s) of the outstanding Options
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
“PRC”	the People’s Republic of China, for the purpose of this Prospectus, excludes Hong Kong, Macau and Taiwan
“Prospectus”	this Prospectus in connection with the Open Offer
“Prospectus Documents”	the Prospectus, the Application Form and the Excess Application Form
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Unqualifying Shareholder(s)
“Record Date”	Wednesday, 25 May 2005, being the date by reference to which entitlements to the Open Offer will be determined (or such other day as the Underwriter may agree in writing with the Company)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.60 per Offer Share pursuant to the Open Offer
“Underwriter”	Good Benefit Limited, a company beneficially owned as to 45.1%, 45.1%, 0.8% and 9.0% by Ever Win Limited, Evergrow Company Limited, Madam Liu Sau Lai, and other shareholders who are not connected persons to the Company and are not connected with the directors, chief executive, substantial shareholders of the Company or its subsidiaries or any of their respective associates (within the meaning under Rule 1.01 of the Listing Rules) respectively
“Underwriting Agreement”	the underwriting agreement dated 9 May 2005 (as amended by a letter dated 10 May 2005) entered into between the Company and the Underwriter
“Unqualifying Shareholder(s)”	those Overseas Shareholders to be excluded from the Open Offer as may be determined by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules
“HK\$”	Hong Kong dollars
“%”	per cent.

For the purpose of this Prospectus, unless otherwise specified, the conversion of United States dollar into Hong Kong dollar based on the exchange rate of United States dollar 1 = Hong Kong dollar 7.8 and the conversion of Renminbi into Hong Kong dollar based on the exchange rate of Renminbi 1 = Hong Kong dollar 0.926.

EXPECTED TIMETABLE

2005

Despatch of the Prospectus Documents	Thursday, 26 May
Register of members re-opens	Friday, 27 May
Latest time and date for lodging acceptance of, and payment for, Offer Shares	4:00 p.m. on Thursday, 9 June
Open Offer becomes unconditional	4:00 p.m. on Monday, 13 June
Announcement of results of the Open Offer.....	Tuesday, 14 June
Despatch of refund cheques in respect of unsuccessful excess applications	Tuesday, 14 June
Share certificates for fully-paid Offer Shares to be despatched	Tuesday, 14 June
Dealings in Offer Shares commence	Thursday, 16 June

Note: All times refer to Hong Kong local times in this Prospectus.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the Underwriting Agreement if prior to 4:00 p.m. on the second Business Day following the Acceptance Date, that second Business Day expected to be Monday, 13 June 2005, in the absolute opinion of the Underwriter:

1. the occurrence of the following events would materially prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable for the Underwriter to proceed with the Open Offer:
 - (a) the introduction of any new law or regulation or any material change in existing law or regulation or any material change in the judicial interpretation or application thereof by any court or other competent authority; or
 - (b) the occurrence of any local, national or international event, development or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Underwriting Agreement) of a political, military, financial, regulatory or economic nature (whether or not ejusdem generis with any of the foregoing) resulting in a material adverse change in, or which might reasonably be expected to result in a material adverse change in, securities market conditions; or
 - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange (i) occurring due to exceptional financial circumstances; or (ii) for a period of more than five consecutive Business Days (excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcement or circular in connection with the Open Offer); or
 - (d) the occurrence of a change or development involving a prospective material change in taxation in Hong Kong or Bermuda or the implementation of exchange controls which will or might reasonably be expected to materially and adversely affect the Company; or
 - (e) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs;
2. the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would be untrue or inaccurate in any material respect if repeated as provided in the Underwriting Agreement and the Underwriter shall in its absolute opinion determine that any such untrue representation or warranty is likely to have a materially prejudicial effect on the Open Offer; or

TERMINATION OF THE UNDERWRITING AGREEMENT

3. any change occurs in the circumstances of the Company or any member of the Group which would materially and adversely affect the prospects, business, financial or trading position of the Group taken as a whole including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
4. the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement in any material respect which breach or omission would have a material and adverse effect on the prospects, business, financial or trading position of the Group taken as a whole; or
5. the occurrence of any event, or series of events, beyond the control of the Underwriter (including, without limitation, acts of government, strike, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism or acts of God) which in its absolute opinion has or would have the effect of materially and adversely affecting the Open Offer.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

LETTER FROM THE BOARD



NGAI HING HONG COMPANY LIMITED

毅興行有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

Executive Directors:

Mr. Hui Sai Chung (*Chairman*)

Mr. Hui Kwok Kwong

(Deputy Chairman and Managing Director)

Dr. Wong Chi Ying, Anthony

Mr. Lai Kam Wah

Mr. Ching Yu Lung

Madam Liu Sau Lai

Independent non-executive Directors:

Mr. Ho Wai Chi, Paul

Mr. Fong Pong Hing

Mr. Chan Dit Lung

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of
business in Hong Kong:*

Unit 3

6th Floor

Hopeful Factory Centre

10 Wo Shing Street

Fo Tan

New Territories

Hong Kong

26 May 2005

*To the Qualifying Shareholders and for information only,
the Unqualifying Shareholders and the Option Holders*

Dear Sir or Madam,

**OPEN OFFER OF NEW SHARES ON THE BASIS OF ONE OFFER SHARE
FOR EVERY FIVE SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON ACCEPTANCE**

INTRODUCTION

It was announced on 11 May 2005 that the Board intended to raise approximately HK\$36.0 million, before expenses, by issuing 60,000,000 Offer Shares at a price of HK\$0.60 per Offer Share by way of the Open Offer, payable in full on application, on the basis of one Offer Share for every five Shares held on the Record Date.

* *For identification purposes only*

LETTER FROM THE BOARD

This Prospectus sets out further information regarding the Open Offer, including information on dealings and application for the Offer Shares and other financial information in respect of the Group.

OPEN OFFER

On 9 May 2005, the Company entered into the Underwriting Agreement with the Underwriter in respect of the Open Offer and further details of the Open Offer are set out below:

Issue statistics

Basis of the Open Offer:	One Offer Share for every five Shares held on the Record Date
Number of Shares in issue as at the Latest Practicable Date:	300,000,000 Shares
Number of Offer Shares to be issued:	60,000,000 Shares, representing 20% of the existing issued Shares and approximately 16.67% of the issued share capital as enlarged by the issue of the Offer Shares
Subscription Price:	HK\$0.60 per Offer Share payable in full on application

The Company has not conducted any other fund raising exercises within 12 months preceding the Latest Practicable Date and there was no open offer or rights issue made by the Company prior to such 12 months period where dealing in respect of such shares issued pursuant thereto commenced within such 12 months period preceding the Latest Practicable Date.

The Company has adopted a new share option scheme on 5 December 2002, by which, 28,500,000 Options had been granted to the executive Directors and other continuous contract employees and were outstanding as at the Latest Practicable Date. As at the Latest Practicable Date, the Company has outstanding and exercisable Options entitling the Option Holders to subscribe for up to an aggregate of 17,000,000 Shares at an exercise price of HK\$0.82 per Share. The Options are exercisable as at the Latest Practicable Date and at any time prior to the Record Date until expiry of the relevant Options. Each of the Option Holders of the exercisable Options has given an irrevocable undertaking to the Company that he/she would not exercise their respective Options on or before the Record Date. Save as the Options, as at the Latest Practicable Date, there are no other outstanding convertible note, share option, warrant, derivative or other securities convertible into or exchangeable for the Shares.

Pursuant to the Underwriting Agreement, the Company has undertaken that it will not, from the date of the Underwriting Agreement to the Record Date, issue any Shares or grant any share options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than pursuant to the exercise of the Options).

LETTER FROM THE BOARD

Subscription Price of the Offer Shares

The Subscription Price of HK\$0.60 per Offer Share will be payable in full upon acceptance of the provisional allotments. The Subscription Price represents:

- (i) a discount of approximately 6.25% to the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 9.09% to the average closing price of approximately HK\$0.66 per Share for the previous five consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 9.64% to the average closing price of approximately HK\$0.664 per Share for the previous ten consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 36.84% to the net asset value per Share of approximately HK\$0.95 with reference to the latest published audited financial statements of the Group as at 30 June 2004;
- (v) a discount of approximately 38.78% to the unaudited consolidated net asset value per Share of the Group of approximately HK\$0.98 per Share as at 31 December 2004;
- (vi) a discount of approximately 5.21% to the theoretical ex-entitlement price of approximately HK\$0.633 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vii) a discount of approximately 34.07% to the unaudited pro forma consolidated net tangible asset value per Share as at 31 December 2004 upon completion of the Open Offer of approximately HK0.91; and
- (viii) equivalent to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The theoretical ex-entitlement price is calculated based on the following:

$$\frac{(5 \times \text{closing price on the Last Trading Day}) + (1 \times \text{Subscription Price})}{(5 + 1)}$$

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter, having regard to the prevailing market conditions, the recent trading volume, the price performance of the Shares and the financial position of the Group. The Board considers that the Subscription Price and the terms and the conditions of the Open Offer to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Qualifying Shareholders

To qualify for the Open Offer, Shareholders must be registered as members of the Company as at the close of business on the Record Date and not be Unqualifying Shareholders.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfer of Shares (with the relevant share certificates) for registration with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by 4:00 p.m. on Tuesday, 24 May 2005.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange.

Closure of register of members

The register of members of the Company has been closed from Wednesday, 25 May 2005 to Thursday, 26 May 2005, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

Rights of Unqualifying Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda.

Having reviewed the register of members as at the Record Date, the Company noted that four Shareholders have maintained addresses located in two places outside Hong Kong in the Company's register of members, namely, Macau and Thailand. The shareholding of such individual Overseas Shareholders ranges from 2,000 Shares to 20,000 Shares, representing approximately 0.0007% to 0.0067% of the existing issued Shares; and the total shareholding of these Overseas Shareholders represents approximately 0.0153% of the existing issued Shares in aggregate. The Company has made enquiry regarding the feasibility of extending the Open Offer to the Overseas Shareholders with registered addresses in Macau and Thailand, and based on which the Directors have determined that it is expedient for the Open Offer to be offered to all such Overseas Shareholders in Macau and Thailand. The Company has also made enquiry that the Prospectus Documents will not be required to be registered under the respective applicable laws of Macau or Thailand. Accordingly, there were no Unqualified Shareholders based on the register of members of the Company as at the Record Date.

LETTER FROM THE BOARD

Application for excess Offer Shares

Under the Open Offer, Qualifying Shareholders may apply for the entitlements of the Unqualifying Shareholders (if any) and any Offer Shares not taken up by the Qualifying Shareholders. Application can be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Offer Shares being applied for.

The Directors will allocate the excess Offer Shares at their discretion and on a fair and equitable basis and give preference to topping up odd lots to whole board lots.

Intention of the controlling Shareholder and other Shareholders

As at the Latest Practicable Date, Good Benefit Limited is the controlling Shareholder holding 153,000,000 Shares, representing approximately 51% of the issued share capital of the Company. Good Benefit Limited has irrevocably undertaken to the Company that it will up to and inclusive of the latest date for application of the Offer Shares remain the beneficial owner of at least 153,000,000 Shares and will subscribe for its entitlement in full in respect of such Shares under the Open Offer pursuant to an undertaking letter. In addition, each of Ever Win Limited, Evergrow Company Limited, Mr. Hui Sai Chung, Mr. Hui Kwok Kwong and Madam Liu Sau Lai (currently holding 5,000,000 Shares, 1,735,000 Shares, 12,268,000 Shares, 12,702,000 Shares and 1,102,500 Shares respectively), has also irrevocably undertaken to accept their respective entitlements in full under the Open Offer pursuant to an undertaking letter. Mr. Hui Sai Chung, Mr. Hui Kwok Kwong and Madam Liu Sau Lai are the Directors.

UNDERWRITING ARRANGEMENTS

Good Benefit Limited is the controlling Shareholder holding 153,000,000 Shares, representing approximately 51% of the issued share capital of the Company as at the Latest Practicable Date. Each of Good Benefit Limited, Ever Win Limited, Evergrow Company Limited, Mr. Hui Sai Chung, Mr. Hui Kwok Kwong and Madam Liu Sau Lai, has irrevocably undertaken to accept their respective entitlements in aggregate 37,161,500 Offer Shares in full under the Open Offer. Good Benefit Limited has underwritten 22,838,500 Offer Shares pursuant to the Underwriting Agreement. The terms of the Underwriting Agreement were reached after arm's length negotiation between the Company and the Underwriter, and the Directors consider that the Underwriting Agreement is on normal commercial terms.

LETTER FROM THE BOARD

Underwriting Agreement

Date: 9 May 2005

Underwriter: Good Benefit Limited, a controlling Shareholder currently holding 153,000,000 Shares, representing 51% issued share capital of the Company

Number of Offer Shares underwritten: 22,838,500 Shares

Commission: An underwriting commission of 1% of the aggregate Subscription Price of the Offer Shares underwritten by the Underwriter

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement if prior to 4:00 p.m. on the second Business Day following the Acceptance Date, that second Business Day expected to be Monday, 13 June 2005, in the absolute opinion of the Underwriter:

1. the occurrence of the following events would materially prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable for the Underwriter to proceed with the Open Offer:
 - (a) the introduction of any new law or regulation or any material change in existing law or regulation or any material change in the judicial interpretation or application thereof by any court or other competent authority; or
 - (b) the occurrence of any local, national or international event, development or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Underwriting Agreement) of a political, military, financial, regulatory or economic nature (whether or not ejusdem generis with any of the foregoing) resulting in a material adverse change in, or which might reasonably be expected to result in a material adverse change in, securities market conditions; or
 - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange (i) occurring due to exceptional financial circumstances; or (ii) for a period of more than five consecutive Business Days (excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcement or circular in connection with the Open Offer); or

LETTER FROM THE BOARD

- (d) the occurrence of a change or development involving a prospective material change in taxation in Hong Kong or Bermuda or the implementation of exchange controls which will or might reasonably be expected to materially and adversely affect the Company; or
 - (e) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs;
2. the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would be untrue or inaccurate in any material respect if repeated as provided in the Underwriting Agreement and the Underwriter shall in its absolute opinion determine that any such untrue representation or warranty is likely to have a materially prejudicial effect on the Open Offer; or
 3. any change occurs in the circumstances of the Company or any member of the Group which would materially and adversely affect the prospects, business, financial or trading position of the Group taken as a whole including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
 4. the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement in any material respect which breach or omission would have a material and adverse effect on the prospects, business, financial or trading position of the Group taken as a whole; or
 5. the occurrence of any event, or series of events, beyond the control of the Underwriter (including, without limitation, acts of government, strike, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism or acts of God) which in its absolute opinion has or would have the effect of materially and adversely affecting the Open Offer.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional upon the following conditions:

- (a) the filing with the Registrar of Companies in Bermuda of one copy of each of the Prospectus Documents duly signed by all Directors or by one of the Directors on behalf of all Directors in compliance with the Companies Act (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Act on or before Thursday, 26 May 2005;

LETTER FROM THE BOARD

- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents, each duly certified by two Directors (or by their agents duly authorised in writing), and all other documents required to be attached thereto and otherwise complying with the requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules on or before Thursday, 26 May, 2005;
- (c) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on or before Thursday, 26 May, 2005;
- (d) delivery to the Company and the Underwriter on 9 May 2005 the undertaking letters described in the sub-section headed “Intention of the controlling Shareholder and other Shareholders” above; and
- (e) the Listing Committee granting (either unconditionally or subject to conditions) and not having withdrawn or revoked, the listing of and permission to deal in the Offer Shares on or before 5:00 p.m. on Monday 13 June, 2005.

If the conditions referred to above are not fulfilled on or before the time and dates specified above (or such other time and date(s) as the Company and the Underwriter may mutually agree), the Underwriting Agreement will cease and terminate and the Open Offer will not proceed.

WARNINGS OF RISKS OF DEALINGS IN SHARES

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement have not been fulfilled in accordance with the terms thereof, the Open Offer will not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares and are advised to consult their professional advisers if they are in any doubt about their positions.

Shareholders should note that the Shares have been dealt with on an ex-entitlement basis commencing from Monday, 23 May 2005 and that dealings in such Shares take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Monday, 13 June 2005), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following is the shareholding structure of the Company (i) before completion of the Open Offer; (ii) immediately following completion of the Open Offer assuming all Qualifying Shareholders have taken up their respective entitlement in full; and (iii) immediately following completion of the Open Offer assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Open

LETTER FROM THE BOARD

Offer except for Good Benefit Limited, Ever Win Limited, Evergrow Company Limited, Mr. Hui Sai Chung, Mr. Hui Kwok Kwong and Madam Liu Sau Lai:

	Before completion of the Open Offer		Immediately following completion of the Open Offer assuming that all Qualifying Shareholders have taken up their respective entitlement in full		Immediately following completion of the Open Offer assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Open Offer except for Good Benefit Limited, Ever Win Limited, Evergrow Company Limited, Mr. Hui Sai Chung, Mr. Hui Kwok Kwong and Madam Liu Sau Lai	
	<i>Number of Shares</i>	<i>Shareholding (%)</i>	<i>Number of Shares</i>	<i>Shareholding (%)</i>	<i>Number of Shares</i>	<i>Shareholding (%)</i>
Good Benefit Limited <i>(Note 1)</i>	153,000,000	51.0	183,600,000	51.0	206,438,500	57.3
Ever Win Limited <i>(Note 2)</i>	5,000,000	1.7	6,000,000	1.7	6,000,000	1.7
Evergrow Company Limited <i>(Note 3)</i>	1,735,000	0.6	2,082,000	0.6	2,082,000	0.6
Mr. Hui Sai Chung	12,268,000	4.1	14,721,600	4.1	14,721,600	4.1
Mr. Hui Kwok Kwong	12,702,000	4.2	15,242,400	4.2	15,242,400	4.2
Madam Liu Sau Lai	1,102,500	0.4	1,323,000	0.4	1,323,000	0.4
Public	<u>114,192,500</u>	<u>38.0</u>	<u>137,031,000</u>	<u>38.0</u>	<u>114,192,500</u>	<u>31.7</u>
Total	<u><u>300,000,000</u></u>	<u><u>100.0</u></u>	<u><u>360,000,000</u></u>	<u><u>100.0</u></u>	<u><u>360,000,000</u></u>	<u><u>100.0</u></u>

Notes:

- Good Benefit Limited is a company beneficially owned as to 45.1%, 45.1%, 0.8% and 9.0% by Ever Win Limited, Evergrow Company Limited, Madam Liu Sau Lai, and other shareholders who are not connected persons to the Company and are not connected with the directors, chief executive, substantial shareholders of the Company or its subsidiaries or any of their respective associates (within the meaning under Rule 1.01 of the Listing Rules) respectively.
- Ever Win Limited is a company incorporated in British Virgin Islands with limited liability and is held by a trustee (as to 50,000 ordinary shares thereof) on behalf of a discretionary trust, the discretionary objects of which include Mr. Hui Sai Chung, a Director, and his family members, and by Mr. Hui Sai Chung and his spouse as to 30,834 and 5 class A non-convertible redeemable preferred shares thereof respectively.
- Evergrow Company Limited is a company incorporated in British Virgin Islands with limited liability and is held by a trustee (as to 50,000 ordinary shares thereof) on behalf of a discretionary trust, the discretionary objects of which include Mr. Hui Kwok Kwong, a Director, and his family members, and by Mr. Hui Kwok Kwong as to 30,823 class A non-convertible redeemable preferred shares thereof.

All of the Company, the Directors and the Underwriter will ensure that appropriate steps will be taken to ensure the sufficiency of public float in the Shares.

LETTER FROM THE BOARD

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in the trading and manufacturing of plastic materials, pigments colorants, compounded plastic resins, engineering plastic products and PVC compounds.

The Group has not conducted any fund raising exercise since dealings in the Shares on the main board of the Stock Exchange commenced around ten years ago. However, the Group's (i) turnover had significantly increased from approximately HK\$703.59 million for the year ended 30 June 2000 to approximately HK\$1,017.78 million for the year ended 30 June 2004 (representing a compound annual growth rate of approximately 9.67%); (ii) its total assets had also increased from approximately HK\$331.40 million as at 30 June 2000 to approximately HK\$536.66 million as at 30 June 2004 (representing a compound annual growth rate of approximately 12.81%); whereas (iii) its current assets had only increased from approximately HK\$151.20 million as at 30 June 2000 to approximately HK\$167.91 million as at 30 June 2004 (representing a compound annual growth rate of approximately 2.66%). The Group's working capital requirements have also substantially increased over the years, the Directors therefore consider that the Open Offer represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. As a consequence, the Company will be in a better position to capture any potential business opportunity and facilitate its business expansion and to enhance its earning potential, and therefore enhance the overall value of the Shares. However, the Company has not identified any specific investment target of acquisitions as at the Latest Practicable Date. Moreover, the Directors are of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company.

The estimated expenses of the Open Offer is approximately HK\$800,000, which will be borne by the Company. The net proceeds of approximately HK\$35.20 million will be used as general working capital of the Group.

BUSINESS REVIEW AND FUTURE PROSPECTS OF THE GROUP

The Group is principally engaged in the trading and manufacturing of plastic materials, pigments colorants, compounded plastic resins, engineering plastic products and PVC compounds.

For the year ended 30 June 2003, the Group achieved a turnover of approximately HK\$874.98 million. For the year ended 30 June 2004, the Group's turnover increased to approximately HK\$1,017.78 million. Net profit attributable to Shareholders decreased to approximately HK\$13.28 million for the year ended 30 June 2004 as compared to that of approximately HK\$40.46 million for the year ended 30 June 2003. The decrease in profit was mainly due to the combined effect of (i) the substantial increase in the costs of raw materials brought on by the surge in crude oil price; and (ii) the deployment of extra resources into the new plant and in developing the new PVC business, the Group's production and operating costs increased and its overall profit margin narrowed during the year ended 30 June 2004. As a consequence, the Group's overall gross profit decreased from approximately HK\$125.46 million for the year ended 30 June 2003 to HK\$110.24 million for the year ended 30 June 2004, representing gross profit margin of 14.34% and 10.83% respectively.

LETTER FROM THE BOARD

For the six months ended 31 December 2004, the Group recorded a turnover of approximately HK\$603.07 million, representing an increase of approximately 20.57% as compared the corresponding six-month period ended 31 December 2003. Profit attributable to Shareholders was also increased to approximately HK\$13.96 million for the six months ended 31 December 2004 from approximately HK\$7.13 million for the corresponding period in 2003. The increase in net profit attributable to Shareholders was mainly benefited due to the rise in plastic prices, and as a consequence, its plastic trading business boomed and had double-digit growth in both turnover and profit.

Although the economic environment still poses challenges, riding on the experience of its management and its business strategies, the Group's business expansion efforts implemented in the past continue to bring concrete returns. The Group achieved encouraging results for the six months ended 31 December 2004, which have further strengthened the foundation for its future growth. During the six months ended 31 December 2004, the Group achieved significant growth in both turnover and profit, which accounted for approximately 20.57% and 95.77% respectively, when compared with the corresponding period in the previous financial year.

Turnover of all the Group's major business streams for the six months ended 31 December 2004 grew, led by two outstanding business segments - plastic trading and engineering plastics manufacturing business.

During the six months ended 31 December 2004, the Group's engineering plastic manufacturing business performed exceptionally well. Having passed the initial stage, the Group's plant located in Tai Po, the New Territories, is now in smooth operations. The marketing efforts of the Group for its quality products during the six-month period also contributed to the notable rise in product prices and sales of its engineering plastics products. In the future, the Group intends to focus on introducing the line of products to other industries and developing new product applications.

The Group's new business pursuit, namely the production and sale of PVC compounds, has started to bring in revenue. Although this segment is still in its infancy, based on the number of orders received and the preliminary response of potential customers, the Group is optimistic about the prospects of this new business.

As the global economy continues to improve and consumption desire rises, the Group sees prospects for the market. The Group expects to achieve yet greater economies of scale, which will allow it to further lower production costs. For the six months ending 30 June 2005, the Group will step up its sales and marketing efforts in its strive for maximum cost-effectiveness. The Group also sees new business segments contributing to a broader income base. With the continuous efforts of its staff, the Directors believe that the growth momentum which the Group built up in the past will persist in the future.

LISTINGS AND DEALINGS

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of the applicable stamp duty and any other applicable fees and charges in Hong Kong and is expected to commence on Thursday, 16 June 2005.

LETTER FROM THE BOARD

Subject to the granting of listing of and permission to dealing in the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the Bermuda Monetary Authority in respect of the issue of Shares within the Company's authorised share capital of HK\$80,000,000 (which would include the Offer Shares) to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. In granting such permission and in accepting the Prospectus Documents for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in the Prospectus Documents.

PROCEDURES FOR APPLICATION AND PAYMENT

If you are a Qualifying Shareholder, you will find an Application Form and an Excess Application Form being enclosed with the Prospectus, which entitle you to apply for the number of Offer Shares less than or equal to your assured allotment shown thereon and the excess Offer Shares respectively.

Application for Offer Shares

An Application Form is enclosed with this Prospectus which entitles you to accept any number of Offer Shares provisionally allotted to you. Qualifying Shareholders should note that they may accept any number of Offer Shares but are assured of an allotment only up to the number set out in the Application Form. If you are a Qualifying Shareholder and you wish to accept your assured allotment of Offer Shares to which you are entitled as specified in the enclosed Application Form or you wish to accept any number less than your assured entitlement, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of Offer Shares you have accepted with the Company's branch registrar in Hong Kong, Abacus Share Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 9 June 2005. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Ngai Hing Hong Company Limited — Open Offer Account" for Offer Shares and crossed "Account Payee Only".

It should be noted that unless the Application Form, together with the appropriate remittance, has been lodged with the Company's branch registrar in Hong Kong, Abacus Share Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 9 June 2005, that assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated in accordance with its terms and conditions, the subscription monies will be refunded, without interest, by sending a cheque made out to the relevant Shareholders named on the Application Form (or in the case of joint Shareholders, to the first named Shareholder) and crossed “Account Payee Only”, through ordinary post at the risk of the relevant Shareholder(s) to the address specified in the register of members of the Company as at the Record Date on or before Tuesday, 14 June 2005.

The Application Form contains full information regarding the procedures to be followed if you wish to accept only part of your assured entitlements under the Open Offer.

All cheques or cashier’s orders will be presented for payment upon receipt and all interest earned on such moneys (if any) will be retained for the benefit of the Company. Any Application Form in respect of which the cheque or cashier’s order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any acceptance monies received.

Application for excess Offer Shares

To apply for any number of Offer Shares which is more than your assured allotment as set in your Application Form, i.e. the excess Offer Shares, a Qualifying Shareholder should use the separate Excess Application Form and state the number of excess Offer Shares which you wish to apply for and the corresponding total in the appropriate spaces provided in the Excess Application Form. All remittance(s) must be made in Hong Kong dollars and cheques or cashier’s orders must be drawn on a bank account in Hong Kong and made payable to “Ngai Hing Hong Company Limited — Excess Application Account” for excess Offer Shares and crossed “Account Payee Only”.

You will be notified of any allotment of excess Offer Shares made to you. If no excess Offer Shares are allotted to you, it is expected that the amount tendered on application will be refunded to you in full without interest by means of a cheque despatched by ordinary post to you by no later than Tuesday, 14 June 2005 at your own risk. If the number of excess Offer Shares allotted to you is less than that applied for, it is expected that the surplus application monies will also be refunded to you by means of a cheque despatched by ordinary post to you, without interest, by no later than Tuesday, 14 June 2005, at your own risk. Any such cheque will be drawn in favour of the applicant(s) named on the Excess Application Form.

In respect of the number of Offer Shares, excess Offer Shares that you wish to apply for, a Qualifying Shareholder must complete, sign and lodge the Application Form and/or the Excess Application Form in accordance with the instructions printed thereon, together with two separate remittances (when appropriate) for full amount payable on application for the Offer Shares and/or the excess Offer Shares with the Company’s branch share registrar in Hong Kong, Abacus Share Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 9 June 2005.

LETTER FROM THE BOARD

It should be noted that unless the Application Form and/or the Excess Application Form, together with the appropriate remittance, has been lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 9 June 2005 by a Qualifying Shareholder, his/her/its entitlement to apply under the Open Offer will be deemed to have been declined and will be cancelled.

All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such application monies will be retained for the benefit of the Company. Any Application Form and/or Excess Application Form in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlements of the Qualifying Shareholder under the Open Offer will be deemed to have been declined and will be cancelled.

If the conditions of the Open Offer are not fulfilled, the application monies will be refunded, without interest, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the address specified in the register of members of the Company on or before Tuesday, 14 June 2005.

The Application Form and the Excess Application Form are for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any monies received for application of excess Offer Shares.

SHARE CERTIFICATES OF THE OFFER SHARES

Subject to fulfilment of the conditions of the Open Offer, share certificates of the Offer Shares are expected to be posted on or before Tuesday, 14 June 2005 to those Qualifying Shareholders who have validly applied and paid for the Offer Shares at their own risks. No fractional entitlements or allotments are expected to arise as a result of the Open Offer. In case that fractions of Offer Shares arisen, the Company will not allot fractions of Offer Shares and will make such Offer Shares created from the aggregation of fractions of Offer Shares available for excess application under the Open Offer.

ADJUSTMENT TO THE OPTIONS

Under the terms of the share option scheme of the Company adopted on 5 December 2002, adjustments to the exercise price or number of the options granted will be required upon the completion of the Open Offer. Such adjustment(s) will be set out in the Company's announcement of results of acceptance of the Open Offer.

LETTER FROM THE BOARD

GENERAL

Your attention is drawn to the information set out in the Appendices to this Prospectus.

Yours faithfully,
By order of the Board
Hui Sai Chung
Chairman

1. SHARE CAPITAL

The authorised and issued share capital of the Company immediately following the completion of the Open Offer (assuming the Open Offer becoming unconditional) will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>800,000,000</u>	Shares	<u>80,000,000</u>
 <i>Issued, to be issued and fully paid:</i>		
300,000,000	Shares in issue	30,000,000
<u>60,000,000</u>	Shares to be issued pursuant to the Open Offer	<u>6,000,000</u>
 <u>360,000,000</u>		 <u>36,000,000</u>

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares in issue are listed on the Stock Exchange.

All of the Offer Shares to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital, and with all Shares in issue as at the date of allotment and issue of the Offer Shares. The Offer Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

The Company had 28,500,000 Options which had been granted to the executive Directors and other continuous contract employees and were outstanding as at the Latest Practicable Date.

There are no arrangements under which future dividends will be waived or agreed to be waived.

Save as the Options, as at the Latest Practicable Date, there are no other outstanding convertible note, share option, warrant, derivative or other securities convertible into or exchangeable for the Shares.

2. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statements for the three financial years ended 30 June 2004 and the audited consolidated balance sheets as at 30 June 2002, 30 June 2003 and 30 June 2004 as extracted from the annual reports of the Company for the relevant years and the unaudited condensed consolidated income statement for the six months ended 31 December 2004 and the unaudited condensed consolidated balance sheet as at 31 December 2004 as extracted from the 2004 interim report of the Company.

Results

	Unaudited Six months ended 31 December 2004 <i>HK\$'000</i>	Audited Year ended 30 June 2004 <i>HK\$'000</i>	Audited Year ended 30 June 2003 <i>HK\$'000</i>	Audited Year ended 30 June 2002 <i>HK\$'000</i>
Turnover	603,067	1,017,775	874,976	747,281
Cost of sales	<u>(533,157)</u>	<u>(907,534)</u>	<u>(749,513)</u>	<u>(625,863)</u>
Gross profit	69,910	110,241	125,463	121,418
Other revenues	502	818	611	668
Distribution costs	(17,033)	(28,204)	(27,010)	(22,192)
Administrative expenses	<u>(32,466)</u>	<u>(60,529)</u>	<u>(52,337)</u>	<u>(55,397)</u>
Operating profit	20,913	22,326	46,727	44,497
Finance costs	<u>(2,575)</u>	<u>(2,815)</u>	<u>(1,450)</u>	<u>(1,241)</u>
Profit before taxation	18,338	19,511	45,277	43,256
Taxation	<u>(3,881)</u>	<u>(4,762)</u>	<u>(2,450)</u>	<u>(2,505)</u>
Profit after taxation	14,457	14,749	42,827	40,751
Minority interests	<u>(495)</u>	<u>(1,470)</u>	<u>(2,365)</u>	<u>(2,343)</u>
Profit attributable to shareholders	<u>13,962</u>	<u>13,279</u>	<u>40,462</u>	<u>38,408</u>
Dividends	<u>3,000</u>	<u>9,000</u>	<u>24,000</u>	<u>21,000</u>
Earnings per Share (HK cents)	<u>4.65</u>	<u>4.43</u>	<u>13.49</u>	<u>12.80</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
Financial position

	Unaudited As at 31 December 2004 <i>HK\$' 000</i>	Audited As at 30 June 2004 <i>HK\$' 000</i>	Audited As at 30 June 2003 <i>HK\$' 000</i>	Audited As at 30 June 2002 <i>HK\$' 000</i>
Non-current assets				
Fixed assets	145,290	143,199	135,699	83,855
Deferred tax assets	740	507	—	—
Current assets				
Inventories	141,839	118,853	97,423	70,245
Trade receivables	232,658	210,045	172,856	166,124
Other receivables, prepayments and deposits	11,752	12,748	12,513	13,820
Cash and bank balances	45,561	51,303	63,995	46,486
	<u>431,810</u>	<u>392,949</u>	<u>346,787</u>	<u>296,675</u>
Current liabilities				
Trade payables	77,216	76,926	62,288	47,071
Other payables	5,584	5,501	5,985	12,586
Accruals	11,320	10,046	7,185	9,985
Taxation	6,202	4,320	3,669	2,934
Obligations under finance leases — current portion	5,412	4,820	3,481	87
Trust receipt loans — secured	99,219	83,153	62,886	21,519
Short-term bank loans — secured	51,712	40,278	24,145	7,731
Current portion of long-term bank loans — secured	780	—	—	—
	<u>257,445</u>	<u>225,044</u>	<u>169,639</u>	<u>101,913</u>
Net current assets	<u>174,365</u>	<u>167,905</u>	<u>177,148</u>	<u>194,762</u>
Total assets less current liabilities	<u>320,395</u>	<u>311,611</u>	<u>312,847</u>	<u>278,617</u>
Financed by:				
Capital and reserves				
Share capital	30,000	30,000	30,000	30,000
Other reserves	36,872	36,907	36,724	35,424
Retained earnings	224,239	213,277	208,998	192,536
Proposed dividends	3,000	6,000	15,000	15,000
Shareholders' funds	294,111	286,184	290,722	272,960
Minority interests	9,309	8,814	6,784	5,371
Long-term liabilities				
Long-term bank loan — secured	584	—	—	—
Obligations under finance leases	13,507	13,843	14,257	—
Deferred tax liabilities	2,884	2,770	1,084	286
	<u>320,395</u>	<u>311,611</u>	<u>312,847</u>	<u>278,617</u>

3. AUDITORS' REPORT AND FINANCIAL STATEMENTS OF THE COMPANY

- (a) Set out below are the full texts of the auditors' report of the Company for the year ended 30 June 2004 as extracted from the 2004 annual report of the Company. Reference to page numbers in the auditors' report is to the page numbers of the 2004 annual report of the Company.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone: (852) 2289 8888
Facsimile: (852) 2810 9888
www.pwchk.com

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
NGAI HING HONG COMPANY LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 33 to 77 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30th June 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13th October 2004

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

(b) Set out below are the audited financial statements of the Group for the year ended 30 June 2004 as extracted from the 2004 annual report of the Company. Reference to page numbers in the audited financial statements of the Group is to the page numbers of the 2004 annual report of the Company.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30th June 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	1,017,775	874,976
Cost of sales		<u>(907,534)</u>	<u>(749,513)</u>
Gross profit		110,241	125,463
Other revenues	2	818	611
Distribution costs		(28,204)	(27,010)
Administrative expenses		<u>(60,529)</u>	<u>(52,337)</u>
Operating profit	3	22,326	46,727
Finance costs	4	<u>(2,815)</u>	<u>(1,450)</u>
Profit before taxation		19,511	45,277
Taxation	5(a)	<u>(4,762)</u>	<u>(2,450)</u>
Profit after taxation		14,749	42,827
Minority interests		<u>(1,470)</u>	<u>(2,365)</u>
Profit attributable to shareholders	6 & 17	<u>13,279</u>	<u>40,462</u>
Dividends	7	<u>9,000</u>	<u>24,000</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8	<u>4.43</u>	<u>13.49</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****CONSOLIDATED BALANCE SHEET***As at 30th June 2004*

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	11	143,199	135,699
Deferred tax assets	19	507	—
Current assets			
Inventories	13	118,853	97,423
Trade receivables	14	210,045	172,856
Other receivables, prepayments and deposits		12,748	12,513
Cash and bank balances		<u>51,303</u>	<u>63,995</u>
		392,949	346,787
		-----	-----
Current liabilities			
Trade payables	15	76,926	62,288
Other payables		5,501	5,985
Accruals		10,046	7,185
Taxation	5(b)	4,320	3,669
Obligations under finance leases — current portion	18	4,820	3,481
Trust receipts loans — secured	11(e)	83,153	62,886
Short-term bank loans — secured	11(e)	<u>40,278</u>	<u>24,145</u>
		225,044	169,639
		-----	-----
Net current assets		<u>167,905</u>	<u>177,148</u>
		-----	-----
Total assets less current liabilities		<u>311,611</u>	<u>312,847</u>
		-----	-----
Financed by:			
Share capital	16	30,000	30,000
Other reserves	17	36,907	36,724
Retained earnings	17	213,277	208,998
Proposed dividends	17	<u>6,000</u>	<u>15,000</u>
		286,184	290,722
Shareholders' funds		286,184	290,722
Minority interests		8,814	6,784
Long-term liabilities	18	13,843	14,257
Deferred tax liabilities	19	<u>2,770</u>	<u>1,084</u>
		311,611	312,847
		-----	-----

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****BALANCE SHEET***As at 30th June 2004*

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Investments in subsidiaries	12	128,386	136,173
Deferred tax assets	19	172	—
Current assets			
Other receivables		117	389
Cash and bank balances		<u>61</u>	<u>70</u>
		178	459
Current liabilities			
Other payables		<u>419</u>	<u>452</u>
Net current (liabilities)/assets		<u>(241)</u>	<u>7</u>
Total assets less current liabilities		<u>128,317</u>	<u>136,180</u>
Financed by:			
Share capital	16	30,000	30,000
Other reserves	17	90,986	90,986
Retained earnings	17	1,331	194
Proposed dividends	17	<u>6,000</u>	<u>15,000</u>
Shareholders' funds		<u>128,317</u>	<u>136,180</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Total equity brought forward		290,722	272,960
Surplus on revaluation of investment properties	17	<u>183</u>	<u>1,300</u>
Net gains not recognised in the profit and loss account		183	1,300
Profit for the year	17	13,279	40,462
Dividends	17	<u>(18,000)</u>	<u>(24,000)</u>
Total equity carried forward		<u><u>286,184</u></u>	<u><u>290,722</u></u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****CONSOLIDATED CASH FLOW STATEMENT***For the year ended 30th June 2004*

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities			
Net cash (outflow)/inflow from operations	20(a)	(6,937)	27,625
Interest paid on bank borrowings		(2,294)	(1,283)
Hong Kong profits tax paid		<u>(4,180)</u>	<u>(917)</u>
Net cash (outflow)/inflow from operating activities		<u>(13,411)</u>	<u>25,425</u>
Investing activities			
Purchase of fixed assets		(14,528)	(43,024)
Sale of fixed assets		719	3,200
Interest received		<u>64</u>	<u>211</u>
Net cash outflow from investing activities		<u>(13,745)</u>	<u>(39,613)</u>
Net cash outflow before financing		<u>(27,156)</u>	<u>(14,188)</u>
Financing activities			
New bank loans raised	20(b)	40,278	16,414
Repayment of bank loans	20(b)	(24,145)	—
Increase in trust receipts loans	20(b)	20,267	41,367
Repayment of capital element of finance leases	20(b)	(3,975)	(965)
Interest element of finance lease payments		(521)	(167)
Capital contribution by a minority shareholder	20(b)	560	—
Dividends paid		(18,000)	(24,000)
Dividends paid to minority shareholders		<u>—</u>	<u>(952)</u>
Net cash inflow from financing		<u>14,464</u>	<u>31,697</u>
(Decrease)/increase in cash and cash equivalents		(12,692)	17,509
Cash and cash equivalents brought forward		<u>63,995</u>	<u>46,486</u>
Cash and cash equivalents carried forward		<u>51,303</u>	<u>63,995</u>
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		<u>51,303</u>	<u>63,995</u>

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) **Basis of preparation**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at market value.

In the current year, the Group adopted the Statement of Standard Accounting Practice (“SSAP”) No. 12 “Income Taxes” issued by the HKICPA which is effective for accounting periods commencing on or after 1st January 2003. The effect of adopting this revised accounting standard is set out in note 1(j) below.

(b) **Consolidation**

The consolidated accounts include the accounts of the Company and its subsidiaries (the “Group”) made up to 30th June.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) **Fixed assets**(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm’s length.

Investment properties are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) *Properties under construction*

Properties under construction are investments in land (including land use rights) and buildings on which construction work has not been completed. These properties are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the properties are transferred to other properties at cost less accumulated impairment losses.

(iii) *Other properties*

Other properties are interests in land (including land use right) and buildings other than investment properties and properties under construction and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the purchase price of the assets and other costs incurred to bring the asset into its existing use.

(iv) *Other fixed assets*

Other fixed assets, comprising leasehold improvements, machinery and equipment, furniture, fixtures and office equipment, motor vehicles and tools and moulds are stated at cost less accumulated depreciation and accumulated impairment losses.

(v) *Depreciation*

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Leasehold land (including land use right) of other properties is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land	2%
Buildings	2-2.5%
Leasehold improvements	20%
Machinery and equipment	12.5%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Tools and moulds	20%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(vi) *Impairment and gain or loss on disposal of fixed assets*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in properties under construction, other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset other than investment properties and properties under construction is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(d) **Assets under leases**

(i) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(e) **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions that occurred prior to 1st July 2001 was taken directly to reserves.

In accordance with SSAP 30 "Business combinations", goodwill on acquisitions occurring on or after 1st July 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously taken to reserves, is assessed and written down immediately to its recoverable amount.

(f) **Inventories**

Inventories comprise trading stocks, raw materials and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses and, where appropriate, the cost of conversion from their existing state to a finished condition.

(g) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash and bank balances.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy. However, the adoption has not resulted in any significant changes to the prior years' net assets and results and accordingly, no prior year adjustment is required.

(k) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Rental income is recognised on a straight-line basis over the rental period.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated under the net investment method. Exchange differences arising are dealt with as a movement in reserves.

(m) Employee benefits**(i) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group makes contributions to the mandatory provident fund scheme (the “MPF Scheme”) in Hong Kong, the assets of which are generally held in separate trustee-administered fund. The pension plan is generally funded by payments from employees and by the Group.

The Group’s contributions to the MPF Scheme are expensed as incurred.

(iii) Equity compensation benefits

Share options are granted to Directors and employees of the Group. No compensation cost is recognised on the date of the grant of the options. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(n) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) Segment reporting

In accordance with the Group’s internal financial reporting the Group has determined that geographical segments be presented as the primary reporting format. Business segments are not presented as the secondary reporting format because over 90% of the Group’s turnover and operating profit were contributed by manufacturing and trading of plastic products.

In respect of geographical segment reporting, turnover are based on the operating locations of group companies.

Unallocated costs represent corporate expenses. Segment assets consist primarily of investment properties, properties under development, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and deferred taxation. Capital expenditure comprises additions to fixed assets.

2 REVENUES AND TURNOVER

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 25 to the accounts. Revenues recognised during the year are as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sale of goods, net of returns and discounts	1,017,775	874,976
Other revenues		
Rental income	754	400
Interest income	<u>64</u>	<u>211</u>
	<u>818</u>	<u>611</u>
Total revenues	<u><u>1,018,593</u></u>	<u><u>875,587</u></u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

An analysis of the Group's segment information by geographical segment is as follows:

	2004			
	Hong Kong	The People's Republic of China excluding Hong Kong (the "PRC")	Elimination	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	920,744	224,576	(127,545)	1,017,775
Other revenues	<u>795</u>	<u>23</u>	<u>—</u>	<u>818</u>
Total revenues	<u>921,539</u>	<u>224,599</u>	<u>(127,545)</u>	<u>1,018,593</u>
Segment results	<u>7,776</u>	<u>13,540</u>		21,316
Unallocated costs				<u>(1,805)</u>
Profit before taxation				19,511
Taxation				<u>(4,762)</u>
Profit after taxation				14,749
Minority interests				<u>(1,470)</u>
Profit attributable to shareholders				<u>13,279</u>
Segment assets	331,371	205,094		536,465
Unallocated assets				<u>190</u>
Total assets				<u>536,655</u>
Segment liabilities	170,268	70,970		241,238
Unallocated liabilities				<u>419</u>
Total liabilities				<u>241,657</u>
Capital expenditure	12,866	6,562		19,428
Depreciation	7,371	5,613		<u>12,984</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	2003			Group HK\$'000
	Hong Kong HK\$'000	The PRC HK\$'000	Elimination HK\$'000	
Turnover	825,981	233,977	(184,982)	874,976
Other revenues	<u>468</u>	<u>143</u>	<u>—</u>	<u>611</u>
Total revenues	<u>826,449</u>	<u>234,120</u>	<u>(184,982)</u>	<u>875,587</u>
Segment results	<u>18,310</u>	<u>28,501</u>		46,811
Unallocated costs				<u>(1,534)</u>
Profit before taxation				45,277
Taxation				<u>(2,450)</u>
Profit after taxation				42,827
Minority interests				<u>(2,365)</u>
Profit attributable to shareholders				<u>40,462</u>
Segment assets	298,856	183,167		482,023
Unallocated assets				<u>463</u>
Total assets				<u>482,486</u>
Segment liabilities	137,870	44,208		182,078
Unallocated liabilities				<u>2,902</u>
Total liabilities				<u>184,980</u>
Capital expenditure	28,757	32,883		61,640
Depreciation	4,021	4,376		<u>8,397</u>

Over 90% of the Group's turnover, operating profit and assets are attributable to the manufacturing and trading of plastic products and accordingly no analysis of the Group's turnover, contribution to operating profit and assets by business segment is provided.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****3 OPERATING PROFIT**

Operating profit is stated after crediting and charging the following:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Gross rental income from investment properties	754	400
Less: Outgoings	<u>(103)</u>	<u>(36)</u>
Net rental income from investment properties	651	364
Gain on disposal of fixed assets	<u>344</u>	<u>501</u>
Charging		
Auditors' remuneration	867	830
Depreciation:		
Owned fixed assets	10,604	7,705
Leased fixed assets	2,380	692
Operating lease rentals in respect of land and buildings	7,228	5,534
Staff costs, including directors' emoluments (<i>note 9</i>)	<u>60,742</u>	<u>50,816</u>

4 FINANCE COSTS

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	2,294	1,783
Interest element of finance leases	<u>521</u>	<u>167</u>
	2,815	1,950
Less: borrowing costs capitalised in properties under development	<u>—</u>	<u>(500)</u>
	<u>2,815</u>	<u>1,450</u>

5 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. 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.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

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

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation:		
Hong Kong profits tax	2,260	1,672
PRC income tax	2,500	—
Under/(over) provision in previous years	<u>71</u>	<u>(20)</u>
	4,831	1,652
Deferred taxation (<i>note 19</i>)	<u>(69)</u>	<u>798</u>
	<u><u>4,762</u></u>	<u><u>2,450</u></u>

(b) Taxation in the balance sheet represents the amount of Hong Kong profits tax and PRC income tax provided for the current and previous years less the amounts of provisional profits tax paid.

(c) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>19,511</u>	<u>45,277</u>
Calculated at a taxation rate of 17.5% (2003: 17.5%)	3,414	7,923
Effect of different taxation rates in PRC	889	(4,582)
Income not subject to taxation	—	(756)
Expenses not deductible for taxation purposes	451	573
Under/(over) provision in previous years	71	(20)
Utilisation of previously unrecognised tax losses	(169)	(594)
Others	<u>106</u>	<u>(94)</u>
Taxation charge	<u><u>4,762</u></u>	<u><u>2,450</u></u>

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit attributable to shareholders is profit of HK\$10,137,000 (2003: HK\$23,476,000) which is dealt with in the Company's own accounts.

7 DIVIDENDS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK 1.0 cent (2003: HK 3.0 cents) per ordinary share	3,000	9,000
Final, proposed, of HK 2.0 cents (2003: HK 5.0 cents) per ordinary share (<i>note</i>)	<u>6,000</u>	<u>15,000</u>
	<u>9,000</u>	<u>24,000</u>

Note:

At a meeting held on 13th October 2004, the Directors proposed a final dividend of HK2.0 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 30th June 2005.

8 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to the shareholders of HK\$13,279,000 (2003: HK\$40,462,000).

The basic earnings per share is calculated based on 300,000,000 (2003: 300,000,000) ordinary shares in issue during the year. For the year ended 30th June 2004, no diluted earnings per share is presented as there is no dilutive potential ordinary share during the year.

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and other allowances	58,644	47,067
Pension costs — defined contribution plans (<i>note</i>)	2,098	2,222
Termination benefits	<u>—</u>	<u>1,527</u>
	<u>60,742</u>	<u>50,816</u>

Note:

Prior to 1st December 2000, the Group contributed to a defined contribution retirement benefit scheme (the "Scheme") which was available to all qualifying employees. The assets of the Scheme are held separately from those of the Group in an independently administered fund. Contributions to the Scheme by the Group are calculated as a percentage of the employees' basic salaries. No contribution has been made by the Group to the Scheme since 1st December 2000 as the Group elected to contribute to the MPF Scheme as detailed below.

With effect from 1st December 2000, the MPF Scheme was made compulsory as enforced by the Mandatory Provident Fund Schemes Authority of Hong Kong. The MPF Scheme is a defined contribution retirement benefit scheme administered by independent trustees. Each of the employer and the employee has to contribute an amount equal to 5% of the relevant income (plus cashable allowances) of the employee to the MPF Scheme. Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contribution must be preserved until the employee reaches the retirement age 65 subject to a few exception.

There were no forfeited contributions (2003: Nil) under the Scheme during the year. The aggregate employer's contributions net of the forfeited contributions amount to approximately HK\$2,098,000 (2003: HK\$2,222,000) have been dealt with in the consolidated profit and loss account of the Group during the year.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments payable to Directors of the Company during the year are as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Executive Directors				
Fees	—	—	—	—
Basic salaries, allowances and other benefits in kinds	9,744	9,329	—	—
Discretionary bonuses	1,547	—	—	—
Pensions	710	636	—	—
Ex-gratia payments as compensation for loss of office				
— as director	—	1,471	—	—
— in connection with management of the Group	—	—	—	—
Independent Non-executive Directors				
Fees	201	232	201	232
Basic salaries, allowances and other benefits in kind	—	—	—	—
	<u>12,202</u>	<u>11,668</u>	<u>201</u>	<u>232</u>

The number of Directors of the Company whose emoluments fell within the following bands are set out as below:

Emoluments band	Number of directors	
	2004	2003
Nil — HK\$1,000,000	3*	5*
HK\$1,000,001 — HK\$1,500,000	2	1
HK\$1,500,001 — HK\$2,000,000	2	—
HK\$2,000,001 — HK\$2,500,000	—	—
HK\$2,500,001 — HK\$3,000,000	2	2
HK\$3,000,001 — HK\$3,500,000	—	1

* Include emoluments of Independent Non-executive Directors

No Directors waived emoluments in respect of the years ended 30th June 2004 and 2003.

(b) **Five highest paid individuals**

The five individuals whose emoluments were highest in the Group for the year include four (2003: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2003: two) individual during the year are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Basic salaries, allowances and other benefits in kinds	1,286	2,548
Discretionary bonuses	368	—
Pensions	77	127
	<u>1,731</u>	<u>2,675</u>

The emoluments fell within the following bands:

Emoluments band	Number of individuals	
	2004	2003
HK\$1,000,001 — HK\$1,500,000	—	2
HK\$1,500,001 — HK\$2,000,000	1	—

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FINANCIAL INFORMATION ON THE GROUP
11 FIXED ASSETS — GROUP

	Investment properties	Other properties	Properties under development	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Tools and moulds	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation									
At 1st July 2003	7,845	72,755	16,868	7,569	131,104	20,815	8,296	3,698	268,950
Additions	—	271	1,999	3,244	11,131	1,338	1,372	73	19,428
Revaluation	893	—	—	—	—	—	—	—	893
Reclassification	2,007	14,959	(18,763)	—	1,701	96	—	—	—
Disposals	—	(104)	—	(225)	(1,991)	(1,415)	(183)	(34)	(3,952)
At 30th June 2004	10,745	87,881	104	10,588	141,945	20,834	9,485	3,737	285,319
Accumulated depreciation									
At 1st July 2003	—	13,499	—	2,799	92,553	15,733	5,916	2,751	133,251
Charge for the year	—	1,785	—	1,596	6,800	1,625	891	287	12,984
Revaluation	(538)	—	—	—	—	—	—	—	(538)
Reclassification	538	(538)	—	—	—	—	—	—	—
Disposals	—	(14)	—	(203)	(1,753)	(1,393)	(183)	(31)	(3,577)
At 30th June 2004	—	14,732	—	4,192	97,600	15,965	6,624	3,007	142,120
Net book value									
At 30th June 2004	10,745	73,149	104	6,396	44,345	4,869	2,861	730	143,199
At 30th June 2003	7,845	59,256	16,868	4,770	38,551	5,082	2,380	947	135,699

The analysis of the cost or valuation at 30th June 2004 of the above assets is as follows:

	Investment properties	Other properties	Properties under development	Leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Tools and moulds	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	—	87,881	104	10,588	141,945	20,834	9,485	3,737	274,574
At 2004 professional valuation	10,745	—	—	—	—	—	—	—	10,745
	10,745	87,881	104	10,588	141,945	20,834	9,485	3,737	285,319

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FINANCIAL INFORMATION ON THE GROUP

The analysis of the cost or valuation at 30th June 2003 of the above assets is as follows:

	Investment properties	Other properties	Properties development	under improvements	Leasehold	Machinery and equipment	Furniture, and office equipment	Motor vehicles	Tools and moulds	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	—	72,755	16,868	7,569	131,104	20,815	8,296	3,698	261,105	
At 2003 professional valuation	<u>7,845</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,845</u>	
	<u>7,845</u>	<u>72,755</u>	<u>16,868</u>	<u>7,569</u>	<u>131,104</u>	<u>20,815</u>	<u>8,296</u>	<u>3,698</u>	<u>268,950</u>	

- (a) The Group's interests in investment properties and other properties at their net book values are analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Held on leases of between 10 to 50 years:		
— in Hong Kong	27,329	26,449
— outside Hong Kong	<u>56,565</u>	<u>40,652</u>
	<u>83,894</u>	<u>67,101</u>

- (b) Certain other properties of the Group were reclassified as investment properties on 30th June 2004.
- (c) All investment properties of the Group were revalued as at 30th June 2004 on the basis of their open market values by Chung, Chan & Associates, an independent firm of professional valuers. The surplus arising on revaluation of HK\$1,431,000 (2003: HK\$1,300,000) was taken directly to the investment properties revaluation reserve (note 17).
- (d) As at 30th June 2004, the cost and accumulated depreciation of fixed assets held by the Group under finance leases amounted to approximately HK\$24,671,000 (2003: HK\$14,881,000) and HK\$2,886,000 (2003: HK\$971,000) respectively.
- (e) As at 30th June 2004, certain investment and other properties of the Group with an aggregate net book value of approximately HK\$18,875,000 (2003: HK\$47,894,000) have been pledged to banks to secure for banking facilities granted to the Group.

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	62,711	62,711
Amounts due from subsidiaries	65,675	74,665
Amount due to a subsidiary	—	(1,203)
	<u>128,386</u>	<u>136,173</u>

Particulars of the principal subsidiaries of the Company as at 30th June 2004 are set out in note 25 to the accounts.

The amounts due from and due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

13 INVENTORIES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading stocks	43,236	48,255
Raw materials	47,679	32,108
Finished goods	<u>27,938</u>	<u>17,060</u>
	<u>118,853</u>	<u>97,423</u>

At 30th June 2004, the carrying amount of inventories that are carried at net realisable value amounted to HK\$4,425,000 (2003: HK\$1,407,000).

14 TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 90 days	187,778	152,047
91 — 180 days	16,604	15,325
Over 180 days	<u>5,663</u>	<u>5,484</u>
	<u>210,045</u>	<u>172,856</u>

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.

15 TRADE PAYABLES

The aging analysis in trade payables is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 90 days	75,433	61,263
91 — 180 days	557	156
Over 180 days	<u>936</u>	<u>869</u>
	<u>76,926</u>	<u>62,288</u>

16 SHARE CAPITAL

	Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
800,000,000 (2003: 800,000,000) ordinary shares of HK\$0.10 each	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:		
300,000,000 (2003: 300,000,000) ordinary shares of HK\$0.10 each	<u>30,000</u>	<u>30,000</u>

Note:

Pursuant to the share option scheme approved and adopted on 5th December 2002, the Board of Directors of the Company may offer eligible employees (including Executive Directors) rights to subscribe for shares of the Company (the "Share Option"). Movements in the number of Share Options outstanding during the year are as follows:

	Number of Share Options	
	2004	2003
At the beginning of the year	25,500,000	—
Granted on 30th April 2003 (<i>Note (i)</i>)	—	1,500,000
Granted on 2nd May 2003 (<i>Note (ii)</i>)	<u>—</u>	<u>24,000,000</u>
At the end of the year	<u>25,500,000</u>	<u>25,500,000</u>

- (i) On 30th April 2003, the Company granted 1,500,000 Share Options to certain employees. The Share Options are exercisable at HK\$0.82 per share.
- (ii) On 2nd May 2003, the Company granted 24,000,000 Share Options to certain directors and employees. The Share Options are exercisable at HK\$0.82 per share.
- (iii) Share Options outstanding at the end of the year have the following terms:

Expiry Date	Exercise price	Number of Share Options	
		2004	2003
Directors			
— 1st May 2009	HK\$0.82	18,000,000	18,000,000
Employees			
— 29th April 2009	HK\$0.82	1,500,000	1,500,000
— 1st May 2009	HK\$0.82	<u>6,000,000</u>	<u>6,000,000</u>
		<u>25,500,000</u>	<u>25,500,000</u>

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FINANCIAL INFORMATION ON THE GROUP
17 RESERVES

	Group		Company	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Share premium				
Brought forward and carried forward	28,475	28,475	28,475	28,475
Capital reserve				
Brought forward and carried forward (<i>note 17(a)</i>)	408	408	—	—
Contributed surplus				
Brought forward and carried forward (<i>note 17(b)</i>)	—	—	62,511	62,511
Exchange fluctuation reserve				
Brought forward and carried forward	5,229	5,229	—	—
Investment properties revaluation reserve				
Brought forward	2,612	1,312	—	—
Surplus on revaluation				
— gross (<i>note 11</i>)	1,431	1,300	—	—
— taxation (<i>note 19</i>)	(1,248)	—	—	—
Carried forward	2,795	2,612	—	—
Other reserves	36,907	36,724	90,986	90,986
Retained earnings				
Brought forward	223,998	207,536	15,194	15,718
Profit for the year	13,279	40,462	10,137	23,476
2002/2003 (2003: 2001/2002)				
final dividends paid	(15,000)	(15,000)	(15,000)	(15,000)
2003/2004 (2003: 2002/2003)				
interim dividends paid	(3,000)	(9,000)	(3,000)	(9,000)
Carried forward	219,277	223,998	7,331	15,194
Representing:				
Retained earnings	213,277	208,998	1,331	194
Proposed final dividends	6,000	15,000	6,000	15,000
	219,277	223,998	7,331	15,194

- (a) The capital reserve of the Group represents the aggregate amount of the non-voting deferred shares of Ngai Hing Hong Plastic Materials Limited and the difference between the nominal amount of the share capital issued by the Company in exchange for the aggregate nominal amount of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1994 (the "Reorganisation").
- (b) The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Ngai Hing (International) Company Limited at the date on which the Reorganisation became effective and the nominal amount of the Company's shares issued under the Reorganisation. At group level the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

18 LONG-TERM LIABILITIES

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Obligations under finance leases (<i>note</i>)	18,663	17,738
Current portion of long-term liabilities	<u>(4,820)</u>	<u>(3,481)</u>
	<u>13,843</u>	<u>14,257</u>

Note:

At 30th June 2004, the Group's finance lease liabilities were repayable as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	5,311	3,956
In the second year	5,311	4,032
In the third to fifth year	<u>9,124</u>	<u>11,060</u>
	19,746	19,048
Future finance charges on finance leases	<u>(1,083)</u>	<u>(1,310)</u>
Present value of obligations under finance leases	<u>18,663</u>	<u>17,738</u>

The present value of obligations under finance leases is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	4,820	3,481
In the second year	4,966	3,654
In the third to fifth year	<u>8,877</u>	<u>10,603</u>
	<u>18,663</u>	<u>17,738</u>

19 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on the deferred tax liabilities/(assets) account is as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st July	1,084	286	—	—
Deferred taxation (credited)/charged to profit and loss account (<i>note 5</i>)	(69)	798	(172)	—
Deferred taxation charged to investment properties revaluation reserve (<i>note 17</i>)	<u>1,248</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 30th June	<u>2,263</u>	<u>1,084</u>	<u>(172)</u>	<u>—</u>

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities — Group

	Accelerated taxation depreciation	
	2004	2003
	HK\$'000	HK\$'000
At 1st July	1,084	286
Charged to profit and loss account	2,235	798
Charged to investment properties revaluation reserve	<u>1,248</u>	<u>—</u>
At 30th June	<u>4,567</u>	<u>1,084</u>

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Deferred tax assets — Group

	Provision		Tax losses		Total	
	2004	2003	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st July	—	—	—	—	—	—
Credited to profit and loss account	75	—	2,229	—	2,304	—
At 30th June	<u>75</u>	<u>—</u>	<u>2,229</u>	<u>—</u>	<u>2,304</u>	<u>—</u>

Deferred tax assets — Company

	Tax losses	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st July	—	—
Credited to profit and loss account	172	—
At 30th June	<u>172</u>	<u>—</u>

Deferred tax assets and liabilities — after offsetting of balances within the same jurisdiction

	Group		Company	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	(507)	—	(172)	—
Deferred tax liabilities	<u>2,770</u>	<u>1,084</u>	<u>—</u>	<u>—</u>
	<u>2,263</u>	<u>1,084</u>	<u>(172)</u>	<u>—</u>

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash (outflow)/inflow from operations

	Group	
	2004 HK\$'000	2003 HK\$'000
Operating profit	22,326	46,727
Depreciation of fixed assets	12,984	8,397
Gain on disposal of fixed assets	(344)	(501)
Interest income	(64)	(211)
	<u>34,902</u>	<u>54,412</u>
Operating profit before working capital changes	34,902	54,412
Increase in inventories	(21,430)	(27,178)
Increase in trade receivables, other receivables, prepayments and deposits	(37,424)	(5,425)
Increase in trade payables, other payables and accruals	17,015	5,816
	<u>17,015</u>	<u>5,816</u>
Net cash (outflow)/inflow from operations	<u>(6,937)</u>	<u>27,625</u>

(b) Analysis of changes in financing during the year

	Short-term bank loans		Minority interests		Obligations under finance leases		Trust receipts loans	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Brought forward	24,145	7,731	6,784	5,371	17,738	87	62,886	21,519
New bank loans raised	40,278	16,414	—	—	—	—	—	—
Repayment during the year	(24,145)	—	—	—	—	—	—	—
Increase in trust receipts loans	—	—	—	—	—	—	20,267	41,367
Capital contribution by a minority shareholder	—	—	560	—	—	—	—	—
Dividend paid to minority shareholders	—	—	—	(952)	—	—	—	—
Inception of finance leases	—	—	—	—	4,900	18,616	—	—
Capital element of finance lease payments	—	—	—	—	(3,975)	(965)	—	—
Share of profit by minority shareholders	—	—	1,470	2,365	—	—	—	—
	<u>40,278</u>	<u>24,145</u>	<u>8,814</u>	<u>6,784</u>	<u>18,663</u>	<u>17,738</u>	<u>83,153</u>	<u>62,886</u>
Carried forward	<u>40,278</u>	<u>24,145</u>	<u>8,814</u>	<u>6,784</u>	<u>18,663</u>	<u>17,738</u>	<u>83,153</u>	<u>62,886</u>

21 COMMITMENTS

(a) Capital commitments for property, plant and equipment

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contracted but not provided for	3,253	1,148
Authorised but not contracted for	<u>—</u>	<u>—</u>
	<u>3,253</u>	<u>1,148</u>

(b) Commitment under operating leases

As at 30th June 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Not later than one year	5,896	5,580
Later than one year and not later than five years	5,712	10,635
Later than five years	<u>5,780</u>	<u>1,477</u>
	<u>17,388</u>	<u>17,692</u>

(c) At 30th June 2004, 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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sell HK dollars for US dollars	<u>436,660</u>	<u>—</u>

22 CONTINGENT LIABILITIES

As at 30th June 2004, 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 (2003: HK\$20,000,000);
- (b) Guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$255,569,000 (2003: HK\$205,360,000); and

- (c) In April 2003, a customer (the “Customer”) issued a Writ of Summons in the High Court of the Hong Kong Special Administrative Region against a subsidiary of the Company (the “Subsidiary”) and filed a Statement of Claim in June 2003 claiming against the Subsidiary of US\$589,590.53 (the “Claim”) for losses and damages alleged to have been suffered by the Customer as a result of alleged breach of contract entered into between the Customer and the Subsidiary for goods sold by the Subsidiary to the Customer (the “Goods”). On basis of Independent legal advice, the Subsidiary has (i) filed a defence and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the company, which supplied 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. In opinion of the Directors, the Subsidiary is unlikely to suffer any loss for the Claim, therefore, no provision is considered necessary.

23 ULTIMATE HOLDING COMPANY

The Directors regard Good Benefit Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

24 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 13th October 2004.

25 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30th June 2004:

Name	Place of incorporation or establishment/ operation *kind of legal entity	Issued and fully paid up share capital/ registered capital	Principal activities	Effective percentage of equity held indirectly by the Company
Dongguan Ngai Hing Plastic Materials Ltd.	The PRC *wholly foreign-owned enterprise	HK\$90,000,000	Manufacture and sale of colorants and compounded plastic resins	100
Hong Kong Colour Technology Limited	Hong Kong	500,000 ordinary shares of HK\$1 each	Manufacture and trading of colorants and compounded plastic resins	100
Ngai Hing Engineering Plastic Materials Limited	Hong Kong	2,000,000 ordinary shares of HK\$1 each	Manufacture, trading, marketing and promotion of engineering plastic products	76.2
Ngai Hing Hong Plastic Materials Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	Trading of plastic materials and pigments	100
		500,000 non-voting deferred shares of HK\$1 each		(Note a)

Name	Place of incorporation or establishment/ operation *kind of legal entity	Issued and fully paid up share capital/ registered capital	Principal activities	Effective percentage of equity held indirectly by the Company
Shanghai Ngai Hing Plastic Materials Co., Ltd.	The PRC *wholly foreign-owned enterprise	HK\$12,000,000	Manufacture and sale of colorants and compounded plastic resins	100
Tsing Tao Ngai Hing Plastic Materials Co., Ltd.	The PRC *sino-foreign equity joint venture	HK\$10,500,000	Manufacture and sale of colorants and compounded plastic resins	85
Ngai Hing PlastChem Company Limited	Hong Kong	2,000,000 ordinary shares of HK\$1 each	Manufacture and sale of PVC compounds	72

Notes:

- (a) The holders of the non-voting deferred shares in Ngai Hing Hong Plastic Materials Limited (“NHH”) shall not be entitled to any participation in the profits or surplus assets of NHH and they are not entitled to receive notice of or attend or vote at any general meeting of NHH in respect of their holdings of such deferred shares.

Ngai Hing (International) Company Limited has been granted an option by the holders of the non-voting deferred shares to acquire these shares for an aggregate cash consideration of HK\$4.

- (b) The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.
- (c) The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers under statutory requirements amounted to approximately 27.7% (2003: 30.3%) of the Group’s total net assets.

INTERIM RESULTS

Set out below is the unaudited financial statement of the Group for the six months ended 31 December 2004 as extracted from the interim report issued by the Company on 15 March 2005.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2004

		Unaudited	
		Six months ended	
		31st December	
	<i>Note</i>	2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	603,067	500,188
Cost of sales		<u>(533,157)</u>	<u>(446,065)</u>
Gross profit		69,910	54,123
Other revenues	2	502	871
Distribution costs		(17,033)	(14,845)
Administrative expenses		<u>(32,466)</u>	<u>(29,315)</u>
Operating profit	3	20,913	10,834
Finance costs	4	<u>(2,575)</u>	<u>(1,611)</u>
Profit before taxation		18,338	9,223
Taxation	5	<u>(3,881)</u>	<u>(1,091)</u>
Profit after taxation		14,457	8,132
Minority interests		<u>(495)</u>	<u>(1,000)</u>
Profit attributable to shareholders		<u>13,962</u>	<u>7,132</u>
Earnings per share	7	<u>HK cents 4.65</u>	<u>HK cents 2.38</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 31ST DECEMBER 2004

		Unaudited	Audited
		31st December	30th June
	<i>Note</i>	2004	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	8	145,290	143,199
Deferred tax assets		740	507
Current assets			
Inventories		141,839	118,853
Trade receivables	9	232,658	210,045
Other receivables, prepayments and deposits		11,752	12,748
Cash and bank balances		45,561	51,303
		<u>431,810</u>	<u>392,949</u>
Current liabilities			
Trade payables	10	77,216	76,926
Other payables		5,584	5,501
Accruals		11,320	10,046
Taxation		6,202	4,320
Obligations under finance leases — current portion		5,412	4,820
Trust receipt loans — secured		99,219	83,153
Short-term bank loans — secured		51,712	40,278
Current portion of long-term bank loans — secured		780	—
		<u>257,445</u>	<u>225,044</u>
Net current assets		<u>174,365</u>	<u>167,905</u>
Total assets less current liabilities		<u>320,395</u>	<u>311,611</u>
Financed by:			
Share capital	11	30,000	30,000
Other reserves		36,872	36,907
Retained earnings		224,239	213,277
Proposed dividends	6	3,000	6,000
Shareholders' funds		294,111	286,184
Minority interests		9,309	8,814
Long-term liabilities			
Long-term bank loan — secured		584	—
Obligations under finance leases		13,507	13,843
Deferred tax liabilities		2,884	2,770
		<u>320,395</u>	<u>311,611</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31ST DECEMBER 2004

	Unaudited						
	Share capital	Share premium	Capital reserve	Investment properties revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st July 2004	30,000	28,475	408	2,795	5,229	219,277	286,184
Exchange differences arising on the translation of the accounts of overseas subsidiaries	—	—	—	—	(35)	—	(35)
Profit for the period	—	—	—	—	—	13,962	13,962
2003/2004 final dividends paid	—	—	—	—	—	(6,000)	(6,000)
At 31st December 2004	<u>30,000</u>	<u>28,475</u>	<u>408</u>	<u>2,795</u>	<u>5,194</u>	<u>227,239</u>	<u>294,111</u>
At 1st July 2003	30,000	28,475	408	2,612	5,229	223,998	290,722
Profit for the period	—	—	—	—	—	7,132	7,132
2002/2003 final dividends paid	—	—	—	—	—	(15,000)	(15,000)
At 31st December 2003	<u>30,000</u>	<u>28,475</u>	<u>408</u>	<u>2,612</u>	<u>5,229</u>	<u>216,130</u>	<u>282,854</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31ST DECEMBER 2004

	Unaudited	
	Six months ended	
	31st December	
	2004	2003
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(19,788)	10,538
Net cash used in investing activities	(6,015)	(6,799)
Net cash generated from/(used in) financing activities	20,061	(15,361)
Decrease in cash and cash equivalents	(5,742)	(11,622)
Cash and cash equivalents at 1st July	51,303	63,995
Cash and cash equivalents at 31st December	45,561	52,373
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	45,561	52,373

NOTES TO CONDENSED INTERIM ACCOUNTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed accounts should be read in conjunction with the annual accounts for the year ended 30th June 2004.

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 2004.

2 SEGMENT INFORMATION

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the trading and manufacturing of plastic materials, pigments, colorants, compounded plastic 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 2004			
	Hong Kong	The People’s Republic of China excluding Hong Kong (“PRC”)	Elimination	Group
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Turnover	551,203	124,595	(72,731)	603,067
Other revenues	<u>501</u>	<u>1</u>	<u>—</u>	<u>502</u>
Total revenues	<u>551,704</u>	<u>124,596</u>	<u>(72,731)</u>	<u>603,569</u>
Segment results	<u>17,928</u>	<u>1,133</u>		19,061
Unallocated costs				<u>(723)</u>
Profit before taxation				18,338
Taxation				<u>(3,881)</u>
Profit after taxation				14,457
Minority interests				<u>(495)</u>
Profit attributable to shareholders				<u>13,962</u>

	Unaudited			
	Six months ended 31st December 2003			
	Hong Kong	PRC	Elimination	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	451,903	112,027	(63,742)	500,188
Other revenues	<u>753</u>	<u>118</u>	<u>—</u>	<u>871</u>
Total revenues	<u>452,656</u>	<u>112,145</u>	<u>(63,742)</u>	<u>501,059</u>
Segment results	<u>4,364</u>	<u>5,563</u>		9,927
Unallocated costs				<u>(704)</u>
Profit before taxation				9,223
Taxation				<u>(1,091)</u>
Profit after taxation				8,132
Minority interests				<u>(1,000)</u>
Profit attributable to shareholders				<u>7,132</u>

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

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

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended	
	31st December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Gain on disposal of fixed assets	<u>91</u>	<u>462</u>
Charging		
Depreciation:		
Owned fixed assets	5,554	4,922
Leased fixed assets	<u>1,566</u>	<u>1,389</u>

4 FINANCE COSTS

	Unaudited Six months ended 31st December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	2,279	1,359
Interest element of finance leases	<u>296</u>	<u>252</u>
	<u>2,575</u>	<u>1,611</u>

5 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. The Group's subsidiaries operating in the PRC are fully exempted from PRC income tax for two years starting from their first profit-making year and are entitled to a 50% income tax reduction for a further three years. These subsidiaries either have no assessable income or are exempted from PRC income tax and accordingly no provision for PRC taxation has been made in the accounts.

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

	Unaudited Six months ended 31st December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	4,000	1,100
Deferred taxation	<u>(119)</u>	<u>(9)</u>
	<u>3,881</u>	<u>1,091</u>

6 DIVIDENDS

The directors declare an interim dividend of HK1.0 cent per share for the period (2003: HK1.0 cent).

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$13,962,000 (2003: HK\$7,132,000) and 300,000,000 (2003: 300,000,000) ordinary shares in issue during the period. The outstanding share options were not included in the calculation of the diluted earnings per share as the exercise of these share options at the time would have an anti-dilutive effect. No information in respect of diluted earnings per share is disclosed as there were no dilutive potential ordinary shares.

8 CAPITAL EXPENDITURE

	Unaudited Fixed assets <i>HK\$'000</i>
Six months ended 31st December 2004	
Opening net book amount	143,199
Additions	9,820
Disposals	(609)
Depreciation	<u>(7,120)</u>
Closing net book amount	<u><u>145,290</u></u>

9 TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	Unaudited 31st December 2004 <i>HK\$'000</i>	Audited 30th June 2004 <i>HK\$'000</i>
Below 90 days	208,780	187,778
91 — 180 days	21,035	16,604
Over 180 days	<u>2,843</u>	<u>5,663</u>
	<u><u>232,658</u></u>	<u><u>210,045</u></u>

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.

10 TRADE PAYABLES

The aging analysis of trade payables is as follows:

	Unaudited 31st December 2004 <i>HK\$'000</i>	Audited 30th June 2004 <i>HK\$'000</i>
Below 90 days	75,802	75,433
91 — 180 days	237	557
Over 180 days	<u>1,177</u>	<u>936</u>
	<u>77,216</u>	<u>76,926</u>

11 SHARE CAPITAL

	Unaudited 31st December 2004 <i>HK\$'000</i>	Audited 30th June 2004 <i>HK\$'000</i>
Authorised:		
800,000,000 (30th June 2004: 800,000,000) ordinary shares of HK\$0.10 each	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:		
300,000,000 (30th June 2004: 300,000,000) ordinary shares of HK\$0.10 each	<u>30,000</u>	<u>30,000</u>

12 CONTINGENT LIABILITIES

As at 31st December 2004, 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 2004: HK\$20,000,000);
- (b) Guarantees given to banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$329,596,000 (30th June 2004: HK\$255,569,000); and
- (c) In April 2003, a customer (the "Customer") issued a Writ of Summons in the High Court of the Hong Kong Special Administrative Region against a subsidiary of the Company (the "Subsidiary") and filed a Statement of Claim in June 2003 claiming against the Subsidiary for US\$589,590.53 (the "Claim") for losses and damages alleged to have been suffered by the Customer as a result of alleged breach of contract entered into between the Customer and the Subsidiary for goods sold by the Subsidiary to the Customer (the "Goods"). On basis of independent legal advice, the Subsidiary has (i) filed a defense and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the company, which supplied 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. In the opinion of the Directors, the Subsidiary is unlikely to suffer any loss for the Claim, therefore, no provision is considered necessary.

13 COMMITMENTS

(a) Capital commitments for property, plant and equipment

	Unaudited 31st December 2004 <i>HK\$'000</i>	Audited 30th June 2004 <i>HK\$'000</i>
Contracted but not provided for	3,092	3,253
Authorised but not contracted for	<u>—</u>	<u>—</u>
	<u>3,092</u>	<u>3,253</u>

(b) Commitments under operating leases

As at 31st December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 31st December 2004 <i>HK\$'000</i>	Audited 30th June 2004 <i>HK\$'000</i>
Not later than one year	2,002	5,896
Later than one year and not later than five years	5,245	5,712
Later than five years	<u>5,138</u>	<u>5,780</u>
	<u>12,385</u>	<u>17,388</u>

(c) At 31st December 2004, 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 2004 <i>HK\$'000</i>	Audited 30th June 2004 <i>HK\$'000</i>
Sell HK dollars for US dollars	<u>748,909</u>	<u>436,660</u>

4(a). COMFORT LETTER ON UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS

The following is the text of a report received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the purpose of incorporation in this Prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone: (852) 2289 8888
Facsimile: (852) 2810 9888
www.pwchk.com

26 May 2005

The Directors
Ngai Hing Hong Company Limited
Unit 3
6th Floor
Hopeful Factory Centre
10 Wo Shing Street
Fotan
New Territories
Hong Kong

Dear Sirs

We report on the unaudited pro forma consolidated net tangible assets of Ngai Hing Hong Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 70 under the heading of unaudited pro forma consolidated net tangible assets in Section 4(b) of Appendix I of the Company’s prospectus dated 26 May 2005 in connection with the proposed Open Offer of the Company. The unaudited pro forma consolidated net tangible assets has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Open Offer might have affected the relevant financial information of the Group as at 31 December 2004.

Responsibilities

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma consolidated net tangible assets of the Group in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by Rule 4.29 of the Listing Rules, on the unaudited pro forma net tangible assets of the Group and to report our opinion to you. We do not

accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustment and discussing the unaudited pro forma consolidated net tangible assets with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma consolidated net tangible assets of the Group.

The unaudited pro forma consolidated net tangible assets of the Group has been prepared on the bases set out on page 70 for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Group as at 31 December 2004 or at any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma consolidated net tangible assets of the Group has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustment is appropriate for the purposes of the unaudited pro forma consolidated net tangible assets of the Group as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

4(b). STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma consolidated net tangible assets should be read in conjunction with the unaudited consolidated financial statements of the Group for the six months ended 31 December 2004 reproduced in section 3 of this appendix.

For illustrative purpose only, the statement of unaudited pro forma consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules, is set out here to provide information on how the Open Offer might have affected the consolidated net tangible assets of the Group as at 31 December 2004 as if the Open Offer have been completed on 31 December 2004.

The pro forma consolidated net tangible assets has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group following the Open Offer.

UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 31 December 2004, as shown in the unaudited condensed interim financial statements of the Group, the text of which is reproduced out in section 3 of this appendix to this Prospectus, and adjusted as follows:

	Unaudited consolidated net tangible assets of the Group as at 31 December 2004	Estimated net proceeds from the Open Offer	Unaudited pro forma consolidated net tangible assets of the Group
	<i>HK\$' 000</i>	<i>HK\$' 000</i>	<i>HK\$' 000</i>
Based on the Subscription Price of HK\$ 0.60 per Offer Share (<i>Note 1</i>)	<u>294,111</u>	<u>35,200</u>	<u>329,311</u>
Unaudited pro forma consolidated net tangible asset value per Share as at 31 December 2004 and prior to completion of the Open Offer (<i>Note 2</i>)			<u>98.04 cents</u>
Unaudited pro forma adjusted consolidated net tangible asset value per Share upon completion of the Open Offer (<i>Note 3</i>)			<u>91.48 cents</u>

Notes:

1. The estimated net proceeds from the Open Offer is based on the Subscription Price of HK\$ 0.60 per Offer Share, after deduction of the estimated related expenses.
2. The number of Shares used for the calculation of this amount is 300,000,000 which is the existing number of Shares in issue as at 31 December 2004 and the Latest Practicable Date.

3. The number of Shares used for the calculation of this amount is 360,000,000 which is the total number of Shares to be in issue after the completion of the Open Offer based on the existing 300,000,000 Shares in issue as at the Latest Practicable Date but has not taken into account the effect of the possible exercise of the outstanding Options.

INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2005 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus), the Group had outstanding borrowings of approximately HK\$227,226,000, comprising the following:

- (i) short-term bank loans of approximately HK\$65,533,000 of which approximately HK\$8,125,000 were denominated in United States dollars and of which approximately HK\$57,408,000 were denominated in Renminbi. The repayment of these bank loans was covered by corporate guarantees given by the Company and a subsidiary of the Company;
- (ii) trust receipt loans of approximately HK\$139,806,000, which were denominated in Hong Kong dollars. These obligations were secured by certain investment and other properties owned by a subsidiary of the Company and their repayments were covered by corporate guarantees given by the Company; and
- (iii) obligations under finance lease of approximately HK\$21,887,000. These obligations were denominated in Hong Kong dollars and were guaranteed by corporate guarantees given by the Company.

Contingent liabilities

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”). On basis of independent legal advice, the Subsidiary has (i) filed a defence and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the company, which supplied 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. Discovery and inspection of documents between the parties to the Proceedings have already completed and the date for the hearing of the Proceedings will be fixed after the checklist hearing which is scheduled to take place on 29 June 2005. In the opinion of the Directors, the Subsidiary is unlikely to suffer any loss for the Claim, therefore, no provision is considered necessary.

Disclaimer

Save as aforesaid or otherwise disclosed herein and apart from inter-group liabilities, none of the companies in the Group had any debt securities issued and outstanding or agreed to be issued, any bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, obligations under finance leases or hire purchases, guarantees or other contingent liabilities as at the close of business on 30 April 2005.

WORKING CAPITAL

The Directors are of the opinion that, following the Open Offer, taking into account the present available banking facilities and financial resources of the Group and the estimated net proceeds of the Open Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Prospectus.

MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2004, the date to which the latest published audited financial statements of the Group were made up.

RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries and that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DIRECTORS**Executive Directors**

Mr. HUI Sai Chung, aged 58, is a co-founder of the Group. He is responsible for formulating and overseeing the implementation of the Group's business strategy. He is also responsible for the marketing and sales functions of the Group. He has more than 34 years' experience in the plastics industry.

Mr. HUI Kwok Kwong, aged 56, is a co-founder of the Group. He is responsible for the overall operations and administration of the Group. He has more than 34 years' experience in the plastics industry.

Dr. WONG Chi Ying, Anthony, aged 49, is the Vice Chairman and the Chief Operating Officer of Shanghai Ngai Hing Plastic Materials Co., Ltd. and Tsing Tao Ngai Hing Plastic Materials Co., Ltd. He is responsible for overseeing the production operations in Shanghai and Qingdao, in charging the newly established R&D Centre of the Group, as well as developing business activities and opportunities for the Group. Before joining the Group in the present capacity, Dr. Wong was an Associate Professor in the Department of Industrial and Manufacturing Systems Engineering of The University of Hong Kong. He holds a B.Tech (Hons) degree and a Ph.D degree in chemical engineering and is also a Chartered Engineer, Chartered Scientist, a corporate member of The Institution of Chemical Engineers and a member of The Hong Kong Institution of Engineers. He had worked for two multinational chemical companies prior to taking up a lecturer post with The University of Hong Kong in 1986. He is currently a member of the Editorial Advisory Board of the Journal of Adhesion Science and Technology.

Mr. LAI Kam Wah, aged 53, is the Deputy Managing Director of the Company and the Chief Operation Officer of Hong Kong Colour Technology Ltd. and Dongguan Ngai Hing Plastic Materials Ltd. He is responsible for overseeing the production operations in Hong Kong and Dongguan. Mr. Lai holds a Master of Arts degree and is a member of the Law Society of Hong Kong, England and Wales and Australian Capital Territory. He has been practicing law for over 20 years. He is also an Associate of the Hong Kong Institute of Arbitrators, a Member of the Chartered Institute of Arbitrators, a Fellow of the Hong Kong Institute of Directors, Manager of two secondary schools in Hong Kong, and Member of the Panel of Adjudicators of the Control of Obscene and Indecent Articles Ordinance.

Mr. CHING Yu Lung, aged 35, is the Finance Director and Company Secretary of the Group. He holds a bachelor degree in Business Administration and is a Fellow Member of the Association of Chartered Certified Accountants, an Associate Member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He has over 12 years' experience in auditing, finance and accounting and is responsible for the financial and treasury management of the Group.

Madam LIU Sau Lai, aged 47, is responsible for personnel and office administration of the Group. She joined the Group in 1977. Madam Liu is a member of the Hong Kong Institute of Directors. She has more than 20 years' experience in plastic materials trading.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HO Wai Chi, Paul, aged 54, is the managing partner of Paul W.C. Ho & Company, Certified Public Accountants. He holds a Bachelor degree in Social Sciences and is an associate member of the Institute of Chartered Accountants in England and Wales, United Kingdom and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. FONG Pong Hing, aged 54, is the Managing Director of Cathay Pigments Australasia Pty Ltd ("Cathay Pigments") in Australia. Cathay Pigments specializes in the manufacture and trading of inorganic pigments in the Australian market. Mr. Fong obtained a Master of Philosophy (Chemistry) degree from The Chinese University of Hong Kong in 1975. Before he retired from DuPont China Limited in July 2003, he had spent most of his career working for multinational chemicals and technology companies covering the Hong Kong and the Greater China area with emphasis in engineering plastics market.

Mr. CHAN Dit Lung, aged 54, is the Managing Director of Wellknown Plastic Material Ltd. He has more than 20 years' experience in plastic trading. He was formerly a lecturer of Hong Kong Plastics Technology Centre in Polytechnic University. He is now the Chairman of Hong Kong Plastic Material Suppliers Association, President of Hong Kong Plastics Recycling Association, Vice President of The Professional Validation Council of Hong Kong Industries Limited and Director of Hong Kong Plastics Technology Centre.

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	Unit 3, 6th Floor Hopeful Factory Centre 10 Wo Shing Street Fo Tan New Territories Hong Kong
Company secretary	Mr. Ching Yu Lung <i>FCCA, CPA</i>
Qualified accountant	Mr. Ching Yu Lung <i>FCCA, CPA</i>
Authorised representatives	Mr. Hui Sai Chung House 5 Savanna Garden Tai Po New Territories Hong Kong Madam Liu Sau Lai G/F, No. 4 Tai Wai New Village Tai Wai New Territories Hong Kong
Auditors	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor Prince's Building Central Hong Kong
Principal share registrar and transfer agent	Butterfield Fund Services (Bermuda) Limited Rosebank Centre Bermudiana Road Hamilton, Bermuda

Branch share registrar in Hong Kong	Abacus Share Registrars Limited Ground Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 2/F, HSBC Building 673 Nathan Road Mongkok Kowloon Hong Kong The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

PARTIES INVOLVED IN THE OPEN OFFER

Underwriter	Good Benefit Limited The Creque Building P.O. Box 116 Road Town, Tortola British Virgin Islands
Legal advisers to the Company as to Hong Kong law	Preston Gates & Ellis 35th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Legal advisers to the Company as to Bermuda law	Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Financial adviser to the Company	First Shanghai Capital Limited 19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong

DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) *Interest in issued Shares*

Name of Directors		Personal interests	Number of issued Shares beneficially held		Approximate percentage of interest (Note 4)
			Corporate interests	Total	
Mr. Hui Sai Chung	Long position	12,268,000	158,000,000 (Note 1)	170,268,000	56.76%
Mr. Hui Kwok Kwong	Long position	12,702,000	154,735,000 (Note 2)	167,437,000	55.81%
Madam Liu Sau Lai	Long position	1,102,500	—	1,102,500	0.37%

(ii) *Interest in unissued Shares*

Name of Director		Personal interests	Number of unissued Shares beneficially held		Approximate percentage of interest (Note 4)
			Corporate interests	Total	
Mr. Hui Sai Chung	Long position	2,453,600 (Note 5)	54,438,500 (Note 6)	56,892,100	18.96%
Mr. Hui Kwok Kwong	Long position	2,540,400 (Note 7)	53,785,500 (Note 8)	56,325,900	18.78%
Madam Liu Sau Lai	Long position	220,500 (Note 9)	—	220,500	0.07%

Notes:

- (1) 153,000,000 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 (refer to note 3). In addition, 5,000,000 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.

- (2) 153,000,000 of these shares are held by Good Benefit, a company in which Evergrow Company Limited (“Evergrow”) holds a 45.1% interest (refer to note 3). In addition, 1,735,000 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.

- (3) The beneficial interests of the Directors in the share capital of Good Benefit, which held 153,000,000 shares of the Company as at the Latest Practicable Date, 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%
Total	<u>10,000</u>	<u>100%</u>

- (4) The percentage shareholding is calculated based on the existing issued share capital of the Company of 300,000,000 Shares before the Open Offer.
- (5) These are the Offer Shares which Mr. Hui Sai Chung has undertaken to accept in respect of his entitlement under the Open Offer.
- (6) These comprise of (i) 22,838,500 Offer Shares which are underwritten by Good Benefit Limited, a company in which Mr. Hui Sai Chung is beneficially interested in 45.1% (refer to notes 1 and 3); (ii) 30,600,000 Offer Shares which Good Benefit Limited has undertaken to accept in respect of its entitlement under the Open Offer; and (iii) 1,000,000 Offer Shares which Ever Win (a company in which Mr. Hui Sai Chung is interested (refer to Note 1)) has undertaken to accept in respect of its entitlement under the Open Offer.
- (7) These are the Offer Shares which Mr. Hui Kwok Kwong has undertaken to accept in respect of his entitlement under the Open Offer.

- (8) These comprise of (i) 22,838,500 Offer Shares which are underwritten by Good Benefit Limited, a company in which Mr. Hui Kwok Kwong is beneficially interested in 45.1% (refer to notes 2 and 3); (ii) 30,600,000 Offer Shares which Good Benefit Limited has undertaken to accept in respect of its entitlement under the Open Offer; and (iii) 347,000 Offer Shares which Evergrow (a company in which Mr. Hui Kwok Kwong is interested (refer to note 2)) has undertaken to accept in respect of its entitlement under the Open Offer.
- (9) These are the Offer Shares which Madam Liu Sau Lai has undertaken to accept in respect of her entitlement under the Open Offer.

(iii) *Derivative to ordinary shares of HK\$0.10 each in the Company*

Name of Directors	Unlisted Share Options (physically settled equity derivatives)	
Mr. Hui Sai Chung	Long position	3,000,000
Mr. Hui Kwok Kwong	Long position	3,000,000
Dr. Wong Chi Ying, Anthony	Long position	3,000,000
Mr. Lai Kam Wah	Long position	3,000,000
Mr. Ching Yu Lung	Long position	3,000,000
Madam Liu Sau Lai	Long position	3,000,000

(iv) *Non-voting deferred shares in associated corporations*

As at the Latest Practicable Date, the following Directors owned interest in non-voting deferred shares in Ngai Hing Hong Plastic Materials Limited, an associated corporation of the Company, 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 (Note 1)
Mr. Hui Kwok Kwong	200,000	50,000 (Note 2)

Notes:

- (1) These shares are held by Ever Win.
- (2) 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 the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any share, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial shareholders

As at the Latest Practicable Date, taking no account of Shares which may be taken up under the Open Offer, the Directors are not aware of any person (other than a Director or chief executive of the Company or as disclosed in the section headed “Interests of Directors” above) who will immediately following the Open Offer hold or be beneficially interested in 5% or more of the Shares then in issue and who will have an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests in contracts

None of the Directors has interests in contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Group taken as a whole.

Interests in assets

None of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2004, the date to which the latest published audited accounts were made up.

Service contracts

There is no existing or proposed service contract between any member of the Group and any Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

MATERIAL CONTRACTS

Except for the Underwriting Agreement, no other contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this Prospectus and are or may be material.

LITIGATION

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”). On basis of independent legal advice, the Subsidiary has (i) filed a defence and counterclaim to the Claim and (ii) taken out Third Party Proceedings against the company, which supplied 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. Discovery and inspection of documents between the parties to the Proceedings have already completed and the date for the hearing of the Proceedings will be fixed after the checklist hearing which is scheduled to take place on 29 June 2005.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given an opinion or advise, which is contained or referred to in this Prospectus.

Name of expert	Qualification
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong

As at the Latest Practicable Date, PricewaterhouseCoopers was not beneficially interested in the share capital of any member of the Group or had any right, whether legally interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities of any member of the Group and has any interest, either directly or indirectly, in any assets which have been, since 30 June 2004, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposal of by or leased to any member of the Group.

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its opinion or letter, as the case may be, and the references to its name, opinion or letter in the form and context in which it respectively appears.

PROCEDURE TO DEMAND A POLL AT GENERAL MEETINGS

Pursuant to Bye-Law 66 of the Bye-Laws, a resolution put to the vote at any general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregates sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

LEGAL AND BINDING EFFECT

The Prospectus Documents (upon issue), and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. This Prospectus shall have the effect, if an acceptance or application is made in pursuance of any such documents, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance as far as applicable.

DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of each of the Prospectus Documents, together with the written consent referred to in the paragraph headed “Qualification and consent of expert” in this appendix, have been delivered to the Registrar of Companies in Hong Kong for registration. A copy of each of the Prospectus Documents has been delivered to the Registrar of Companies in Bermuda for filing.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Unit 3, 6th Floor, Hopeful Factory Centre, 10 Wo Shing Street, Fo Tan, New Territories, Hong Kong during normal business hours up to and including 9 June 2005:

- (1) the memorandum of association and the bye-laws of the Company;
- (2) the annual reports of the Company for the three years ended 30 June 2004 and the interim report of the Company for the six months ended 31 December 2004;
- (3) the Underwriting Agreement, being the material contract referred to in the paragraph headed “Material contracts” in this appendix;
- (4) the written consent referred to in the paragraph headed “Qualification and consent of expert” in this appendix; and
- (5) the report from PricewaterhouseCoopers, the text of which is reproduced in Appendix I to this Prospectus.