
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



NGAI HING HONG COMPANY LIMITED

毅興行有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF LAND AND FACTORIES**

* for identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Introduction	4
The Transfer Agreement	5
The Pledge Agreement	9
Effect of the Acquisition	9
Reasons for the Acquisition	10
General	11
Appendix — General Information	12

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the content indicates otherwise:

“Acquisition”	the purchase of the Properties by the Purchaser pursuant to the Transfer Agreement;
“Board”	the board of Directors;
“Company”	Ngai Hing Hong Company Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange;
“Consideration”	the consideration for the Acquisition, being an aggregate amount of RMB12,500,000 payable in cash by three instalments;
“Deposit”	the deposit of RMB6,250,000 payable by the Purchaser to the Vendor within five business days from the date of the Transfer Agreement;
“Director(s)”	the director(s) of the Company for the time being;
“Dongguan PolyOne”	東莞普立萬氯乙烯聚合體有限公司 (Dongguan PolyOne Vinyl Compounds Holdings Limited**), a wholly foreign owned enterprise being established in the PRC, which will become a wholly-owned subsidiary of PolyOne BVI after its establishment;
“Dongguan PolyOne Tenancy Agreement”	the tenancy agreement dated 16 January 2007 entered into between the Vendor as landlord and PolyOne BVI (for and on behalf of Dongguan PolyOne) as tenant in relation to the lease of the Properties, which shall become effective as from the date of establishment of Dongguan PolyOne;
“Factories”	the factories located on the Land and consisting of 2 blocks of 3-storey high factories with an aggregate gross floor area of 11,215 sq. m. and a security guard room with gross floor area of 22 sq. m.;
“First Factory Charge”	the charge created by the Vendor in favour of Houjie Branch, Bank of China over one block of the Factories;
“First Instalment”	the instalment of RMB3,125,000 payable upon the receipt of the relevant land use right certificate by the Purchaser;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Land”	comprising (i) the parcel of land situate next to 東莞市厚街鎮赤嶺工業區博覽大道 (Bolan Da Road, Chiling Industrial Zone, Houjie Town, Dongguan City, Guangdong Province, the PRC**) whereupon the Factories are erected and (ii) a parcel of vacant land within the enclosing wall of 東莞厚街毅興塑化廠 (Dongguan Houjie Ngai Hing PlastChem Factory**) with an area of approximately 1,200 sq. m.;
“Latest Practicable Date”	23 March 2007, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“NH PlastChem”	Ngai Hing PlastChem Company Limited, a company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company;
“NH Tenancy Agreement”	a tenancy agreement dated 23 December 2003 entered into between the Vendor as landlord and NH PlastChem as tenant in relation to the lease of the Properties for a term of 10 years commencing on 1 January 2004 and ending on 31 December 2013;
“Pledge Agreement”	the agreement dated 12 February 2007 entered into between the Vendor and the Purchaser in relation to the Pledge;
“Pledge”	the pledge of the Factories by the Vendor in favour of the Purchaser pursuant to the Pledge Agreement;
“PolyOne”	PolyOne Corporation, the shares of which are listed on the New York Stock Exchange;
“PolyOne BVI”	Dongguan PolyOne Vinyl Compounds Asia Holdings Limited, a company incorporated in the British Virgin Islands, being a subsidiary of PolyOne;
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macao Special Administrative Regions and Taiwan;
“Properties”	the Factories and the Land;

DEFINITIONS

“Purchaser”	東莞毅興塑膠原料有限公司 (Dongguan Ngai Hing Plastic Materials Limited**), a wholly foreign owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Factory Charge”	the charge executed by the Vendor in favour of 赤嶺經濟聯合社 (Chiling Economic Union**) over one of the block of the Factories;
“SFO”	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong);
“Shareholder(s)”	Shareholder(s) of the Company;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“sq. m.”	square meter(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 32, Laws of Hong Kong) and “subsidiaries” shall be construed accordingly;
“Transfer Agreement”	the Transfer Agreement dated 12 February 2007 entered into between the Purchaser and the Vendor in relation to the Acquisition;
“Vendor”	東莞市厚街鎮赤嶺經濟聯合社 (Dongguan Houjie Town Chiling Economic Union**);
“Villagers”	villagers of 東莞市厚街鎮赤嶺村 (Dongguan City Houjie Town Chiling Village**); and
“%”	Per cent.

** The unofficial English transliterations or translations are for identification purpose only.

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
Mr. HUI Kwok Kwong
Dr. WONG Chi Ying, Anthony
Mr. LAI Kam Wah
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

27 March 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF LAND AND FACTORIES

INTRODUCTION

As announced by the Board on 8 March 2007, the Transfer Agreement was entered into between the Purchaser and the Vendor on 12 February 2007. The purpose of this circular is to provide you with further information in relation to the Acquisition.

** for identification purpose only*

LETTER FROM THE BOARD

THE TRANSFER AGREEMENT

Date

12 February 2007

Parties

Vendor: 東莞市厚街鎮赤嶺經濟聯合社 (Dongguan City Houjie Town Chiling Economic Union**)

Purchaser: 東莞毅興塑膠原料有限公司 (Dongguan Ngai Hing Plastic Materials Limited**), a wholly foreign owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

To the best of the information, knowledge and belief of the Directors, the Vendor is a collective economic organisation of the Villagers. As at the Latest Practicable Date, the Vendor and the Villagers were, to the best of the information, knowledge and belief of the Directors having made all reasonable enquiry, independent third parties of the Company who are not connected persons of the Company, and are not connected with the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (within the meaning under Rule 1.01 of the Listing Rules).

Properties to be purchased

Pursuant to the Transfer Agreement, the Vendor shall dispose of and the Purchaser shall purchase from the Vendor the Properties, which consist of the Land and the Factories:

(1) *the Land*

The Land is located in 東莞市厚街鎮赤嶺工業區博覽大道旁 (Bolan Da Road, Chiling Industrial Zone, Houjie Town, Dongguan City, Guangdong Province, the PRC**). The site area of the Land is about 6,262 sq. m. and is designated for industrial use.

The Purchaser was informed by the Vendor that the relevant 集體土地使用權證 (collective land use right certificate**) of the Land is missing. However, according to a title search conducted by the PRC legal advisers to the Purchaser on 31 January 2007, the relevant collective land use right certificate should have been issued in 1996. Pursuant to the Transfer Agreement, the Vendor shall apply for a replacement collective land use right certificate (for industrial or similar use) relating to the Land within two months from the date of the Transfer Agreement, which certificate will be required to be presented to the relevant authorities for registration of transfer of title pursuant to the Transfer Agreement. Further announcement will be made by the Company in the event that the replacement collective land use right certificate cannot be granted to the Vendor so that the Acquisition cannot be completed.

LETTER FROM THE BOARD

(2) *the Factories*

The Factories are located on the Land and consist of 2 blocks of 3-storey high factories with an aggregate gross floor area of 11,215 sq. m. and a security guard room with gross floor area of 22 sq. m. According to a title search conducted by the PRC legal advisers to the Purchaser on 31 January 2007, the Factories are subject to the First Factory Charge and the Second Factory Charge.

According to the legal opinion given by the PRC legal advisers to the Purchaser,

- (i) as the relevant collective land use right certificate is missing, it is unable to ascertain whether the Vendor has the legal title to the Land and whether the Vendor has the right to use the Land;
- (ii) the Vendor has the legal title to the Factories and the capacity to sell the same; and
- (iii) subject to the foregoing, and subject to the obtaining of certain approvals and the satisfaction of certain registration and filing requirements by the Vendor, the Vendor is able to assign the land use right of the Land and the building ownership right of the Factories to the Purchaser.

Consideration

The consideration payable by the Purchaser to the Vendor pursuant to the Transfer Agreement is RMB12,500,000 in cash, which shall be satisfied by the Purchaser in three instalments in the following manner:

- (1) a deposit of RMB6,250,000 (of which RMB300,000 will be set-off by the rental deposit paid by the Purchaser) shall be payable within five business days from the date of the Transfer Agreement;
- (2) RMB3,125,000 shall be payable upon the receipt by the Purchaser of the relevant land use right certificate evidencing the title of the Purchaser to the Land; and
- (3) the remaining RMB3,125,000 shall be payable upon the receipt by the Purchaser of the relevant building ownership certificates evidencing the title of the Purchaser to the Factories.

The RMB300,000 rental deposit mentioned above was paid by the Purchaser on behalf of PolyOne BVI and Dongguan PolyOne to the Vendor on 6 February 2007 because Dongguan PolyOne has not yet been established and it has been agreed that the Purchaser would pay the rental deposit which will be repaid to the Purchaser upon due establishment of Dongguan PolyOne.

LETTER FROM THE BOARD

The Consideration will be funded as to (i) approximately 40% by internal resources and (ii) the remaining approximately 60% by credit facilities of the Group.

Pursuant to the Transfer Agreement, the Purchaser shall be entitled to receive benefits in the form of rental payment under the NH Tenancy Agreement and the Dongguan PolyOne Tenancy Agreement in the following manner:

- (1) As from the date of the Transfer Agreement, the amount of the rent payable to the Vendor by NH PlastChem under the NH Tenancy Agreement shall be reduced by such percentage representing the percentage of the Consideration that has been satisfied by the Purchaser from time to time, and the amount of the rent so reduced shall become payable by NP PlastChem to the Purchaser.
- (2) Upon Dongguan PolyOne Tenancy Agreement becoming effective, i.e. upon the due establishment of Dongguan PolyOne, NH PlastChem's obligations to pay rent to the Vendor under the NH Tenancy Agreement shall cease, and the NH Tenancy Agreement will be terminated, forthwith. The amount of the rent payable to the Vendor by Dongguan PolyOne under the Dongguan PolyOne Tenancy Agreement shall be reduced by such percentage representing the percentage of the Consideration that has been satisfied by the Purchaser from time to time, and the amount of the rent so reduced shall become payable by Dongguan PolyOne to the Purchaser. Dongguan PolyOne's obligations to pay rent to the Vendor under the Dongguan PolyOne Tenancy Agreement shall cease upon satisfaction of the Consideration in full by the Purchaser.

Pursuant to the Transfer Agreement, after the completion of the Acquisition, the Purchaser shall pay to the Vendor a land management fee in an amount of RMB0.5 per sq. m. per month. The land management fee is subject to an increment every five years, details of which will be jointly decided by the parties. After completion of the Acquisition, the Purchaser is required to pay a land management fee to the Vendor because the Vendor, which is the responsible local governmental organization, will remain primarily responsible for the day-to-day management of the Land, including but not limited to providing public security support and monitoring environmental hygiene in Chiling Village at which the Land is situated.

The Consideration has been arrived at after arm's length negotiation between the Vendor and the Purchaser based on normal commercial terms and with reference to the prices of similar lands offered for sale in the Houjie Town and the prevailing market values of similar lands in the Dongguan City, indicated in a valuation report issued by RHL Surveyors Limited, a professional valuer appointed by the Purchaser, at about RMB 14,000,000 as at 8 February 2007. The Directors (including independent non-executive Directors) are of the view that the terms of the Transfer Agreement including the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Encumbrances on the Properties

The Properties are subject to the NH Tenancy Agreement, the Dongguan PolyOne Tenancy Agreement, the First Factory Charge and the Second Factory Charge. The NH Tenancy Agreement was entered into between the Vendor as landlord and NH PlastChem as tenant in relation to the lease of the Properties for a term of 10 years commencing on 1 January 2004. A monthly rent of RMB115,600 is payable under NH Tenancy Agreement, subject to an increment of 5% every five years. Pursuant to the Transfer Agreement, the NH Tenancy Agreement will be terminated within 6 months after the payment date of the Deposit. An aggregate amount of RMB1,387,200 has been paid under the NH Tenancy Agreement for each of the years ended 31 December 2005 and 31 December 2006, which amounts represented, to the best knowledge, information and belief of the Directors, the revenue generated from the Properties for each of the two years ended 31 December 2005 and 31 December 2006. However, the Directors are not in a position to ascertain the expenses or profits of the Vendor in respect of the Properties for the past two years.

The Dongguan PolyOne Tenancy Agreement was entered into between the Vendor as landlord and PolyOne BVI (for and on behalf of Dongguan PolyOne) as tenant in relation to the lease of the Properties for a term of 7 years (subject to Dongguan PolyOne's option to renew the Dongguan PolyOne Tenancy Agreement) commencing from the establishment date of Dongguan PolyOne, which is expected to be in or about April 2007. The same monthly rent of RMB115,600 shall be payable under the Dongguan PolyOne Tenancy Agreement upon its becoming effective. After two years from the effective date of the Dongguan PolyOne Tenancy Agreement, the monthly rent payable thereunder shall increase by 5%. Thereafter, the monthly rent payable thereunder shall be subject to an increment of 5% every five years. Pursuant to the Transfer Agreement, the Dongguan PolyOne Tenancy Agreement will be terminated within 6 months after the payment date of the Deposit. The First Factory Charge was executed by the Vendor in favour of Houjie Branch, Bank of China over one block of the Factories. The Second Factory Charge was executed by the Vendor in favour of 赤嶺經濟聯合社 (Chiling Economic Union**) over the other block of the Factories. Pursuant to the Transfer Agreement, the Vendor shall arrange for discharge of the First Factory Charge and the Second Factory Charge and complete the registration of such discharge documents with the relevant authorities in the PRC within 30 days after it receives the Deposit from the Purchaser.

Completion

The Directors expected that the land use right certificate of the Land and the building ownership certificates of the Factories in the name of the Purchaser will be issued to the Purchaser on or before 60 days from the date of the payment of the First Instalment by the Purchaser.

Termination and refund

The Purchaser shall be entitled to (i) terminate the Transfer Agreement; (ii) require the Vendor to refund the Consideration (without interest) paid to the Vendor under the Transfer Agreement; and (iii) require the Vendor to pay damages at an amount equivalent to 20% of the Consideration, if:

- (1) (except as required by government policies, rules or regulations) the Vendor fails to transfer the Properties to the Purchaser; or
- (2) the Vendor fails to enter into the Pledge Agreement or fails to register the Pledge with the relevant authorities in the PRC in accordance with the Pledge Agreement; or

LETTER FROM THE BOARD

- (3) (except as otherwise caused by the Purchaser) the Vendor fails to obtain the approval on the Acquisition from two-third or more of the Villagers (in respect of which, based on the advice of the PRC legal advisers to the Purchaser, the Directors are given to understand that under the relevant PRC regulations, the Vendor is required to obtain an approval from two-third or more of the Villagers (or their representatives) before it could sell the Properties to the Purchaser) on or before 15 March 2007; or
- (4) the Vendor fails to provide to the Purchaser any land use right certificate indicating that the Purchaser is entitled to the use of the Land within 90 days from the date of the payment of the Deposit by the Purchaser; or
- (5) the Vendor fails to provide to the Purchaser any building ownership certificate indicating that the Purchaser is entitled to the title of the Factories within 60 days from the date of the payment of the First Instalment by the Purchaser; or
- (6) there is any breach on the part of the Vendor of any undertaking or warranty given by the Vendor as contained in the Transfer Agreement (including its undertaking in relation to the discharge of the First Factory Charge and the Second Factory Charge).

The Vendor shall be entitled to (i) terminate the Transfer Agreement and (ii) require the Purchaser to return to the Vendor the Properties if there is any breach on the part of the Purchaser of any undertaking or warranty given by the Purchaser as contained in the Transfer Agreement. In addition, the Vendor shall be entitled to require the Purchaser to pay damages at an amount equivalent to 20% of the Consideration, if the Purchaser fails to pay the Consideration in accordance with the Transfer Agreement and fails to ratify such breach within 60 days after the demand from the Vendor.

THE PLEDGE AGREEMENT

On 12 February 2007, the Vendor and the Purchaser also entered into the Pledge Agreement, pursuant to which the Vendor agreed to pledge the Factories (except for the security guard room therein) in favour of the Purchaser in order to secure the due performance by the Vendor of its obligations under the Transfer Agreement. Pursuant to the Pledge Agreement, the Vendor shall register the Pledge with the relevant authorities in the PRC within 15 days from the date of completion of discharge of the First Factory Charge and the Second Factory Charge. The Pledge Agreement shall be effective as from the date of the Transfer Agreement until the completion of the Acquisition.

EFFECT OF THE ACQUISITION

Pursuant to the Transfer Agreement, the Purchaser shall be entitled to receive benefits in the form of rental payment under the NH Tenancy Agreement and the Dongguan PolyOne Tenancy Agreement in the manner set out in section headed “The Transfer Agreement — Consideration” above. The Group’s earnings will be positively affected from time to time to the extent of such rental income on a consolidated basis.

LETTER FROM THE BOARD

After the completion of the Acquisition, the assets of the Company will increase by approximately RMB14,000,000, representing the value of the Properties as at 8 February 2007 as stated in the valuable report issued by RHL Surveyors Limited, a professional valuer appointed by the Purchaser.

The Company is in the process of arranging for credit facilities at an aggregate amount of RMB7,500,000, representing approximately 60% of the Consideration, for the purpose of satisfying the Consideration. Accordingly, it is expected that the Company will incur liabilities of approximately RMB7,500,000 as a result of the Acquisition. The Group may also incur finance costs when obtaining the credit facilities.

REASONS FOR THE ACQUISITION

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

Reference is made to the announcement of the Company dated 25 October 2006 and the circular of the Company dated 16 November 2006 relating to, among other things, the subscription of Shares by PolyOne, a company listed on the New York Stock Exchange, the disposal of all the assets (excluding all trade receivables and other receivables) of NH PlastChem and 東莞厚街毅興塑化廠 (Dongguan Houjie Ngai Hing PlastChem Factory**), which was a factory situated in Dongguan and carried on a processing business at the time, and the cooperation of PolyOne and the Company in PolyOne BVI, the sole shareholder of Dongguan PolyOne and a subsidiary of PolyOne. After the establishment of Dongguan PolyOne, it is expected that the Properties will be used by Dongguan PolyOne for its vinyl compound related processing business. It is intended that a monthly rent of RMB115,600 shall be payable to the Purchaser under substantially the same terms in the Dongguan PolyOne Tenancy Agreement. Formal tenancy agreement will be entered into after the due establishment of Dongguan PolyOne.

The Group and PolyOne are engaged in the same industry, i.e. plastic materials, but with different specialization/niche. The Directors are of the view that in addition to the minor cross-shareholding among the two groups, the provision of the use of the Properties by the Group to PolyOne pursuant to the Dongguan PolyOne Tenancy Agreement, which will create a landlord-and-tenant relationship between the Group and PolyOne, will be a further step to strengthen the relationship and bond between the two, and to build up the starting platform for their future cooperation and development in the industry. Prior to the disposal of all the assets (excluding all trade receivables and other receivables) of NH PlastChem and Dongguan Houjie Ngai Hing PlastChem Factory, the Group had been using the Factories as tenant and had always been interested in acquiring the Properties. However, the Vendor had no intention to sell the Properties until recently. Therefore, even though it has already disposed of its business operation of NH PlastChem, the Group seized the opportunity to purchase the Properties. The Directors (including the independent non-executive Directors) consider that the terms of the Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

GENERAL

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules. Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
HUI Sai Chung
Chairman

RESPONSIBILITY STATEMENT

This circular 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 circular and confirm, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts concerning the Group the omission of which would make any statement herein misleading.

1. DISCLOSURE OF INTERESTS**Interests and short positions of Directors and chief executive in the share capital of the Company and its associated corporations**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which would be 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, would be required to be notified to the Company and the Stock Exchange.

(i) *Interests in issued Shares*

Name of Directors		Number of issued Shares beneficially held			Approximate percentage of interest (Note 4)
		Personal interests	Corporate interests	Total	
Mr. HUI Sai Chung	Long position	14,971,600	202,721,500	217,693,100	60.47%
			(Note 1)		
Mr. HUI Kwok Kwong	Long position	15,642,400	198,803,500	214,445,900	59.57%
			(Note 2)		
Madam LIU Sau Lai	Long position	1,323,000	—	1,323,000	0.37%

Notes:

- (1) As at the Latest Practicable Date, 196,721,500 of these Shares were held by Good Benefit Limited (“Good Benefit”), a company in which Ever Win Limited (“Ever Win”) held a 45.1% interest (refer to note 3). In addition, 6,000,000 Shares were held by Ever Win directly.

50,000 ordinary shares of one Canadian dollar each in Ever Win were held by a trustee on behalf of a discretionary trust, the discretionary objects of which included Mr. HUI Sai Chung and his family members. Mr. HUI Sai Chung and his spouse further owned 30,834 and 5 class A non-convertible redeemable preferred shares of no par value in Ever Win respectively.

- (2) As at the Latest Practicable Date, 196,721,500 of these Shares were held by Good Benefit, a company in which Evergrow Company Limited (“Evergrow”) held a 45.1% interest (refer to note 3). In addition, 2,082,000 Shares were held by Evergrow directly.

50,000 ordinary shares of one Canadian dollar each in Evergrow were held by a trustee on behalf of a discretionary trust, the discretionary objects of which included Mr. HUI Kwok Kwong and his family members. Mr. HUI Kwok Kwong further owned 30,823 class A non-convertible redeemable preferred shares of no par value in Evergrow.

- (3) As at the Latest Practicable Date, the beneficial interests of the Directors in the share capital of Good Benefit, which held 196,721,500 Shares as at the Latest Practicable Date, were 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	<u>900</u>	<u>9.0%</u>
Total	<u><u>10,000</u></u>	<u><u>100.0%</u></u>

- (4) The percentage shareholding is calculated based on the existing issued share capital of the Company of 360,000,000 Shares as at the Latest Practicable Date.

(ii) *Derivative to Shares*

Name of Directors		Unlisted Share Options (physically settled equity derivatives) (Note)
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
Madam LIU Sau Lai	Long position	3,000,000

Note: The Share Options were granted on 2 May 2003 (1,000,000 of which are exercisable from 2 May 2004 to 1 May 2009, 1,000,000 of which are exercisable from 2 May 2005 to 1 May 2009, the remaining 1,000,000 of which are exercisable from 2 May 2006 to 1 May 2009) with an exercise price of HK\$0.82.

(iii) *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, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, which are subject to an option granted to Ngai Hing (International) Company Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company, to acquire the said non-voting deferred shares.

Name of Directors	Number of non-voting deferred shares held	
	Personal interest	Other interests
Mr. HUI Sai Chung	200,000	50,000 <i>(Note 1)</i>
Mr. HUI Kwok Kwong	200,000	50,000 <i>(Note 2)</i>

Notes:

(1) These shares are held by Ever Win.

(2) These shares are held by Evergrow.

Interests and short positions of substantial shareholder in the share capital of the Company and any other member of the Group

Save as disclosed below, as at the Latest Practicable Date, 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 and short positions of Directors and chief executive in the share capital of the Company and its associated corporations” above) who has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of shareholder	Name of member of the Group	Number of shares held	Percentage of interest held in such company
NG Tat Ching	Long position Ngai Hing Engineering Plastic Materials Limited <i>(Note 1)</i>	276,000	13.8%

Name of shareholder		Name of member of the Group	Number of shares held	Percentage of interest held in such company
CHUNG Si Leung	Long position	Ngai Hing Engineering Plastic Materials Limited (<i>Note 1</i>)	200,000	10%
Best Merit International Limited	Long position	NH PlastChem	1,400	28%
Asian Strategic Partners Investment Advisors Limited	Long position	NHH International Trading Limited	400,000	20%
CHU Wing Yin, Daniel	Long position	NHH International Trading Limited	400,000	20%

Note:

- (1) As at the Latest Practicable Date, 毅興工程塑料(上海)有限公司 (Ngai Hing Engineering Plastics (Shanghai) Co., Ltd) (“Shanghai Ngai Hing”) was a wholly-owned subsidiary of Ngai Hing Engineering Plastic Materials Limited (“NHEPML”). Therefore, Mr. NG Tat Ching and Mr. CHUNG Si Leung, through their interests in NHEPML, are indirectly interested in 13.8% and 10% in Shanghai Ngai Hing respectively. As at the Latest Practicable Date, Ngai Hing Engineering Plastic (Hong Kong) Limited (“NHEPHK”) was a wholly-owned subsidiary of NHEPML. Therefore, Mr. NG Tat Ching and Mr. CHUNG Si Leung, through their interests in NHEPML, are indirectly interested in 13.8% and 10% in NHEPHK respectively.
- (2) Best Merit International Limited (“Best Merit”), a company incorporated in the British Virgin Islands, holds 28% of the issued share capital of NH PlastChem and is owned equally by each of Mr. YIP Yik Wai, Roy and Dr. LAM Kwok Kin, Joseph, who were directors of NH PlastChem up to 19 October 2006 and are (through Best Merit) substantial shareholders of NH PlastChem, as at the Latest Practicable Date.

2. 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”). Based on independent legal advice, the Subsidiary has (i) filed a defence and counterclaim to the Claim and (ii) taken out third party proceedings against the company which supplied the Goods to the Subsidiary for resale to the Customer (the “Third Party Company”). The Third Party Company has also taken out Fourth Party Proceedings against the company which supplied the Goods to the Third Party Company for resale to the Subsidiary. The trial of the Proceedings completed on 27th September 2006 and the judgment has not yet been delivered. Counsel for the Subsidiary has advised that the likely outcome of the Proceedings would be either (i) that the Subsidiary will succeed in defending the Claim and obtaining judgment on its counterclaim or (ii) that the Claim will succeed but the Subsidiary will be indemnified by the Third Party Company.

Saved as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, no litigation or arbitration of material importance was pending or threatened against the Group.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since 30 June 2006, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries, which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business, which competed or may compete with the business of the Group.

6. MISCELLANEOUS

- (a) The company secretary and the qualified accountant of the Company is Mr. CHAN Ka Ho. Mr. CHAN is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 3, 6th Floor, Hopeful Factory Centre, 10 Wo Shing Street, Fo Tan, New Territories, Hong Kong.
- (c) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.