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NGAI HING HONG COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1047)

Website: <http://www.nhh.com.hk>

DISCLOSEABLE TRANSACTION ACQUISITION OF LAND AND FACTORIES

On 12 February 2007, the Vendor and the Purchaser entered into the Transfer Agreement, pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to purchase from the Vendor the Properties, which consist of the Factories and the Land, for an aggregate consideration of RMB12,500,000 in cash, payable in accordance with the terms of the Transfer Agreement.

The Vendor and the Purchaser also entered into the Pledge Agreement on 12 February 2007, 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.

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Acquisition will be sent to the Shareholders within 21 days after the publication of this announcement.

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. The Vendor and the Villagers are, 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.

(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.

A legal opinion in relation to the Vendor's legal title to the Land and its capacity to sell the Properties and assign the land use right of the Land and the building ownership right of the Factories to the Purchaser, to be prepared by the PRC legal advisers to the Purchaser, will be summarised and disclosed in the circular of the Company to be despatched to Shareholders in due course.

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;
- (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.

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 offer 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.

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 Second Factory Charge and to 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
- (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;
- (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.

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.

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.

GENERAL INFORMATION

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Acquisition will be sent to the Shareholders within 21 days after the publication of this announcement.

As at the date of this announcement, the board of Directors comprises five executive Directors, namely Mr. HUI Sai Chung, Mr. HUI Kwok Kwong, Dr. WONG Chi Ying, Anthony, Mr. LAI Kam Wah and Madam LIU Sau Lai, and three independent non-executive Directors, namely Mr. HO Wai Chi, Paul, Mr. FONG Pong Hing and Mr. CHAN Dit Lung.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Acquisition"	the purchase of the Properties by the Purchaser pursuant to the Transfer Agreement;
"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;
"Directors"	directors of the Company for the time being;
"Dongguan PolyOne"	東莞普立萬維乙稀聚合體有限公司 (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"	Hong Kong dollars, the lawful currency of 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.
"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 announcement, excluding Hong Kong, Macao Special Administrative Regions and Taiwan);
"Properties"	the Factories and the Land;
"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;
"Shareholders"	shareholders 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.

Hong Kong, 8 March 2007

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

By order of the Board
Hui Sai Chung
Chairman