



NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

2004/2005
Interim Report

CONTENTS

Condensed Consolidated Profit and Loss Account	2
Condensed Consolidated Balance Sheet	3-4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Cash Flow Statement	6
Notes to Condensed Interim Accounts	7-14
Interim Dividend	15
Closure of Register of Members	15
Business Review and Prospects	15-16
Liquidity and Financial Resources	17
Foreign Exchange Risk	17
Employee Information	18
Purchase, Sale and Redemption of the Company's Listed Securities	18
Share Options	18-21
Director's and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation	22-24
Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company	25
Compliance with the Code of Best Practice	25
Compliance with the Model Code for Securities Transactions by Directors	25
Audit Committee	26

The Board of Directors (the “Board”) of Ngai Hing Hong Company Limited (the “Company”) is pleased to present the unaudited condensed interim accounts of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 31ST DECEMBER 2004

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

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2004

	Note	Unaudited 31st December 2004 HK\$'000	Audited 30th June 2004 HK\$'000
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
		431,810	392,949
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	—
		257,445	225,044
Net current assets		174,365	167,905
Total assets less current liabilities		320,395	311,611

CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

AS AT 31ST DECEMBER 2004

	Note	Unaudited 31st December 2004 HK\$'000	Audited 30th June 2004 HK\$'000
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
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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
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		320,395	311,611

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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 2003/2004	—	—	—	—	—	13,962	13,962
final dividends paid	—	—	—	—	—	(6,000)	(6,000)
At 31st December 2004	30,000	28,475	408	2,795	5,194	227,239	294,111
At 1st July 2003	30,000	28,475	408	2,612	5,229	223,998	290,722
Profit for the period 2002/2003	—	—	—	—	—	7,132	7,132
final dividends paid	—	—	—	—	—	(15,000)	(15,000)
At 31st December 2003	30,000	28,475	408	2,612	5,229	216,130	282,854

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
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover	551,203	124,595	(72,731)	603,067
Other revenues	501	1	—	502
Total revenues	551,704	124,596	(72,731)	603,569
Segment results	17,928	1,133		19,061
Unallocated costs				(723)
Profit before taxation				18,338
Taxation				(3,881)
Profit after taxation				14,457
Minority interests				(495)
Profit attributable to shareholders				13,962

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**2 Segment information (Cont'd)**

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

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

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

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**3 Operating profit**

Operating profit is stated after crediting and charging the following:

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

4 Finance costs

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

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**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
	HK\$'000	HK\$'000
Hong Kong profits tax	4,000	1,100
Deferred taxation	(119)	(9)
	3,881	1,091

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.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**8 Capital expenditure**

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

9 Trade receivables

The aging analysis of trade receivables is as follows:

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

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.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**10 Trade payables**

The aging analysis of trade payables is as follows:

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

11 Share capital

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

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)

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.

NOTES TO CONDENSED INTERIM ACCOUNTS (Cont'd)**13 Commitments**

- (a) Capital commitments for property, plant and equipment

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

- (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 HK\$'000	Audited 30th June 2004 HK\$'000
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	5,138	5,780
	12,385	17,388

- (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 HK\$'000	Audited 30th June 2004 HK\$'000
Sell HK dollars for US dollars	748,909	436,660

INTERIM DIVIDEND

The directors are pleased to declare an interim dividend of Hong Kong 1.0 cent per share for the six months ended 31st December 2004 to members whose names appear on the Register of Members on 6th April 2005. The dividend will be paid on or before 13th April 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 4th April 2005 to Wednesday, 6th April 2005 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Abacus Share Registrars Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 1st April 2005.

BUSINESS REVIEW AND PROSPECTS

In the six months ended 31st December 2004, the Group recorded a turnover of HK\$603,067,000 (2003: HK\$500,188,000), profit attributable to shareholders of HK\$13,962,000 (2003: HK\$7,132,000), and earnings per share of HK4.65 cents (2003: HK2.38 cents). The Board of Directors has recommended an interim dividend of HK1.0 cent per share (2003: HK1.0 cent).

Although the economic environment still poses challenges, riding on the experience of its management and its well-defined business strategies, the Group's business expansion efforts implemented in the past continue to bring concrete returns. The Group reported encouraging results in the first half year, further strengthening the foundation for its future growth. During the review period, the Group saw significant growth in both turnover and profit, of 20.6% and 95.8% respectively, when compared with the same period last year.

The turnover of all major business streams grew, led by two outstanding business segments - plastics trading and engineering plastics manufacturing business. Benefited from the rise in plastic prices and its own effective raw material inventory policy, the Group's plastic trading business boomed, securing double-digit growth in both turnover and profit.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

During the review period, the Group's engineering plastic manufacturing business also performed exceptionally well. Having passed the teething stage, the Group's Tai Po plant boasted smooth operations and production. The vigorous marketing efforts of the Group for its quality products during the period also contributed to the notable rise in product prices and sales of its engineering plastics products. In the future, the Group will focus on introducing the line of products to other industries and developing new product applications, thus taking the business stream to yet another new height.

As for the colorant segment, heeding the sharp price hike of raw materials during the period and keen market competition, customers had been extra cautious in placing orders. The performance of the segment was affected as a result. On the other hand, however, the Group's new business pursuit – the production and sale of PVC compounds – has started to bring in revenue. Although the segment is still in its infancy, based on the number of orders received and the preliminary response of potential customers, the Group is very optimistic about the prospects of this new business.

As the global economy continues to improve and consumption desire rises, the Group sees rosy prospects for the market. Furthermore, its new plant swinging into full operation has significantly boosted the Group's overall productivity and growth potential. The Group expects to achieve yet greater economies of scale, which will allow it to further lower production costs. In the latter half of the year, Ngai Hing Hong 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 Group is confident that the growth momentum it built up in the first half of the year will persist in the latter half year.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. As at 31st December 2004, the Group has available aggregate bank loan facilities of approximately HK\$193,490,000, of which HK\$152,295,000 have been utilised and were secured by corporate guarantee issued by the Company and legal charges on certain leasehold land and buildings in the PRC and Hong Kong owned by the Group. The Group's cash and bank balances as at 31st December 2004 amounted to approximately HK\$45,561,000. The Group's gearing ratio on net debt to shareholders' funds basis as at 31st December 2004 was approximately 42.7%, based on the total interest bearing debts of approximately HK\$171,214,000 less cash and bank balances and the shareholders' funds of approximately HK\$294,111,000.

Details of the Company's contingent liabilities and the Group's capital commitments are disclosed in notes 12 and 13(a) to the interim accounts respectively.

FOREIGN EXCHANGE RISK

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

At 31st December 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 HK\$'000
Sell HK dollars for US dollars	748,909

EMPLOYEE INFORMATION

As at 31st December 2004, the Group employed a total of approximately 800 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group has an incentive scheme which is geared to the profit of the Group and the performance of its employees, as an incentive to motivate its employees to increase their contribution to the Group. The Group also provides social and medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

SHARE OPTIONS

On 5th December 2002, the Company has adopted a new share option scheme (the "New Scheme") and terminated the old share option scheme. Under the terms of the New Scheme, the Directors may, at their discretion, invite Directors and employees of the Group to take up options (the "Share Options") to subscribe for the shares of the Company subject to the terms and conditions stipulated therein. Details of the movements of Share Options granted under the New Scheme during the period and outstanding as at 31st December 2004 are as follows:

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

SHARE OPTIONS (Cont'd)

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

SHARE OPTIONS (Cont'd)

	Date of grant	Exercise period	Exercise price	Number of Share Options			End of the period
				Beginning of the period	Granted during the period	Exercised during the period	
Executive directors (Cont'd)							
Mr CHING Yu Lung	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
Madam LIU Sau Lai	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
	2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	1,000,000	—	—	1,000,000
Other continuous contract employees	30th April 2003	30th April 2004 to 29th April 2009	HK\$0.82	500,000	—	—	500,000
	30th April 2003	30th April 2005 to 29th April 2009	HK\$0.82	500,000	—	—	500,000
	30th April 2003	30th April 2006 to 29th April 2009	HK\$0.82	500,000	—	—	500,000
	2nd May 2003	2nd May 2004 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000

SHARE OPTIONS (Cont'd)

Date of grant	Exercise period	Exercise price	Beginning of the period	Number of Share Options		End of the period
				Granted during the period	Exercised during the period	
Other continuous contract employees (Cont'd)						
2nd May 2003	2nd May 2005 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
2nd May 2003	2nd May 2006 to 1st May 2009	HK\$0.82	2,000,000	—	—	2,000,000
21st October 2004	21st October 2005 to 20th October 2010	HK\$0.65	—	1,000,000	—	1,000,000
21st October 2004	21st October 2006 to 20th October 2010	HK\$0.65	—	1,000,000	—	1,000,000
21st October 2004	21st October 2007 to 20th October 2010	HK\$0.65	—	1,000,000	—	1,000,000
			25,500,000	3,000,000	—	28,500,000

No Share Options were exercised or cancelled during the period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December 2004, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

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

Name of Directors		Number of shares of the Company beneficially held			
		Personal interests	Corporate interests	Family interests	Other interests
Mr HUI Sai Chung	Long Positions	12,268,000	158,000,000 (a)	—	—
Mr HUI Kwok Kwong	Long Positions	11,716,000	154,735,000 (b)	—	—
Madam LIU Sau Lai	Long Positions	1,102,500	—	—	(c)

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

Name of Directors		Unlisted Share Options (physically settled equity derivatives) As at 31st December 2004	
Mr HUI Sai Chung	Long Positions		3,000,000
Mr HUI Kwok Kwong	Long Positions		3,000,000
Dr WONG Chi Ying, Anthony	Long Positions		3,000,000
Mr LAI Kam Wah	Long Positions		3,000,000
Mr CHING Yu Lung	Long Positions		3,000,000
Madam LIU Sau Lai	Long Positions		3,000,000

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Cont'd)

Notes:

- (a) 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 (note (c)). 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.

- (b) 153,000,000 of these shares are held by Good Benefit, a company in which Evergrow Company Limited (“Evergrow”) holds a 45.1% interest (note (c)). In addition, 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.

- (c) The beneficial interests of the Directors in the share capital of Good Benefit, which held 153,000,000 shares of the Company as at 31st December 2004, are as follows:

Name of Directors	Number of shares	Percentage of holding
Mr HUI Sai Chung	4,510	45.1%
Mr HUI Kwok Kwong	4,510	45.1%
Madam LIU Sau Lai	80	0.8%
Others	900	9.0%
	10,000	100.0%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Cont'd)

At 31st December 2004, the following Directors owned interests in non-voting deferred shares in Ngai Hing Hong Plastic Materials Limited, which are subject to an option granted to Ngai Hing (International) Company Limited to acquire the said non-voting deferred shares.

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

Notes:

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

Save as disclosed above and other than certain nominee shares in the subsidiaries of the Company held by certain Directors of the Company in trust for the Group as at 31st December 2004, none of the Directors and chief executives have any beneficial or non-beneficial interests in the share capital of the Company and associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed under the section headed by "Share Options" above,

- (a) at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and
- (b) none of the Directors, chief executives, their spouses or children under the age of 18 had been granted any right to subscribe for shares in or debentures of the Company, or exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December 2004, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with Appendix 14 of the Listing Rules throughout the six months period ended 31st December 2004 except that the term of office for the Independent Non-executive Directors of the Company are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Bye-laws. This does not comply with Paragraph 7 of the Code of Best Practice which suggests that Independent Non-executive Directors should be appointed for a specific term.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the HKICPA.

The Audit Committee provides an important link between the Board of Directors and the Company’s auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three independent non-executive directors, namely Mr HO Wai Chi, Paul, Mr FONG Pong Hing and Mr CHAN Dit Lung. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 31st December 2004 with the Directors.

On behalf of the Board
HUI Sai Chung
Chairman

Hong Kong,
15th March 2005