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HUNG HING PRINTING GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 450)

**(I) DISCLOSABLE AND CONNECTED TRANSACTIONS WITH LEMONDE IN
RELATION TO ACQUISITION OF 10% EQUITY INTERESTS IN
EACH OF THE PACKAGING ENTITIES AND DISPOSAL OF 25% EQUITY
INTERESTS IN EACH OF THE PAPER MILL ENTITIES**

**(II) DISCLOSABLE AND CONNECTED TRANSACTIONS WITH HOMEGRACE
IN RELATION TO ACQUISITION OF 5% EQUITY INTERESTS IN
EACH OF THE PACKAGING ENTITIES AND DISPOSAL OF 5% EQUITY
INTERESTS IN EACH OF THE PAPER MILL ENTITIES**

(III) NOTICE OF THE EGM

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



SOMERLEY LIMITED

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 21 of this circular. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 37 of this circular.

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held at M/F Renaissance Harbour View Hotel Hong Kong, No.1 Harbour Road, Wanchai, Hong Kong on Friday, 21 August 2009 at 3:45 p.m. (or immediately after the closing of the Company’s annual general meeting on the same date) is set out on pages 59 to 63 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the office of the Company’s share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or adjournment thereof. Completion and return of the proxy form will not prevent you from attending and voting at the EGM if you so wish.

5 August 2009

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meaning:

“Annual Results”	the audited consolidated results of the Group for the 12 months ended 31 March 2009 published on 15 July 2009
“Applicable Laws”	with respect to any person, any laws, rules, regulations, guidelines, directives, treaties, judgments, decrees, orders or notices of any relevant government, administrative or regulatory body or court tribunal, arbitrator or governmental agency or authority or department that is applicable to such person
“Asia Packaging”	Asia Packaging Company Limited, a company incorporated in the Cayman Islands with limited liability
“Associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors from time to time
“Business Day”	a day other than a Saturday, Sunday or public holiday in Hong Kong
“Company”	Hung Hing Printing Group Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion Date”	in respect of each of the LeMonde Acquisition Agreements, the Homegrace Acquisition Agreements, the LeMonde Disposal Agreements and Homegrace Disposal Agreements, the third Business Day following the day on which the conditions precedent for the such agreement are fulfilled (or, if applicable, waived)
“CVC Group”	Asia Packaging, together with its Associates, ultimate beneficial owners and parties acting in concert with any of them
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at M/F Renaissance Harbour View Hotel Hong Kong, No.1 Harbour Road, Wanchai, Hong Kong on Friday, 21 August 2009 at 3:45 p.m. (or immediately after the closing of the Company’s annual general meeting on the same date), notice of which is set out on pages 59 to 63 of this circular (or any adjournment thereof)
“Grant Sherman”	Grant Sherman Appraisal Limited, the Company’s independent property valuer, in connection with its opinion of value of the property interests held by some of the Packaging Entities and Paper Mill Entities in the PRC as at 31 May 2009
“Group”	the Company and each subsidiary (as defined in the Listing Rules) of the Company
“Homegrace”	Homegrace Consultants Limited, an investment holding company incorporated under the laws of Hong Kong
“Homegrace Acquisitions”	the acquisition of the Packaging Entities by Hung Hing International pursuant to the Homegrace Acquisition Agreements
“Homegrace Acquisition Agreements”	the three acquisition agreements in relation to the acquisition of 5% equity interests in each of Zhongshan Packaging, Zhongshan Off-Set Printing and South Gain, all of which are entered into between Hung Hing International and Homegrace on 25 June 2009
“Homegrace Disposals”	the disposal of the Paper Mill Entities by the Company pursuant to the Homegrace Disposal Agreements
“Homegrace Disposal Agreements”	the two disposal agreements in relation to the disposal of 5% equity interests in each of Zhongshan Rengo and Zhongshan Ren Hing, both of which are entered into between the Company and Homegrace on 25 June 2009
“Homegrace Transactions”	the Homegrace Acquisitions and Homegrace Disposals
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hung Hing International”	Hung Hing International Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than LeMonde and Mr. Sung Chee Keung and their respective Associates
“LeMonde”	LeMonde Inc., an investment holding company incorporated in the British Virgin Islands, holding 10% equity interests in each of the Packaging Entities
“LeMonde Acquisitions”	the acquisition of the Packaging Entities by Hung Hing International pursuant to the LeMonde Acquisition Agreements
“LeMonde Acquisition Agreements”	the three acquisition agreements in relation to the acquisition of 10% equity interests in each of Zhongshan Packaging, Zhongshan Off-Set Printing and South Gain, all of which are entered into between Hung Hing International and LeMonde on 25 June 2009
“LeMonde Disposals”	the disposal of the Paper Mill Entities by the Company pursuant to the LeMonde Disposal Agreements
“LeMonde Disposal Agreements”	the two disposal agreements in relation to the disposal of 25% equity interests in each of Zhongshan Rengo and Zhongshan Ren Hing, both of which are entered into between the Company and LeMonde on 25 June 2009
“LeMonde Transactions”	the LeMonde Acquisitions and the LeMonde Disposals
“Latest Practicable Date”	30 July 2009 being the latest practicable date for ascertaining information contained in this circular prior to printing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Packaging Entities”	Zhongshan Packaging, Zhongshan Off-Set Printing and South Gain, together with their respective subsidiaries, if any
“Paper Mill Entities”	Zhongshan Rengo and Zhongshan Ren Hing

DEFINITIONS

“PRC”	the People’s Republic of China
“PRC Approvals”	the approvals, consents and authorizations from all relevant regulatory authorities in the PRC (including but not limited to the Ministry of Commerce or its local counterpart) in respect of the transfer of equity interests pursuant to each of the LeMonde Acquisition Agreements and Homegrace Acquisition Agreements (except for the LeMonde Acquisition Agreement or Homegrace Acquisition Agreement in relation to South Gain) and each of the LeMonde Disposal Agreements and Homegrace Disposal Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder”	a person entered in the register of members of the Company as the holder from time to time of Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Somerley” or “Independent Financial Adviser”	Somerley Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (Advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Future Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the LeMonde Transactions and Homegrace Transactions
“South Gain”	South Gain Enterprises Limited, a company incorporated in Hong Kong with limited liability
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Zhongshan Off-Set Printing”	Zhongshan Hung Hing Off-Set Printing Company Limited, a Sino-foreign joint venture company established under the laws of the PRC
“Zhongshan Packaging”	Zhongshan Hung Hing Printing & Packaging Company Limited, a Sino-foreign joint venture company established under the laws of the PRC

DEFINITIONS

“Zhongshan Ren Hing”	Zhongshan Ren Hing Paper Manufacturing Company Limited, a Sino-foreign joint venture company established under the laws of the PRC
“Zhongshan Rengo”	Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited, a Sino-foreign joint venture company established under the laws of the PRC
“%”	per cent.

LETTER FROM THE BOARD



HUNG HING

HUNG HING PRINTING GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 450)

Executive Directors:

Yum Chak Ming, Matthew (*Managing Director*)
Yam Ho Ming, Michael
Sung Chee Keung

Registered Office:

Hung Hing Printing Centre
17-19 Dai Hei Street
Tai Po Industrial Estate
New Territories, Hong Kong

Non-executive Directors:

Peter Martin Springford (*Chairman*)
David Murray Lonie
Ho Chi Kit
Lam Tsz-Wang, Alvin

Independent non-executive Directors:

Yap, Alfred Donald
Yip Yu Bun, MH
Luk Koon Hoo

5 August 2009

To the Shareholders

Dear Sir or Madam,

**(I) DISCLOSABLE AND CONNECTED TRANSACTIONS WITH LEMONDE IN
RELATION TO ACQUISITION OF 10% EQUITY INTERESTS IN
EACH OF THE PACKAGING ENTITIES AND DISPOSAL OF 25% EQUITY
INTERESTS IN EACH OF THE PAPER MILL ENTITIES**

**(II) DISCLOSABLE AND CONNECTED TRANSACTIONS WITH HOMEGRACE
IN RELATION TO ACQUISITION OF 5% EQUITY INTERESTS IN
EACH OF THE PACKAGING ENTITIES AND DISPOSAL OF 5% EQUITY
INTERESTS IN EACH OF THE PAPER MILL ENTITIES**

(III) NOTICE OF THE EGM

INTRODUCTION

On 6 July 2009, the Company announced that it had entered into:

- (i) the LeMonde Acquisition Agreements and Homegrace Acquisition Agreements on 25 June 2009 to acquire 10% and 5% of the equity interests in each of the Packaging Entities at a total consideration of HK\$45,703,241 and HK\$22,851,621, respectively, from each of LeMonde and Homegrace, respectively; and

LETTER FROM THE BOARD

- (ii) the LeMonde Disposal Agreements and Homegrace Disposal Agreements on 25 June 2009 to dispose 25% and 5% of the equity interests in each of the Paper Mill Entities for a total consideration of RMB8,333,333 (approximately HK\$9,469,697) and RMB1,666,667 (approximately HK\$1,893,939), respectively, to each of LeMonde and Homegrace, respectively.

An Independent Board Committee, consisting of all of the independent non-executive Directors, has been established to advise the Independent Shareholders, and Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the LeMonde Transactions and Homegrace Transactions.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the LeMonde Transactions and Homegrace Transactions, (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the LeMonde Transactions and Homegrace Transactions, (iii) the letter of advice from Somerley to the Independent Board Committee in relation to the LeMonde Transactions and Homegrace Transactions, and (iv) the notice of the EGM.

THE LEMONDE ACQUISITIONS AND HOMEGRACE ACQUISITIONS

	<i>LeMonde Acquisitions</i>	<i>Homegrace Acquisitions</i>
Date:	Each dated 25 June 2009	Each dated 25 June 2009
Seller:	LeMonde, a substantial shareholder holding 10% equity interests in each of Zhongshan Packaging, Zhongshan Off-Set Printing and South Gain	Homegrace, a company wholly-owned by a Director, Sung Chee Keung, and his Associate, holding 5% equity interests in each of Zhongshan Packaging, Zhongshan Off-Set Printing and South Gain
Buyer:	Hung Hing International	Hung Hing International

The assets to be acquired

Subject to fulfillment (or, if applicable, waiver) of the conditions precedent under each of the LeMonde Acquisition Agreements and Homegrace Acquisition Agreements, Hung Hing International has agreed to acquire 10% and 5% of the equity interests in each of the Packaging Entities, namely Zhongshan Packaging, Zhongshan Off-Set Printing and South Gain, from each of LeMonde and Homegrace, respectively.

Considerations

With respect to the LeMonde Acquisitions, Hung Hing International will pay an aggregate amount of HK\$45,703,241 (of which HK\$21,746,734 represents the consideration for 10% equity interests in Zhongshan Packaging, HK\$6,138,294 represents the

LETTER FROM THE BOARD

consideration for 10% equity interests in Zhongshan Off-Set Printing and HK\$17,818,213 represents the consideration for 10% equity interests in South Gain) to LeMonde for the LeMonde Acquisitions on the Completion Date.

With respect to the Homegrace Acquisitions, Hung Hing International will pay an aggregate amount of HK\$22,851,621 (of which HK\$10,873,367 represents the consideration for 5% equity interests in Zhongshan Packaging, HK\$3,069,147 represents the consideration for 5% equity interests in Zhongshan Off-Set Printing and HK\$8,909,107 represents the consideration for 5% equity interests in South Gain) to Homegrace for the Homegrace Acquisitions on the Completion Date.

After deducting the consideration payable by each of LeMonde and Homegrace to the Company in relation to the respective LeMonde Disposals and Homegrace Disposals, Hung Hing International will pay the respective outstanding consideration to each of LeMonde and Homegrace in cash out of its internal cash resources.

The considerations for the LeMonde Acquisitions and Homegrace Acquisitions were determined after arm's length negotiation with each of LeMonde and Homegrace, respectively, with reference to, among other things, (i) the profitability of the Packaging Entities in accordance with the Group's published interim results for the six-months ended 30 September 2008, (ii) current market trend and business prospects of the Group's printing and packaging business, and (iii) and potential enhancement of such market trend and business prospect to the net book value of the Packaging Entities as of 30 September 2008. Please refer to the section headed "Reasons for the LeMonde Transactions and Homegrace Transactions – The Packaging Entities" on page 15 of this circular for further elaboration on the considerations for the LeMonde Acquisitions and Homegrace Acquisitions.

Conditions precedent for the LeMonde Acquisitions and Homegrace Acquisitions

Among the Packaging Entities, Zhongshan Packaging and Zhongshan Off-Set Printing are Sino-foreign joint ventures. As a result, approvals from the local ministries of commerce must be obtained for each of the LeMonde Acquisitions and Homegrace Acquisitions relating to these two entities before their respective LeMonde Acquisition Agreement or Homegrace Acquisition Agreement may take effect.

Completion of each of the LeMonde Acquisitions and Homegrace Acquisitions is subject to a number of conditions precedent, including but not limited to the following:

- (a) the PRC Approvals for the respective LeMonde Acquisition Agreement or Homegrace Acquisition Agreement (as the case may be) being obtained within one year from the date of such agreement (except that this condition is not applicable to the LeMonde Acquisition Agreement or Homegrace Acquisition Agreement in relation to South Gain, which is a Hong Kong incorporated company);
- (b) Hung Hing International having obtained all necessary consents, authorizations or approvals (including but not limited to directors' approval and shareholders' approval of Hung Hing International and Independent Shareholders' approval as required by the Listing Rules) for the purpose of signing, delivering and

LETTER FROM THE BOARD

performing under the respective LeMonde Acquisition Agreement or Homegrace Acquisition Agreement (as the case may be) as required by its constitutional documents, any Applicable Laws or any written agreement, contract or arrangement which Hung Hing International is a party to;

- (c) in respect of any LeMonde Acquisition Agreement, the fulfillment (or, if applicable, waiver) of all conditions precedent of the other two LeMonde Acquisition Agreements; and in respect of any Homegrace Acquisition Agreement, the fulfillment (or, if applicable, waiver) of all conditions precedent of the other two Homegrace Acquisition Agreements; and
- (d) in respect of any LeMonde Acquisition Agreement, the fulfillment (or, if applicable, waiver) of all conditions precedent of the LeMonde Disposal Agreements; and in respect of any Homegrace Acquisition Agreement, the fulfillment (or, if applicable, waiver) of all conditions precedent of the Homegrace Disposal Agreements. This condition precedent shall automatically become ineffective if any of the respective LeMonde Disposal Agreement or Homegrace Disposal Agreement (as the case may be) fails to obtain the necessary PRC Approvals or the Independent Shareholders' approval.

Save for conditions (a) (not applicable for the LeMonde Acquisition Agreement or Homegrace Acquisition Agreement in relation to South Gain), and (b), which are not waivable, all other conditions can be waived by Hung Hing International.

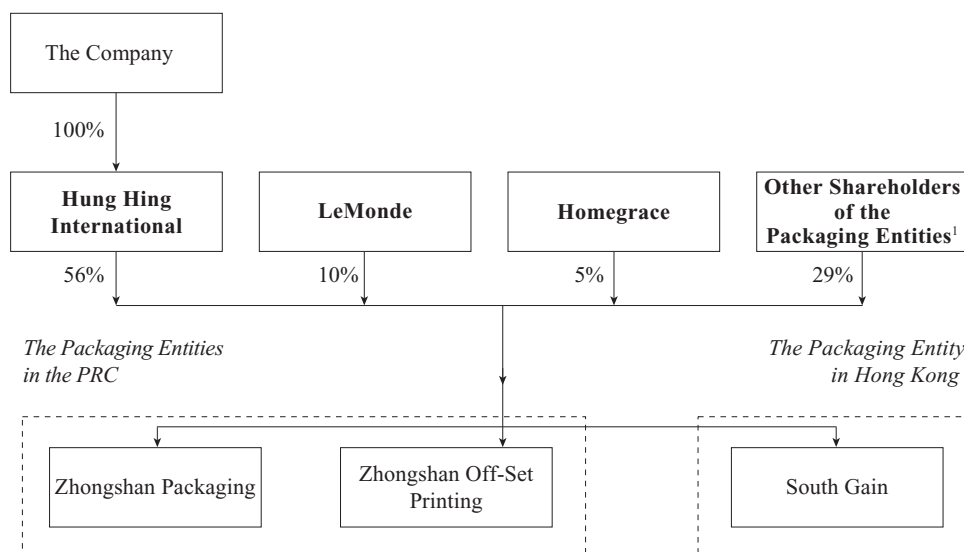
Completions

Subject to the conditions precedent being fulfilled or waived by Hung Hing International (as applicable) in accordance with the respective LeMonde Acquisition Agreement or Homegrace Acquisition Agreement, completions of the LeMonde Acquisitions or Homegrace Acquisitions shall take place on the Completion Date.

LETTER FROM THE BOARD

Information on the Packaging Entities and their principal businesses

The Packaging Entities are principally engaged in printing and packaging businesses. Specifically, South Gain, a Hong Kong incorporated company, is engaged in printing and manufacturing of paper cartons through its wholly owned subsidiary, Zhongshan South Gain Paper Products Co. Ltd.. Zhongshan Packaging and Zhongshan Off-Set Printing are both Sino-foreign joint venture companies established under the laws of the PRC. As at the Latest Practicable Date and prior to the completion of the LeMonde Acquisitions and Homegrace Acquisitions, the shareholding of each of the Packaging Entities, being non-wholly owned subsidiaries of the Company, is as follows:



The net book value of Zhongshan Packaging and Zhongshan Off-Set Printing as of 31 December 2008² was approximately RMB218 million (approximately HK\$246 million) and RMB56 million (approximately HK\$64 million), respectively, and the net book value of South Gain as of 31 March 2008³ and 30 September 2008⁴ was approximately HK\$142 million and HK\$170 million, respectively. The property interests held by the Packaging Entities were valued by an independent valuer and as at 31 May 2009, such property interests were valued at RMB128.1 million. A valuation report is set out in Appendix I to this circular.

1 Zhang Zia Bian Economic Development Corporation and Kindwish Holdings Ltd and their affiliates.

2 Based on the Company's unaudited management accounts. Such figures were derived by adjusting the respective PRC audited accounts in accordance with the Group's accounting policies and converting into Hong Kong dollar amounts for consistent disclosure purposes.

3 Based on the audited accounts for the relevant financial year.

4 Based on unaudited management accounts.

LETTER FROM THE BOARD

The table below summarizes the operating results of the Packaging Entities for the two financial years immediately preceding the LeMonde Acquisitions and Homegrace Acquisitions (and for the six months ended 30 September 2008 in respect of South Gain):

<i>For the Packaging Entities in the PRC</i>				
	From 1 January 2007 to 31 December 2007²		From 1 January 2008 to 31 December 2008²	
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>	
	Zhongshan Packaging	Zhongshan Off-Set Printing	Zhongshan Packaging	Zhongshan Off-Set Printing
Turnover	382,209	9,528	354,454	6,015
Profit before taxation	18,695	5,141	13,003	318
Profit after taxation	15,975	3,722	6,651	159

<i>For the Packaging Entity in Hong Kong (i.e. South Gain)</i>			
	From 1 April 2006 to 31 March 2007³	From 1 April 2007 to 31 March 2008³	From 1 April 2008 to 30 September 2008⁴
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>
Turnover	85,964	131,325	139,058
Profit/(Loss) before taxation	(4,832)	9,093	23,903
Profit/(Loss) after taxation	(4,832)	8,730	23,621

The table below summarizes the original acquisition cost of the 10% and 5% of the equity interests in each of the Packaging Entities to LeMonde and Homegrace, respectively:

	Zhongshan Packaging (RMB)	Zhongshan Off-Set Printing (RMB)	South Gain (HK\$)
LeMonde	11,967,137	4,151,397	13,881,000
Homegrace	5,983,568	2,075,698	6,940,500

LETTER FROM THE BOARD

THE LEMONDE DISPOSALS AND HOMEGRACE DISPOSALS

	<i>LeMonde Disposals</i>	<i>Homegrace Disposals</i>
Date:	Each dated 25 June 2009	Each dated 25 June 2009
Seller:	The Company	The Company
Buyer:	LeMonde	Homegrace

The assets to be disposed

Subject to fulfillment (or, if applicable, waiver) of the conditions precedent under each of the LeMonde Disposal Agreements and Homegrace Disposal Agreements, the Company has agreed to dispose 25% and 5% of the equity interests in each of the Paper Mill Entities, namely Zhongshan Rengo and Zhongshan Ren Hing, to each of LeMonde and Homegrace, respectively.

Both Zhongshan Rengo and Zhongshan Ren Hing are Sino-foreign joint ventures, and their respective Articles of Association provide that all existing shareholders enjoy certain rights of first refusal, pursuant to which any existing shareholder has the right to acquire any equity interests which another existing shareholder intends to dispose of, on terms and conditions no less favourable than those in relation to such intended disposal. The LeMonde Disposal Agreements and Homegrace Disposal Agreements are entered into on the basis that the Company has obtained waivers from the other existing shareholders of each of Zhongshan Rengo and Zhongshan Ren Hing in relation to their rights of first refusal.

Considerations

With respect to the LeMonde Disposals, LeMonde will pay an aggregate amount of RMB8,333,333 (approximately HK\$9,469,697) (of which RMB4,166,666 (approximately HK\$4,734,848) represents the consideration for 25% equity interests in Zhongshan Rengo and RMB4,166,667 (approximately HK\$4,734,849) represents the consideration for 25% equity interests in Zhongshan Ren Hing) to the Company for the LeMonde Disposals on the Completion Date.

With respect to the Homegrace Disposals, Homegrace will pay an aggregate amount of RMB1,666,667 (approximately HK\$1,893,939) (of which RMB833,333 (approximately HK\$946,969) represents the consideration for 5% equity interests in Zhongshan Rengo and RMB833,334 (approximately HK\$946,970) represents the consideration for 5% equity interests in Zhongshan Ren Hing) to the Company for the Homegrace Disposals on the Completion Date.

The respective consideration for the LeMonde Disposals and Homegrace Disposals will be set off in full from the respective consideration payable by Hung Hing International to each of LeMonde and Homegrace for the LeMonde Acquisitions and Homegrace Acquisitions, respectively.

LETTER FROM THE BOARD

The considerations for the LeMonde Disposals and Homegrace Disposals were determined after arm's length negotiation with each of LeMonde and Homegrace, respectively, with reference to, among other things, (i) the profitability of the Paper Mill Entities in accordance with the Group's published interim results for the six-months ended 30 September 2008, (ii) current market trend and business prospect of the Group's paper manufacturing business, and (iii) the potential impact of such market trend and business prospect to the net book value of the Paper Mill Entities as of 30 September 2008. Please refer to the section headed "Reasons for the LeMonde Transactions and Homegrace Transactions – The Paper Mill Entities" on page 15 of this circular for further elaboration on the considerations for the LeMonde Disposals and Homegrace Disposals.

Conditions precedent for the LeMonde Disposals and Homegrace Disposals

The Paper Mill Entities are Sino-foreign joint ventures. As a result, approvals from the local ministries of commerce must be obtained in respect of each of the LeMonde Disposals or Homegrace Disposals before their respective LeMonde Disposal Agreement and Homegrace Disposal Agreement may take effect.

Completion of each of the LeMonde Disposals and Homegrace Disposals is subject to a number of conditions precedent, including but not limited to the following:

- (a) the PRC Approvals for the respective LeMonde Disposal Agreement or Homegrace Disposal Agreement (as the case may be) being obtained within one year from the date of such agreement;
- (b) the Company having obtained all necessary consents, authorizations or approvals (including but not limited to Directors' approval and Independent Shareholders' approval as required by the Listing Rules) for the purpose of signing, delivering and performing under the respective LeMonde Disposal Agreement or Homegrace Disposal Agreement (as the case may be) as required by its constitutional documents, any Applicable Laws or any written agreement, contract or arrangement which the Company is a party to; and
- (c) in respect of any LeMonde Disposal Agreement, a loan agreement being entered into among LeMonde (as lender), and Zhongshan Rengo and Zhongshan Ren Hing (as borrowers), and registered with the applicable PRC authorities, for the provision of a loan of RMB12,500,000 to each of Zhongshan Rengo and Zhongshan Ren Hing for a period of two years; and in respect of any Homegrace Disposal Agreement, a loan agreement being entered into among Homegrace (as lender), and Zhongshan Rengo and Zhongshan Ren Hing (as borrowers), and registered with the applicable PRC authorities, for the provision of a loan of RMB2,500,000 to each of Zhongshan Rengo and Zhongshan Ren Hing for a period of two years. The interest rates for such loans will be subject to further negotiation among the respective parties with reference to prevailing interest rates of comparable loans offered to the Paper Mill Entities by banks in the PRC.

Save for conditions (a) and (b), which are not waivable, all other conditions can be waived by the Company.

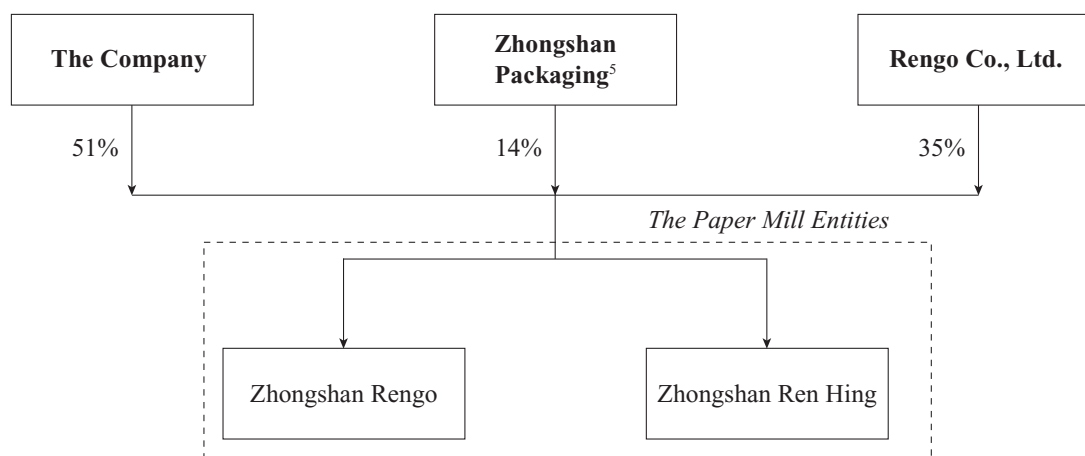
LETTER FROM THE BOARD

Completions

Subject to the conditions precedent being fulfilled or waived by the Company (as applicable) in accordance with the respective LeMonde Disposal Agreement or Homegrace Disposal Agreement, completions of the LeMonde Disposal Agreements or Homegrace Disposal Agreements shall take place on the Completion Date.

Information on the Paper Mill Entities and their principal businesses

Both Paper Mill Entities are Sino-foreign joint venture companies established under the laws of the PRC, and are principally engaged in paper manufacturing. As at the Latest Practicable Date and prior to the completion of the LeMonde Disposals and Homegrace Disposals, the shareholding of each of the Paper Mill Entities, being non-wholly owned subsidiaries of the Company, is as follows:



Upon completion of the LeMonde Disposals and Homegrace Disposals, the Company will have a direct interest in 21%, and through Zhongshan Packaging, an indirect interest in 9.94%⁶ of the equity interests in each of the Paper Mill Entities. Accordingly, the Paper Mill Entities will cease to be subsidiaries of the Company.

The net book value of the Zhongshan Rengo and Zhongshan Ren Hing as of 31 December 2008⁷ was approximately RMB240 million (approximately HK\$271 million) and RMB151 million (approximately HK\$171 million), respectively. The property interests held by the Paper Mill Entities were valued by an independent valuer and as at 31 May 2009, such property interests were valued at RMB119.4 million. A valuation report is set out in Appendix I to this circular.

5 The shareholding structure of Zhongshan Packaging is illustrated under the section headed “The LeMonde Acquisitions and Homegrace Acquisitions – Information on the Packaging Entities and their principal businesses” on page 10 of this circular.

6 Upon completion of each of the LeMonde Acquisitions and Homegrace Acquisitions.

7 Based on the Company’s unaudited management accounts. Such figures were derived by adjusting the respective PRC audited accounts in accordance with the Group’s accounting policies and converting into Hong Kong dollar amounts for consistent disclosure purposes.

LETTER FROM THE BOARD

The table below summarizes the operating results of the Paper Mill Entities for the two financial years immediately preceding the LeMonde Disposals and Homegrace Disposals:

	<i>The Paper Mill Entities</i>			
	From 1 January 2007 to 31 December 2007⁷		From 1 January 2008 to 31 December 2008⁷	
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>	
	Zhongshan Rengo	Zhongshan Ren Hing	Zhongshan Rengo	Zhongshan Ren Hing
Turnover	442,213	506,431	497,075	429,613
Profit/(Loss) before taxation	5,456	30,193	(55,601)	(39,906)
Profit/(Loss) after taxation	2,515	28,250	(53,020)	(38,371)

REASONS FOR THE LEMONDE TRANSACTIONS AND HOMEGRACE TRANSACTIONS

The Packaging Entities

During the past years, the Packaging Entities have made significant inroad into the PRC domestic market. Despite the economic downturn in the financial year ended 31 March 2009, the Packaging Entities have delivered sound financial performances with double-digit growth in operating profit. The total consideration for acquiring 15% of the Packaging Entities at HK\$68.6 million is, on a proportional basis, in close approximation of their net book value of HK\$440 million as of 31 March 2009 as shown in the Annual Results. Accordingly, the Directors are of the opinion that the LeMonde Acquisitions and Homegrace Acquisitions are fairly priced for a well-established business with good track record and growth potential. The LeMonde Acquisitions and Homegrace Acquisitions are also in line with the Group's strategic intent to increase its investment in the domestic packaging business.

The Paper Mill Entities

Based on the Annual Results, the net book value of the Paper Mill Entities before impairment provisions is approximately HK\$352 million. For the twelve months ended 31 March 2009, the Paper Mill Entities suffered an operating loss of approximately HK\$142 million at business segment level, which can be attributed to the reduced demand for packaging paper in the Pearl River Delta, the intensified competition within the industry, and the volatility of commodity waste-paper prices, a key raw material to paper manufacturing.

With the significant loss, the Group's management conducted a review over its business prospects and competitive positioning and the Board concluded that a provision of HK\$288 million would be required to cover the impairment in value of its plant and equipment. This reduced the net book value of the Paper Mill Entities to approximately HK\$64 million as of 31 March 2009. The total consideration for disposing 30% of the Paper

LETTER FROM THE BOARD

Mill Entities, which carries a net book value of approximately HK\$19 million, at approximately HK\$11 million results in a deficit of approximately HK\$8 million against their aggregated net book value.

Despite there being positive signals that the recycled packaging paper market may have bottomed, the Directors believe that the recycled paper manufacturing business in the Pearl River Delta will continue to be highly competitive and at times, volatile. To reduce such volatility impact and to allow the Group's management to focus on its core printing and packaging business, the Board believes that it is in the best interests of the Group to reduce its shareholding in the Paper Mill Entities to the 30% range. This is further incentivized by the respective commitment from LeMonde and Homegrace to provide shareholders' loans totaling RMB30 million helping the Paper Mill Entities to weather through the economic recession.

The Directors believe that the terms of the LeMonde Transactions and Homegrace Transactions are fair and reasonable based on normal commercial terms and also in the interests of the Company and the Shareholders. Our increased shareholding in the profitable and growing Packaging Entities, coupled with the de-consolidation of the volatile Paper Mill Entities will put more stability and growth momentum to the Group's profitability.

INFORMATION ON THE PARTIES TO THE LEMONDE TRANSACTIONS AND HOMEGRACE TRANSACTIONS

The Company

The Company and its subsidiaries are principally engaged in integrated and technologically-advanced operations in printing and manufacturing of paper and carton boxes, manufacturing of paper, manufacturing of corrugated cartons, and trading of paper.

Hung Hing International

Hung Hing International is a wholly owned subsidiary of the Company incorporated under the laws of the British Virgin Islands. It is an investment holding subsidiary of the Company with no substantive business operations.

LeMonde

LeMonde is an investment holding company incorporated under the laws of the British Virgin Islands with no substantive business operations. It owns 10% in each of the Packaging Entities as at the Latest Practicable Date. LeMonde is owned by 5 siblings, namely Choi Chor Wah, Choi Wang Chi, Choi Chor Hing, Choi Wang Tai and Choi Wang Kong, each holding 20% of the shares in LeMonde.

Homegrace

Homegrace is an investment holding company incorporated under the laws of Hong Kong with no substantive business operations. It owns 5% in each of the Packaging Entities as at the Latest Practicable Date.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

There was a change in control (as defined in the Takeovers Code) in the Company in July 2008 when Asia Packaging (together with its ultimate beneficial owners and parties acting in concert with any of them, and collectively, “**CVC Group**”) became interested in approximately 35% of the voting rights of the Company at general meetings. Asia Packaging is ultimately owned by various investment funds which are advised by CVC Asia Pacific Ltd. As at the Latest Practicable Date, CVC Group holds approximately 36.8% of the issued share capital of the Company and Asia Packaging remains as a controlling shareholder of the Company at all times since July 2008. There has been no acquisition of assets by the Group from CVC Group after such change of control. As the LeMonde Disposals and Homegrace Disposals would involve a disposal of the Group’s existing business in paper manufacturing within 24 months after there has been a change of control to Asia Packaging, the LeMonde Disposals and Homegrace Disposals might raise issues under Rule 14.92 of the Listing Rules.

On the basis that (i) the Directors are of the view that the LeMonde Disposals and Homegrace Disposals are in the best interests of the Company and its Shareholders as described in the section headed “Reasons for the LeMonde Transactions and Homegrace Transactions” on page 15 of this circular, and (ii) after the change in control of the Company to the CVC Group, (a) the Group has not acquired any assets from the CVC Group, and (b) all the assets that the Group acquired thereafter were acquired from third parties independent of and not connected with the CVC Group, the Company made an application to the Stock Exchange for a waiver from strict compliance with Rule 14.92 of the Listing Rules. Such waiver has been granted by the Stock Exchange.

As (i) LeMonde is a substantial shareholder holding 10% equity interests in each of the Packaging Entities, which are non-wholly owned subsidiaries of the Company, and (ii) Homegrace is wholly owned by the Director, Mr. Sung Chee Keung, and his Associate, both LeMonde and Homegrace are connected persons of the Company under the Listing Rules. Accordingly, each of the LeMonde Transactions and Homegrace Transactions constitutes connected transactions of the Company under Rule 14A of the Listing Rules.

As each of the LeMonde Acquisitions and each of the Homegrace Acquisitions are entered into (i) on the same date, (ii) with the same assets being acquired, and (iii) on similar terms and conditions, the LeMonde Acquisitions and Homegrace Acquisitions are to be aggregated pursuant to Rule 14.22 and Rule 14A.25 of the Listing Rules.

Similarly, as each of the LeMonde Disposals and each of the Homegrace Disposals are entered into (i) on the same date, (ii) with the same assets being disposed of, and (iii) on similar terms and conditions, the LeMonde Disposals and Homegrace Disposals are to be aggregated pursuant to Rule 14.22 and Rule 14A.25 of the Listing Rules.

As each of (i) the highest aggregate percentage ratio of the LeMonde Acquisitions and Homegrace Acquisitions, and (ii) the highest aggregate percentage ratio of the LeMonde Disposals and Homegrace Disposals exceeds 2.5%, and their respective aggregate

LETTER FROM THE BOARD

consideration is not less than HK\$10,000,000, each of the LeMonde Transactions and Homegrace Transactions is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

In addition, as each of (i) the highest aggregate percentage ratio of the LeMonde Acquisitions and Homegrace Acquisitions, and (ii) the highest aggregate percentage ratio of the LeMonde Disposals and Homegrace Disposals is between 2.5% and 25%, each of the LeMonde Transactions and Homegrace Transactions constitutes discloseable transactions for the Company under Rule 14.06(2) of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages 59 to 63 of this circular.

Only Shareholders who do not have a material interest in the transactions will vote on the resolutions to approve the LeMonde Transactions and Homegrace Transactions at the EGM. As at the Latest Practical Date, LeMonde and Mr. Sung Chee Keung, are Shareholders holding 3,450,792 Shares (approximately 0.37% of the total issued share capital of the Company) and 662,824 Shares (approximately 0.07% of the total issued share capital of the Company), respectively, with their respective Associates. As each of LeMonde and Mr. Sung Chee Keung has a material interest in the LeMonde Transactions and Homegrace Transactions, LeMonde, Mr. Sung Chee Keung and their respective Associates will abstain from voting on each of the proposed ordinary resolutions to approve the LeMonde Transactions and Homegrace Transactions at the EGM. Except for LeMonde, Mr. Sung Chee Keung and their respective Associates, all the other Shareholders are Independent Shareholders who are entitled to vote in the EGM in connection with the proposed ordinary resolutions to approve the LeMonde Transactions and Homegrace Transactions (namely, resolutions numbered 1 to 10 in the notice of the EGM).

ACTION TO BE TAKEN

A proxy form for use at the EGM is despatched together with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or adjournment thereof. Completion and return of the proxy form will not prevent you from attending and voting at the EGM if you so wish.

VOTING BY POLL

According to rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders regarding the LeMonde Transactions and Homegrace Transactions. The Independent Board Committee comprises the three independent non-executive Directors, namely Mr. Yap, Alfred Donald, Mr. Yip Yu Bun, MH and Mr. Luk Koon Hoo, all of whom are not directly or indirectly interested or involved in the LeMonde Transactions and Homegrace Transactions.

Somerley has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the LeMonde Transactions and Homegrace Transactions. The Independent Board Committee has approved the appointment of Somerley.

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the LeMonde Transactions and Homegrace Transactions, and (ii) the letter from Somerley which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the LeMonde Transactions and Homegrace Transactions.

The Board (including the Independent Board Committee) considers that;

- (i) the acquisition of 10% and 5% of the equity interests in each of the Packaging Entities for a total consideration of HK\$45,703,241 and HK\$22,851,621 pursuant to the LeMonde Acquisition Agreements and Homegrace Acquisition Agreements, respectively; and
- (ii) the disposal of 25% and 5% of the equity interests in each of the Paper Mill Entities for a total consideration of RMB8,333,333 (approximately HK\$9,469,697) and RMB1,666,667 (approximately HK\$1,893,939) pursuant to the LeMonde Disposal Agreements and Homegrace Disposal Agreements, respectively,

are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions set out in the notice of the EGM as they (except for Mr. Sung Chee Keung, who shall abstain from voting on all the proposed resolutions in relation the LeMonde Transactions and Homegrace Transactions) intend to do so themselves in respect of their own holdings.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
Peter Martin Springford
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



HUNG HING

HUNG HING PRINTING GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 450)

5 August 2009

To the Independent Shareholders

Dear Sir or Madam,

**(I) DISCLOSABLE AND CONNECTED TRANSACTIONS WITH LEMONDE IN
RELATION TO ACQUISITION OF 10% EQUITY INTERESTS IN
EACH OF THE PACKAGING ENTITIES AND DISPOSAL OF 25% EQUITY
INTERESTS IN EACH OF THE PAPER MILL ENTITIES**

**(II) DISCLOSABLE AND CONNECTED TRANSACTIONS WITH HOMEGRACE
IN RELATION TO ACQUISITION OF 5% EQUITY INTERESTS IN
EACH OF THE PACKAGING ENTITIES AND DISPOSAL OF 5% EQUITY
INTERESTS IN EACH OF THE PAPER MILL ENTITIES**

We refer to the circular dated 5 August 2009 (the “**Circular**”) of Hung Hing Printing Group Limited, of which this letter forms part. Capitalized terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you in connection with the LeMonde Transactions and Homegrace Transactions, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 20 of the Circular, and the letter from Somerley, as set out on pages 22 to 37 of the Circular. Having considered the terms of the LeMonde Transactions and Homegrace Transactions and the advice given by Somerley and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that the LeMonde Transactions and Homegrace Transactions are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the LeMonde Transactions and Homegrace Transactions.

Yours faithfully,
Independent Board Committee of
Hung Hing Printing Group Limited

Mr. Yap, Alfred Donald Mr. Yip Yu Bun Mr. Luk Koon Hoo
Independent non-executive Directors

LETTER FROM SOMERLEY

Set out below is the text of the letter of advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders in respect of the connected transactions, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED
10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

5 August 2009

*To: The Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTIONS WITH LEMONDE IN
RELATION TO ACQUISITION OF 10% EQUITY INTERESTS IN
EACH OF THE PACKAGING ENTITIES AND DISPOSAL OF 25% EQUITY
INTERESTS IN EACH OF THE PAPER MILL ENTITIES**

**(II) DISCLOSEABLE AND CONNECTED TRANSACTIONS WITH HOMEGRACE
IN RELATION TO ACQUISITION OF 5% EQUITY INTERESTS IN
EACH OF THE PACKAGING ENTITIES AND DISPOSAL OF 5% EQUITY
INTERESTS IN EACH OF THE PAPER MILL ENTITIES**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the LeMonde Acquisitions and the Homegrace Acquisitions (the “**Acquisitions**”) and the LeMonde Disposals and the Homegrace Disposals (the “**Disposals**”). Details of the Acquisitions and the Disposals are contained in the circular to the Shareholders dated 5 August 2009 (the “**Circular**”), of which this letter forms a part. Unless otherwise defined, terms used in this letter shall have the same meanings as defined in the Circular.

Since LeMonde is a substantial shareholder holding 10% equity interests in each of the Packaging Entities which are non-wholly owned subsidiaries of the Company, and Homegrace is wholly owned by a Director, Mr. Sung Chee Keung, and his Associate, both LeMonde and Homegrace are connected persons of the Company under the Listing Rules. Accordingly, the Acquisitions and Disposals constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to, among other things, approval of the Independent Shareholders by way of poll at the EGM. In addition, as each of the highest aggregate percentage ratio of the LeMonde Acquisitions and Homegrace Acquisitions and the highest aggregate percentage ratio of the LeMonde Disposals and

LETTER FROM SOMERLEY

Homegrace Disposals is between 2.5% and 25%, each of the LeMonde Transactions and Homegrace Transactions constitutes discloseable transactions for the Company under Rule 14.06(2) of the Listing Rules.

The Independent Board Committee, comprising all three independent non-executive Directors namely Mr. Yip Yu Bun, Mr. Yap, Alfred Donald and Mr. Luk Koon Hoo, has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the LeMonde Transactions and the Homegrace Transactions. We, Somerley Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not connected with the Company, LeMonde, Homegrace, their respective substantial shareholders or Associates and accordingly are considered suitable to give independent financial advice on the above matters. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, LeMonde, Homegrace, their respective substantial shareholders and/or Associates.

In formulating our opinion and recommendation, we have reviewed, amongst others, the LeMonde Acquisition Agreements and the Homegrace Acquisition Agreements (the “**Acquisition Agreements**”), the LeMonde Disposal Agreements and the Homegrace Disposal Agreements (the “**Disposal Agreements**”), the valuation report dated 5 August 2009 issued by Grant Sherman Appraisal Limited (the “**Valuer**”) (the “**Valuation Report**”) as set out in Appendix I of the Circular, the annual reports of the Company for the financial years ended 31 March 2008 and 31 March 2009 (the “**2009 Annual Report**”) and the information contained in the Circular. We have also discussed the valuation methodology and bases and assumptions for the valuation of the respective lands and buildings and structures of the Packaging Entities and the Paper Mill Entities with the Valuer.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, which we have assumed to be true, accurate, complete and not misleading in all material aspects as at the date of this letter and will remain so up to the date of the EGM. We have sought and received confirmation from the Directors and management of the Group that no material facts have been omitted from the information supplied and opinions expressed by them to us. We consider that the information which we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group, LeMonde or Homegrace nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below.

1. Principal business activities of the Group

The Group is principally engaged in the integrated and technologically-advanced operation in the printing and manufacturing of paper and carton boxes, manufacturing of paper, manufacturing of corrugated cartons and trading of paper. Set out below is the summary of the Group's financial information for the three financial years ended 31 March 2009 as extracted from the 2008 and 2009 annual reports:

	For the year ended 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Revenue	3,141,985	3,658,095	3,458,895
Gross profit	618,175	575,474	511,116
Profit/(loss) attributable to equity holders	277,139	(17,799)	1,769

The Group achieved an increase in revenue of approximately 16.4%, from approximately HK\$3,142.0 million for the financial year ended 31 March 2007 (the "FY2007") to approximately HK\$3,658.1 million for the financial year ended 31 March 2008 (the "FY2008"). The increase in revenue was driven largely by continued improvement in the mainland China and European economies which benefited the Group in China as well as new and existing European markets. However, revenue downed by approximately 5.4% to approximately HK\$3,458.9 million for the financial year ended 31 March 2009 (the "FY2009") mainly due to the economic recession in the second half of the FY2009.

Gross profit of the Group has decreased from approximately HK\$618.2 million in the FY2007 to approximately HK\$575.5 million in the FY2008, and further downed by approximately 11.2% to approximately HK\$511.1 million for the FY2009. The decrease of gross profit in the FY2009 was mainly due to the increase in cost of sales attributable to, including but not limited to, the rise in crude oil prices, material costs, wages and benefits and the appreciation of the Renminbi.

The Group reported net loss attributable to equity holders of approximately HK\$17.8 million for the FY2008, as compared to a net profit in the FY2007, which was mainly due to the extra finance costs resulting from early redemption of the convertible bonds and the fair value loss on derivative financial instrument in the FY2008. The Group reported net profit attributable to equity holders of approximately HK\$1.8 million for the FY2009 after netting off the loss attributable to minority interests of approximately HK\$167.2 million due to the share of interests in the loss-making Paper Mill Entities.

LETTER FROM SOMERLEY

The following table sets out the Group's revenue and contribution to operating profit by business segments of the Group for the three financial years ended 31 March 2009:

	For the year ended 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
Paper and Carton box printing & manufacturing	1,572,656	1,770,657	1,948,485
Corrugated carton manufacturing	538,487	593,045	593,491
Paper manufacturing	749,817	830,173	585,185
Paper trading	281,025	464,220	331,734
	<u>3,141,985</u>	<u>3,658,095</u>	<u>3,458,895</u>
Total			
	<u>3,141,985</u>	<u>3,658,095</u>	<u>3,458,895</u>
Contribution to operating profit			
Paper and Carton box printing & manufacturing	210,580	159,100	155,708
Corrugated carton manufacturing	24,697	45,490	90,593
Paper manufacturing	79,814	27,588	(142,299)
Paper trading	35,454	62,519	54,900

Among the business segments of the Group, the business of paper and carton box printing and manufacturing is the largest division of the Group accounting for the largest part of the total revenue of the Group in the three years ended 31 March 2009. The paper and carton box printing and manufacturing division of the Group reported an increase in revenue in the FY2008 by approximately 12.6% as compared to the FY2007. Such increase in revenue was achieved largely on volume growth from existing as well as new customers during the FY2008 and the demand primarily came from Europe for products such as children's books, conventional books and greeting cards, as well as China for branded consumer packaging products. Despite the difficulties encountered in the second half of the FY2009 due to global market downturn, the division performed well and achieved an overall revenue increase of approximately 10.0% in the FY2009 as compared to the FY2008. Such increase in revenue was attributable to the consistent strong customer demand, in particular, in the export market during the first half of the FY2009. However, the continuous increases in material and labor costs resulted in a decline of operating profit of this division from approximately HK\$210.6 million in the FY2007 to approximately HK\$155.7 million in the FY2009.

Corrugated carton manufacturing division showed steady growth during the three financial years ended 31 March 2009. While revenue for the FY2009 was largely the same as the FY2008, operating profit increased substantially by 99.1% as a result of the Group being able to capture the timing in the change of paper prices. The enhanced manufacturing efficiency and the Group's focus on serving higher-margin customers in the electronic, food and beverage segments, also helped improve profit margin.

LETTER FROM SOMERLEY

Paper manufacturing division of the Group reported an increase in revenue in the FY2008 by approximately 10.7% as compared to FY2007, which was mainly attributable to the paper price increases during the FY2008. However, as disclosed in the 2009 Annual Report, the paper manufacturing division was faced with increased competition from new capacity in the market. The paper manufacturing division suffered substantial decrease in revenue by approximately 29.5% to approximately HK\$585.2 million as a result of the increased competition from new capacity in the market, fall in overall market demand and a decline in prices during the FY2009. In addition, the high material cost, particularly for imported waste paper, and high utility costs due to the increasing coal prices in the first half of the FY2009 and the drastic drop in selling price of the Paper Mill Entities' products in the second half of the FY2009 had contributed to the decline in operating profit for this division from an operating profit of approximately HK\$79.8 million in the FY2007 to an operating loss of approximately HK\$142.3 million in the FY2009.

Paper trading division was able to take advantage of the paper price increases in the FY2008 to increase its revenue and operating profit by approximately 65.2% and 76.3% in the FY2008 respectively as compared to the FY2007. As disclosed in the 2009 Annual Report, the reductions in paper prices and the global recession resulted in a decline in external sales since the later part of 2008, impacted the paper trading business and resulted in a decline by approximately 28.5% in revenue and by approximately 12.2% in operating income for the FY2009.

2. Background of the Acquisitions

2.1. Background of the Packaging Entities

As set out in the letter from the Board of the Circular, the principal activities of the Packaging Entities are printing and packaging businesses, including the printing and manufacturing of paper cartons and colored cartons to personal care, food and electronics customers in the Pearl River Delta.

Set out below are the key financial and operating figures of the Packaging Entities (on a consolidated basis) for the two years ended/as at 31 March 2009 (based on the audited financial statements for the two financial years ended 31 March 2009 of South Gain prepared in accordance with Hong Kong Financial Reporting Standards, and the respective management accounts for the two years ended 31 March 2009 of each of Zhongshan Packaging and Zhongshan Off-Set Printing prepared in accordance with the Group's accounting policies).

	For the year ended/ as at 31 March	
	2008 HK\$'000	2009 HK\$'000
Revenue	495,982	585,089
Gross profit	72,072	116,890
Profit for the year before impairment of investment	31,659	56,028
Impairment of investment (<i>note</i>)	–	(55,446)
Net profit	31,659	582
Net asset value	453,938	440,065

LETTER FROM SOMERLEY

Note: Zhongshan Packaging owns 14% interest in the Paper Mill Entities. In view of the significant operating loss of the Paper Mill Entities and anticipated future volatility, the Group reassessed the carrying value of its investments in the Paper Mill Entities for the FY2009 (the details of which have been set out in the section headed “Reasons for and benefits of the Disposals” below). As a result, the Packaging Entities recognized an impairment loss of investment in the 14% interest in the Paper Mill Entities of approximately HK\$55,446,000 for the FY2009.

2.2. Reasons for and benefits of the Acquisitions

The operations of the Packaging Entities form part of the paper and carton box printing and manufacturing business and corrugated carton manufacturing business of the Group.

Despite the economic downturn in the second half of the FY2009, the Packaging Entities have delivered solid financial performances with an increase of approximately 18.0% in revenue and 77.0% in profit (before impairment of investment) in the FY2009 as compared to the FY2008. According to the Directors, during the past few years, the Packaging Entities have made significant inroad into the domestic market in the PRC and have been able to secure a good mix of customers and increase sales to producers of brand name consumer products in domestic market. The Packaging Entities also shown an improvement in gross margin from approximately 14.5% in the FY2008 to approximately 20.0% in the FY2009.

As discussed in the paragraphs under section headed “Principal business activities of the Group” above, paper and carton box printing and manufacturing business and corrugated carton manufacturing business of the Group, in which the Packaging Entities form part, have reported relatively steady, and at times, encouraging results during the three financial years ended 31 March 2009. Given the solid financial performance of the printing and packaging business, and as disclosed in the 2009 Annual Report that it is the business strategy of the Company to focus on its core printing and packaging business which the Group views as showing high potential for growth especially in the domestic China consumer market, the Acquisitions are, therefore, considered in line with the Group’s business development strategy and its strategic intent to focus and increase its investment in the domestic printing and packaging business.

2.3. Major terms and conditions of the Acquisition Agreements

Consideration

As set out in the letter from the Board of the Circular, the consideration for each of the LeMonde Acquisitions and the Homegrace Acquisitions was determined after arm’s length negotiation between Hung Hing International and each of LeMonde and Homegrace respectively with reference to, among other things, the profitability of the Packaging Entities, the current market trend and business prospects of the Group’s printing and packaging business and the potential enhancement to the net book value of the Packaging Entities as of 30 September 2008.

LETTER FROM SOMERLEY

The consideration for each of the LeMonde Acquisitions and the Homegrace Acquisitions of HK\$45,703,241 and HK\$22,851,621 respectively, represents:

1. a premium of approximately 3.9% (i.e. approximately HK\$2.5 million in aggregate) to the respective attributable net book value of the Packaging Entities as at 31 March 2009 of approximately HK\$44.0 million and approximately HK\$22.0 million respectively; and
2. a price to earnings ratio of approximately 8.16 times based on the respective attributable net profits of the Packaging Entities (before impairment of investment) of approximately HK\$5.6 million and approximately HK\$2.8 million for the FY2009.

The net amounts of the consideration for the LeMonde Acquisitions and Homegrace Acquisitions, after deducting the consideration payable by LeMonde and Homegrace to the Company under the LeMonde Disposals and Homegrace Disposals, are estimated to be approximately HK\$36.2 million and HK\$21.0 million respectively, and will be settled in cash out of the Group's internal resources.

To assess the fairness and reasonableness of the consideration for the Acquisitions, we have researched companies which are listed on the Stock Exchange and are in similar lines of business as the Packaging Entities and excluded companies which recorded losses and/or net liabilities during their latest financial year as per their respective latest published financial information. To the best of our knowledge and based on publicly available information, we have identified 6 companies (the “**Comparables**”) which met the selection criteria mentioned above, and performed the price to earnings ratio (“**P/E ratio**”) analysis on the Comparables, for comparison purposes.

Company name (stock code)	Principal business	Year end date	P/E Ratio (Note)	Market Capitalisation (HK\$'million) (Note)
New Island Printing Holdings Limited (stock code 377)	Printing and manufacturing of high quality, multi-color packaging products and carton boxes; printing of books, brochures and other paper products	31-Mar-09	9.51	220.3
Starlite Holdings Limited (stock code 403)	Printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products	31-Mar-09	5.03	299.5

LETTER FROM SOMERLEY

Company name (stock code)	Principal business	Year end date	P/E Ratio (Note)	Market Capitalisation (HK\$'million) (Note)
Hop Fung Group Holdings Limited (stock code 2320)	Manufacture (through Processing Arrangements) and sale of corrugated paper-ware products including corrugated paper boards and corrugated carton boxes	31-Dec-08	11.77	487.8
Overseas Chinese Town (Asia) Holdings Limited (stock code 3366)	Design and manufacture of quality paper-based packaging materials and containers, including corrugated paperboard and printed cartons	31-Dec-08	27.17	512.3
Come Sure Group (Holdings) Limited (stock code 794)	Manufacturing and sale of corrugated paperboards and paper-based packaging products to customers which are manufacturers with production base in the PRC	31-Mar-09	10.68	347.2
Kith Holdings Limited (stock code 1201)	Printing and manufacturing of packaging products, and distribution of electronic and related products. Other operations include leasing out of assets for rental income and provision of financial services	31-Dec-08	13.02	494.1
Mean			12.86	
Median			11.23	
High			27.17	
Low			5.03	
The Acquisitions			8.16	

Source: website of the Stock Exchange

Note: based on respective closing price of the Comparables as at the Latest Practicable Date

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The P/E ratios of the Comparables ranged from approximately 5.03 times to approximately 27.17 times. The P/E ratio of the Acquisitions falls within the range of P/E ratio of the Comparables and is lower than the average P/E ratio of the Comparables.

We also noted that the appraised value of the lands and buildings and structures of the Packaging Entities as at 31 May 2009 was reported as approximately RMB65.0 million (equivalent to approximately HK\$73.9 million) and RMB63.0 million (equivalent to approximately HK\$71.6 million) respectively according to the Valuation Report as set out in the Appendix I of the Circular. In this regard, we have also compared the consideration of the Acquisitions against the net asset value of the Packaging Entities as adjusted by the latest valuation of the properties of the Packaging Entities. While the appraised value of the buildings and structures of the Packaging Entities of approximately RMB63.0 million was arrived at by depreciation replacement cost method which is based on the current gross replacement (reproduction) costs of the improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation, as discussed with the Valuer, such appraised value does not represent the exact realisable amount the Company can receive from a sale of such buildings and structures on the open market. Also as advised by the Company and the Valuer, the buildings and structures of the Packaging Entities are purposely built for its particular use and second hand market may not be readily available.

In view of the above, we have considered the estimated net asset value of the Packaging Entities as adjusted by the latest valuation of the lands of the Packaging Entities (which is based on the market comparison approach). After taking into account the fair value of the lands of the Packaging Entities of approximately RMB65.0 million (equivalent to approximately HK\$73.9 million) and the book value of such lands of approximately HK\$24.4 million as of 31 March 2009, the adjusted net asset value of the Packaging Entities (excluding the deferred tax effect) is estimated to be approximately HK\$489.6 million). The aggregated consideration of the Acquisitions therefore represents a discount of approximately 6.6% (i.e. approximately HK\$4.9 million) to the adjusted attributable net book value of the Packaging Entities as of 31 March 2009 of approximately HK\$73.4 million.

Having considering that (i) the Packaging Entities have a proven track record and good business and growth prospects as discussed in the section headed “Background of the Packaging Entities” above; (ii) the consideration of each of the LeMonde Acquisitions and the HomeGrace Acquisitions is in close approximation of the respective attributable net book value of the Packaging Entities as of 31 March 2009 and is at a discount to the estimated attributable net asset value of the Packaging Entities as adjusted by the latest valuation of the lands of the Packaging Entities; and (iii) the P/E ratio represented by the consideration of each of the LeMonde Acquisitions and the HomeGrace Acquisitions is lower than the average of the Comparables, we are of the opinion that the consideration of the Acquisitions is fair and reasonable.

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3. Background of the Disposals

3.1. Background of the Paper Mill Entities

The Paper Mill Entities are principally engaged in paper manufacturing. Set out below are the key financial and operating figures of the Paper Mill Entities (on a consolidated basis) for the two years ended/as at 31 March 2009 (based on the management accounts for the two years ended 31 March 2009 of each of the Paper Mill Entities prepared in accordance with the Group's accounting policies).

	For the year ended/ as at 31 March	
	2008	2009
	HK\$'000	HK\$'000
Revenue	1,008,507	722,959
Gross profit/(loss)	55,441	(99,417)
Net profit/(loss)	3,388	(467,034)
Net Asset Value	524,537	63,494

3.2. Reasons for and benefits of the Disposals

According to the Company, operations of the Paper Mill Entities represent the entire paper manufacturing business division of the Group.

As advised by the Company, there has been a significant shift in the supply and demand equilibrium in the recycled packaging paper manufacturing business in the Pearl River Delta which was triggered by the adding of production capacity by a few key players, the slowdown of the manufacturing activities in the Pearl River Delta and then the recent global recession. According to the Company, the intensified competition in the shrinking paper manufacturing market has imposed significant adverse impact to the Paper Mill Entities and as a result, the Paper Mill Entities reported substantial decrease in revenue by approximately 28.3% from approximately HK\$1,008.5 million in the FY2008 to approximately HK\$723.0 million in the FY2009. In addition, the high material cost, particularly for imported waste paper, and high utility costs due to the increasing coal prices in the first half of the FY2009 and the drastic drop in selling price of the recycled packaging paper in the second half of the FY2009, had contributed to the gross loss of the Paper Mill Entities of approximately HK\$99.4 million and the operating loss of approximately HK\$142.3 million for the FY2009. Having reported, amongst other things, the impairment loss on plant and equipment of the Paper Mill Entities of approximately HK\$288.3 million and the provisions of approximately HK\$30.3 million for the losses arising from the fire occurred in January 2009 which caused temporary disruption to production and a loss of raw materials, the Paper Mill Entities suffered a net loss of approximately HK\$467.0 million in the FY2009.

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We have discussed with the management regarding the business prospects of the paper manufacturing segment. The Directors are of the view that the recycled paper manufacturing business in the Pearl River Delta will continue to be highly competitive and at times, volatile in the near future. Also the Directors believe that it would take a long time before the over-capacity of the paper manufacturing market can work its way out through any future increase in demand, and therefore, they expected that the Paper Mill Entities are expected to remain unprofitable in the immediate future.

We also note that the net book value of the Paper Mill Entities had dropped from approximately HK\$524.5 million as at 31 March 2008 to approximately HK\$63.5 million as at 31 March 2009 as a result of, amongst other things, the substantial impairment provision of approximately HK\$288.3 million made to cover the impairment in value of its plant and equipment in the FY2009. We have discussed with the management of the Group regarding the existing operation condition of the Paper Mill Entities. We understand from the management that, there are currently three production lines, which have been operated by the Paper Mill Entities since 1995, 1997 and 2003 respectively. We are advised that while among the three production lines, only one of them (which is for the production of linerboard) is generating positive cash flow with thin margin. Amongst the two other production lines, while one of them (which is for the production of medium paper) has been run with continuous negative cash flow since mid 2008 and is now monitored closely by the management to determine its financial viability, the other oldest one (which is for the production of medium paper) had become too costly to be operated and was de-commissioned since late 2008. In view of the Paper Mill Entities' existing aged and outmoded production lines and machineries and the volatile market condition for the paper products from those three production lines in the Pearl River Delta, the Directors consider it difficult for small scale paper manufacturers like the Paper Mill Entities to compete with the other dominant manufacturers in the industry and that there are great uncertainties as to whether the competitiveness and business of the Paper Mill Entities could turn around in the near future even after making additional capital investments. In such circumstances, the Directors expect that the Paper Mill Entities would possibly remain unprofitable in the near future and, therefore, consider it more prudent for the Company to reduce its investments in the loss-making Paper Mill Entities so as to reduce the volatility impact on the Group resulting from the subsistent loss making performance of the Paper Mill Entities and to allow the Group to focus on its core printing and packaging business which the Directors view as showing higher growth potential.

In light of the above, we concur with the Directors' view that it is reasonable for the Company to reduce the Group's investment and involvement in the paper manufacturing business.

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3.3. Major terms and conditions of the Disposal Agreements

Consideration

As set out in the letter from the Board of the Circular, the consideration for each of the LeMonde Disposals and the Homegrace Disposals was determined after arm's length negotiation between the Company and each of LeMonde and Homegrace respectively, with reference to, among other things, the profitability of the Paper Mill Entities, the current market trend and business prospects of the Group's paper manufacturing business and the potential impact to the net book value of the Paper Mill Entities as of 30 September 2008.

The consideration in relation to each of the LeMonde Disposals and the Homegrace Disposals of approximately RMB8,333,333 (equivalent to approximately HK\$9,469,697) and RMB1,666,667 (equivalent to approximately HK\$1,893,939) respectively, will be set off in full from the consideration payable by Hung Hing International to LeMonde and Homegrace for the LeMonde Acquisitions and the Homegrace Acquisitions respectively.

As discussed in the section headed "Background of the Paper Mill Entities" above, the net book value of the Paper Mill Entities was approximately HK\$63.5 million as at 31 March 2009. The aggregate consideration of the Disposals represents a discount of approximately 40.3% (i.e. approximately HK\$7.7 million in dollar amount) to the attributable net asset value of the Paper Mill Entities of approximately HK\$19.0 million as at 31 March 2009.

We also noted that the appraised value of the lands (the "**Lands**") and buildings and structures (the "**Buildings**") of the Paper Mill Entities as at 31 May 2009 was reported as approximately RMB64.2 million (equivalent to approximately HK\$72.9 million) and RMB55.2 million (equivalent to approximately HK\$62.7 million) respectively according to the Valuation Report as set out in the Appendix I of the Circular.

Given the appraised value of the Lands and Buildings, we have discussed with the management of the Company whether liquidation of the Paper Mill Entities with the sale of relevant assets could be an alternative to realize the Company's investment in the Paper Mill Entities.

As given in the Valuation Report, the Buildings are purposely built for its particular use (i.e. recycled packaging paper manufacturing operations) and they are hardly to convert into usage fully fit for other primary industries. Any changes in its usage other than paper manufacturing will involve substantial costs and expenses. On the other hand, we were also advised by the Company and the Valuer that they are not aware of any readily identifiable market comparable of paper mill of similar scale in the same locality in the market. Also, we have discussed with the Valuer and understand that the appraised value of the Buildings of approximately RMB55.2 million (equivalent to approximately HK\$62.7 million) was mainly arrived at based on depreciation replacement cost method and

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therefore does not represent the exact realizable amount the Company can receive from a sale of the Buildings on the open market. In view of the unavailability of second hand markets for the Buildings and those old and outmoded machineries, the Directors estimated that the realisable value of the Buildings and the relevant machineries is minimal in the context of shut-down or liquidation.

Though the Lands, as disclosed in the Valuation Report, has the market value of approximately RMB64.2 million (equivalent to approximately HK\$72.9 million) based on market comparison approach, according to the estimations provided by the Company, when taking into account, amongst other things, the repayment of the liabilities of the Paper Mill Entities, the redundancy payment for lay-off of workers under the relevant PRC labor law, the expenses on the removal of structures and facilities on the Lands, the attributable salvage value of the Paper Mill Entities upon liquidation could even be lower than the aggregated consideration the Company can receive under the Disposals.

We note that after taking into account the fair value of the Lands of approximately RMB64.2 million (equivalent to approximately HK\$72.9 million) and the book value of the Lands of approximately HK\$32.7 million as of 31 March 2009, the aggregated consideration of the Disposals represents a discount of approximately 63.3% (i.e. approximately HK\$19.7 million) to the adjusted attributable net book value of the Paper Mill Entities (excluding the deferred tax effect) as of 31 March 2009 of approximately HK\$31.1 million. However, in view of that, amongst other things, (i) the Paper Mill Entities suffered a substantial operating loss of approximately HK\$142.3 million in the financial year ended 31 March 2009, that is, representing operating losses of over HK\$10 million per month on average in the twelve months period ended 31 March 2009; (ii) as provided by the Company, the Paper Mill Entities have not shown any significant improvements in their operating results since 31 March 2009; and (iii) the provision of the loans in the amount of RMB25 million and/or RMB5 million by LeMonde and/or Homegrace respectively pursuant to the completion of the LeMonde Disposals and/or the Homegrace Disposals respectively can provide the Paper Mill Entities with additional new capital to weather through the current difficult operating environment, we concur with the Directors' view that the discount in the amount of approximately HK\$19.7 million represented by the consideration of the Disposals to the adjusted attributable net asset value of the Paper Mill Entities is commercially acceptable.

4. Financial impacts of the Acquisitions and Disposals

4.1. Earnings

Each of the Packaging Entities is the subsidiary of the Company as at the Latest Practicable Date. Immediately upon completion of the LeMonde Acquisitions and/or the Homegrace Acquisitions, each of the Packaging Entities shall remain the subsidiary of the Company and the results of the Packaging Entities will continue to be consolidated into the consolidated financial statements of the Group. Given the profitability of the Packaging Entities, the Acquisitions are expected to have favorable impacts on the

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earnings of the Group in the long run. In addition, a small amount of goodwill, approximately HK\$2.5 million (as further discussed in sub-section 4.3 below), will be recognised as a result of the completion of the Acquisitions. Such goodwill will be subject to the review for impairment annually according to the accounting policies of the Group.

Since the LeMonde Transactions and the Homegrace Transactions are not inter-conditional to each other, there may be possibility that only completion of LeMonde Transactions or Homegrace Transactions would take place. As at the Latest Practicable Date, each of the Paper Mill Entities is a subsidiary of the Company. Immediately upon completion of the Disposals or the LeMonde Disposals, each of the Paper Mill Entities shall cease to be the subsidiary of the Company and the results of the Paper Mill Entities will be accounted for on equity basis in the financial statements of the Group. Given the current loss making performance of the Paper Mill Entities, the reduction of interest in, and the de-consolidation of the financial results of, the Paper Mill Entities pursuant to the completion of the Disposals or the LeMonde Disposals are expected to have positive effects on the future earnings of the Group. In addition, an one-off loss on disposal of approximately HK\$7.7 million (as further discussed in sub-section 4.3 below), will be recognised as a result of the completion of Disposals.

In case that only completion of the Homegrace Disposals takes place, each of the Paper Mill Entities shall remain the subsidiary of the Company and the results of the Paper Mill Entities will remain consolidated into the consolidated financial statements of the Group.

4.2. Working capital

As set out in the letter from the Board of the Circular, the net amounts of the consideration for the LeMonde Acquisitions and the Homegrace Acquisitions, after deducting the consideration payable by LeMonde and Homegrace to the Company under the LeMonde Disposals and the Homegrace Disposals, are estimated to be approximately HK\$36.2 million and HK\$21.0 million respectively, and will be funded by the Group's internal resources.

According to the 2009 Annual Report, the Group had cash and cash equivalent of approximately HK\$1,310.3 million as at 31 March 2009. After taking into account of the payment for the consideration, the Directors estimated that the cash on hand of the Group will still remain at a level of over HK\$1 billion immediately upon completion of the LeMonde Transactions and the Homegrace Transactions. On such basis, we concur with the view of the Directors that the settlement of the consideration will not have material adverse impact on the working capital of the Group.

4.3. Net asset value

As at 31 March 2009, the audited consolidated net asset value of the Group was approximately HK\$2,871.3 million. Upon completion of the LeMonde Acquisitions and/or the Homegrace Acquisitions, the assets and liabilities of the Packaging Entities will

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remain consolidated into the Group's consolidated financial statements. Given that the consideration for the Acquisitions represents a premium to the relevant attributable net asset value of the Packaging Entities and will be financed entirely by cash, such premium, which amounts to approximately HK\$2.5 million, will be recognised as a goodwill, the carrying amount of which is subject to review for impairment annually according to the accounting policies of the Group.

Immediately upon completion of the Disposals or the LeMonde Disposals, each of the Paper Mill Entities shall cease to be the subsidiary of the Company and the results of the Paper Mill Entities will be accounted for on equity basis in the financial statements of the Group. Since the consideration for the Disposals or the LeMonde Disposals represents a discount to the relevant attributable net book value of the Paper Mill Entities, such discount, which amounts to the maximum of approximately HK\$7.7 million, will be recognised as losses on the relevant disposal(s).

In the case that only completion of the Homegrace Disposals takes place, each of the Paper Mill Entities shall remain as subsidiary of the Company and the results of the Paper Mill Entities will continue to be consolidated into the consolidated financial statements of the Group. Similarly, since the consideration for the Homegrace Disposals represents a discount to the relevant attributable net book value of the Paper Mill Entities, such discount, amounted to approximately HK\$1.3 million, will be recognised as losses on disposals.

Save as the above, the Directors do not expect that the Acquisitions and the Disposals will have material adverse impact to the Group's consolidated net asset value immediately upon completion of the LeMonde Transactions and/or the Homegrace Transactions.

Having considered the above, we concur with the view of the Directors that the LeMonde Transactions and the Homegrace Transactions will not generate material adverse impact to the earnings, working capital and net asset value of the Group immediately upon the respective completions.

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RECOMMENDATION

Based on the above principal factors and reasons, we are of the opinion that the terms of each of the LeMonde Acquisition Agreements, the Homegrace Acquisition Agreements, the LeMonde Disposal Agreements and the Homegrace Disposal Agreements are on normal commercial terms and are fair and reasonable, and the entering into of each of the LeMonde Acquisition Agreements the Homegrace Acquisition Agreements, the LeMonde Disposal Agreements and the Homegrace Disposal Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders should vote in favour of the ordinary resolutions in relation to the LeMonde Transactions and the Homegrace Transactions at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Kenneth Chow
Director – Corporate Finance

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with its opinion of value of the property interests held by some of the Packaging Entities and the Paper Mill Entities in the PRC as at 31 May 2009.



GRANT SHERMAN APPRAISAL LIMITED

Room 1701, 17/F
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

5 August 2009

The Directors
Hung Hing Printing Group Limited
Hung Hing Printing Centre
17-19 Dai Hei Street
Tai Po Industrial Estate
New Territories
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by the Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd., South Gain Enterprises Limited and Zhongshan Hung Hing Printing & Packaging Co. Ltd., and their respective subsidiaries (if any) (collectively, the “**Entities**”), all of which are subsidiaries of Hung Hing Printing Group Limited (the “**Company**”) located in the People’s Republic of China (“the **PRC**”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at 31 May 2009 (the “**Valuation Date**”). The Entities, together with the Company and its other subsidiaries are herein referred to the “**Group**”.

Our valuation is our opinion of market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Due to the nature of buildings and structures of the properties, we have valued the property interests of Property 1, Property 2, Property 4 and Property 5 by depreciated replacement cost (the “**DRC**”). DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

We have valued the property interests of Property 3, the land portions of Property 1, Property 2, Property 4 and Property 5 by comparison approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidences as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the property value.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property interests, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term as granted and is entitled to transfer the property with the residual term without payment of any further premium to the government authorities or any third parties.

In the course of our valuation, we have assumed that all consents, approvals and licenses from relevant government authorities for the property have been granted or can be obtained and renewed without any onerous conditions or undue time delay which might affect its value.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

We have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. In the preparation of our valuation report regarding the properties in the PRC, we have relied to the considerable extent on the legal opinion provided by the Company legal adviser, Baoxin Law Firm (保信律師事務所) on the PRC laws regarding the titles of the property held by the Entities in the PRC.

In the course of our valuation, we have relied on a considerable extent on the information provided by the Company on such matters as property title, statutory notices, easements, tenure, occupation, site and floor areas, identification of the property held by the Entities and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations. No on-site measurements has been taken.

We have inspected the exterior and, where possible, the interior of the properties in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structure which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defect. No tests have been carried out on any of the building services.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Unless otherwise specified, the properties have been valued in Renminbi.

We enclose herewith our summary of valuation and valuation certificates.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Peggy Y.Y. Lai
MRICS MHKIS RPS(GP)
Associate Director
Real Estate Group

Note: Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 5 years experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

SUMMARY OF VALUATION

Property	Market value as at 31 May 2009 (RMB)
Group I – Property interests held by Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) in the PRC for owner-occupation.	
1. A paper mill complex located at 105 National Highway, West side of Zhongshan San Qiao, Sha Xi Town, Dun Tao Cun, Zhongshan City, Guangdong Province, The People's Republic of China ("Property 1")	115,370,000
2. A piece of land of land located at Sha Xi Town, Dun Tao Cun, Zhongshan City, Guangdong Province, The People's Republic of China ("Property 2")	2,630,000
3. A block of villa located at No. 185 Dong Yuan Road, Zhu Yuan Xin Cun, Dong Qu Zhongshan City, Guangdong Province, The People's Republic of China ("Property 3")	1,350,000
Sub-Total	119,350,000
Group II – Property interests held by Zhongshan South Gain Paper Products Co. Ltd. (中山南益紙品包裝有限公司) (a wholly owned subsidiary of South Gain Enterprises Limited) in the PRC for owner-occupation.	
4. A piece of land together with various buildings and structures erected thereon located at Zhang Jia Bian Cun ("Qi Ling Zai"), Zhongshan Torch Hi-Tech Industrial Development Region, Zhongshan City, Guangdong Province, The People's Republic of China ("Property 4")	26,350,000
Sub-Total	26,350,000

Property	Market value as at 31 May 2009 (RMB)
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Group III – Property interests held by Zhongshan Hung Hing Printing & Packaging Co. Ltd. (中山鴻興印刷包裝有限公司) in the PRC for owner-occupation.

5. A piece of land together with various buildings and structures erected thereon located at Zhang Jia Bian Management Area, Zhongshan Torch Hi-Tech Industrial Development Region, Zhongshan City, Guangdong Province, The People's Republic of China ("Property 5")	101,730,000
Sub-Total	<u>101,730,000</u>
Grand total	<u><u>247,430,000</u></u>

VALUATION CERTIFICATE

Group I – Property interests held by Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd.
(中山聯合鴻興造紙有限公司) in the PRC for owner-occupation.

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2009 (RMB)
1. A paper mill complex located at 105 National Highway, West side of Zhongshan San Qiao, Sha Xi Town, Dun Tao Cun, Zhongshan City, Guangdong Province, The People's Republic of China ("Property 1")	<p>The property comprises 3 pieces of land with a total site area of approximately 158,488.2 sq.m. on a paper mill complex is constructed.</p> <p>The paper mill complex having a total gross floor area of approximately 79,051.31 sq.m. mainly comprises 5 blocks of office building, 5 blocks of workshop, 2 blocks of warehouses, a block of heating and electricity station together with various structures were completed in between 1968 to 2007.</p>	The property is currently occupied by the Group for industrial use.	<p>115,370,000</p> <p><i>see notes (v), (vi) and (ix)</i></p>

Notes:

- (i) According to a Land Use Rights Certificate Zhong Fu Guo Yong (Zhuan) Zi Di 24980203 Hao (中府國用(轉)字第 24980203 號) dated 3 December 1998, the land use rights of the property with a site area of approximately 151,300.3 sq.m. have been granted to Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司), a non-wholly owned subsidiary of the Company for industrial use for a term up to 16 September 2048.
- (ii) According to a Land Use Rights Certificate Zhong Fu Guo Yong (Zhuan) Zi Di 24980204 Hao (中府國用(轉)字第 24980204 號) dated 3 December 1998, the land use rights of the property with a site area of approximately 6,605.4 sq.m. have been granted to Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) for industrial use for a term up to 16 September 2048.
- (iii) According to a Land Use Rights Certificate Zhong Fu Guo Yong (Zhuan) Zi Di 249802045 Hao (中府國用(轉)字第 24980205 號) dated 3 December 1998, the land use rights of the property with a site area of approximately 582.5 sq.m. have been granted to Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) for industrial use for a term up to 16 September 2048.

- (iv) According to 24 Reality Title Certificates Nos. Yue Fang Di Zheng Zi Di C1590842 dated 10 April 2003, C0492651, C0492662, C0492655, C0492660, C0492653, C0492658, C0492657, C0492656, C0492652, C0492665, C0492666, C0492654, C0492885, C0492659, C0492887, C0492888, C0492671, C0492670, C0492669, C0492668, C0492667, C0492664, C0492663 dated 6 September 2001, buildings with a total gross floor area of approximately 73,103.43 sq.m. for industrial use are vested in Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司). Their details are summarised as below:

Reality Title Certificates Nos. Yue Fang Di Zheng Zi Di	Usage	Gross Floor Area (sq.m.)
C1590842	Industrial	18,040.4
C0492651	Industrial	678.93
C0492662	Industrial	1,712.29
C0492655	Industrial	341.73
C0492660	Industrial	723.86
C0492653	Industrial	1,356.93
C0492658	Industrial	10,209.72
C0492657	Industrial	7,081.72
C0492656	Industrial	13,243.31
C0492652	Industrial	268.26
C0492665	Industrial	1,323.52
C0492666	Industrial	4,369.06
C0492654	Industrial	159.2
C0492885	Industrial	53.85
C0492659	Industrial	215.2
C0492887	Industrial	11,057.17
C0492888	Industrial	962.62
C0492671	Industrial	197.15
C0492670	Industrial	192
C0492669	Industrial	106.58
C0492668	Industrial	144.47
C0492667	Industrial	77.96
C0492664	Industrial	402.16
C0492663	Industrial	185.34
	Total	<u>73,103.43</u>

- (v) In course of our valuation, we have contributed “no commercial value” for buildings with a total gross floor area of 5,947.88 sq.m. due to the reason that Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) has not yet obtained the realty title certificates.
- (vi) For reference purpose, the value of the buildings with total gross floor area of about 5,947.88 sq.m. mentioned in note (v) is RMB4,090,000 under the assumption that Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) possess valid legal title to the buildings, the construction costs have been fully settled and the Group will obtain the relevant certificates without significant legal impediment and onerous fee of payment to the government authorities and any other parties.
- (vii) As inspected on 24 June 2009, the buildings and structures of the paper mill is purposely built for its particular use. It is hardly to convert into usage fully fit for other primary industries. In addition, there is no readily identifiable market comparable of paper mill with similar scale in the same locality

- (viii) We have been provided with a PRC legal opinion on the title to the property issued by the Company's legal advisors, which contains, inter alia, the following information:
- (a) Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) has obtained the land use rights and building ownerships mentioned in Note (i) to (iv).
 - (b) Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) is entitled to transfer, let or mortgage the land use rights and building ownership mentioned in Notes (i) to (iv) of the property.
 - (c) The land use rights of the property mentioned in notes (i), (ii), (iii) and the reality ownership certificate mentioned in note (iv) together with the land use right of Property 2 are subject to a mortgage in favour of 中國銀行股份有限公司中山分行 for a maximum loan amount of RMB142,416,343. The mortgage period is from 1 January 2007 up to 31 December 2011.
- (ix) As at 31 May 2009, the market value of the land portion is about RMB61,530,000. The value of the building and structure portion is about RMB53,840,000 which is an informal apportionment and such individual figure does not represent its separate market value. For value of buildings without valid title document, please refer to notes (v) and (vi) stated above.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2009 (RMB)
2. A piece of land located at Sha Xi Town, Dun Tao Cun, Zhongshan City, Guangdong Province, The People's Republic of China ("Property 2")	The property comprises a piece of land with a site area of approximately 5,662.7 sq.m.	The property is currently occupied by the Group for storage use.	2,630,000

Notes:

- (i) According to a Land Use Rights Certificate Zhong Fu Guo Yong (Zhuan) Zi Di 24980202 Hao (中府國用(轉)字第 24980202 號) dated 3 December 1998, the land use rights of the property with a site area of approximately 5,662.7 sq.m. have been granted to Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司), a non-wholly owned subsidiary of the Company for industrial use for a term up to 16 September 2048.
- (ii) We have been provided with a PRC legal opinion on the title to the property issued by the Company's legal advisors, which contains, inter alia, the following information:
 - (a) Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) has obtained the land use rights mentioned in Note (i).
 - (b) Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) is entitled to transfer, let or mortgage the land use right of the property.
 - (c) The land use certificates and reality ownership certificates of Property 1 together with the land use right of the property mentioned in note (i) are subject to a mortgage in favour of 中國銀行股份有限公司中山分行 for a maximum loan amount of RMB142,416,343. The mortgage period is from 01 January 2007 up to 31 December 2011.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2009 (RMB)
3. A block of villa located at No. 185 Dong Yuan Road, Zhu Yuan Xin Cun, Dong Qu Zhongshan City, Guangdong Province, The People's Republic of China ("Property 3")	The property comprises a 3-storey villa completed in 1996 with a total gross floor area of about 321.19 sq.m..	The property is currently occupied by the Group as staff quarter.	1,350,000

Notes:

- (i) According to a Land Use Rights Certificate Zhong Fu Guo Yong (Jiu Wu) Zi Di 062863 Hao (中府國用(95)字第062863號), the land use rights of the property have been granted to Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司), a non-wholly owned subsidiary of the Company for residential use.
- (ii) According to a Reality Title Certificate Zhong Fu Zi Di 4792922 Hao (粵房字第4792922號) dated 10 June 1996, the building ownership of the property is vested in Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) with a total gross floor area of about 321.19 sq.m.
- (iii) We have been provided with a PRC legal opinion on the title to the property issued by the Company's legal advisors, which contains, inter alia, the following information:
 - (a) Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) has obtained the land use rights and building ownerships mentioned in Note (i) and (ii).
 - (b) Zhongshan Rengo Hung Hing Paper Manufacturing Co. Ltd. (中山聯合鴻興造紙有限公司) is entitled to transfer, let or mortgage the land use right and building ownership of the property.
 - (c) The property is not subject to material similar encumbrances.

VALUATION CERTIFICATE

Group II – Property interests held by Zhongshan South Gain Paper Products Co. Ltd.
(中山南益紙品包裝有限公司) in the PRC for owner-occupation

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2009 (RMB)
4. A piece of land together with various buildings and structures erected thereon located at Zhang Jia Bian Cun (“Qi Ling Zai”), Zhongshan Torch Hi-Tech Industrial Development Region, Zhongshan City, Guangdong Province, The People’s Republic of China (“Property 4”)	The property comprises 3 blocks of factory, a boiler room, a guard room together with ancillary structures and facilities built upon a parcel of land having a site area of approximately 37,319.9 sq.m. The total gross floor area of the erected buildings is approximately 53,036 sq.m. and were completed in about end of 2005.	The property is currently occupied by the Group for industrial use.	26,350,000 <i>see notes (ii), (iii) and (v)</i>

Notes:

- (i) According to a Land Use Rights Certificate Zhong Fu Guo Yong (2003) Di Yi 151400 Hao (中府國用(2003)第易151400號) dated 29 August 2003, the land use rights of the property with a site area of approximately 37,319.9 sq.m. have been granted to Zhongshan South Gain Paper Products Co. Ltd. (中山南益紙品包裝有限公司), a wholly owned subsidiary of South Gain Enterprises Limited for industrial use for a term up to 1 December 2048.
- (ii) In course of our valuation, we have contributed “no commercial value” for buildings with a total gross floor area of 53,036 sq.m. due to the reason that Zhongshan South Gain Paper Products Co. Ltd. (中山南益紙品包裝有限公司) has not yet obtained the realty title certificates.
- (iii) For reference purpose, the value of the buildings with total gross floor area of about 53,036 sq.m. mentioned in note (ii) is RMB58,200,000 under the assumption that Zhongshan South Gain Paper Products Co. Ltd. (中山南益紙品包裝有限公司) possess valid legal title to the buildings, the construction costs have been fully settled and the Group will obtain the relevant certificates without significant legal impediment and onerous fee of payment to the government authorities and any other parties.
- (iv) We have been provided with a PRC legal opinion on the title to the property issued by the Company’s legal advisors, which contains, inter alia, the following information:
- (a) Zhongshan South Gain Paper Products Co. Ltd. (中山南益紙品包裝有限公司) has obtained the land use right mentioned in Note (i).
- (b) Zhongshan South Gain Paper Products Co. Ltd. (中山南益紙品包裝有限公司) is entitled to transfer, let or mortgage the land use right of the property.
- (c) The property is not subject to material similar encumbrances.
- (v) As at 31 May 2009, the market value of the land portion is about RMB23,340,000. The value of the structure portion is about RMB3,010,000 which is an informal apportionment and such individual figure does not represent its separate market value. For value of buildings without valid title document, please refer to notes (ii) and (iii) stated above..

VALUATION CERTIFICATE

Group III – Property interests held by Zhongshan Hung Hing Printing & Packaging Co. Ltd.
(中山鴻興印刷包裝有限公司) in the PRC for owner-occupation

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2009 (RMB)
5. A piece of land together with various buildings and structures erected thereon located at Zhang Jia Bian Management Area, Zhongshan Torch Hi-Tech Industrial Development Region, Zhongshan City, Guangdong Province, The People's Republic of China ("Property 5")	The property comprises 2 blocks of factory, 3 blocks of warehouses, 2 blocks of dormitory, a staff canteen, a block of electricity room, a guard room together with ancillary structures and facilities built upon a parcel of land having a site area of approximately 66,667 sq.m. The total gross floor area of the erected buildings is approximately 76,679.33 sq.m. and were completed in between 1997 to 2007.	The property is currently occupied by the Group for industrial use.	101,730,000 <i>see notes (iii), (iv) and (vi)</i>

Notes:

- (i) According to a Land Use Rights Certificate Zhong Fu Guo Yong (Chu) Zi Di 15970238 Hao (中府國用(出)字第 15970238 號) dated 9 December 1997, the land use rights of the property with a site area of about 66,667 sq.m. have been granted to Zhongshan Hung Hing Printing & Packaging Co. Ltd. (中山鴻興印刷包裝有限公司), an indirectly non-wholly owned subsidiary of the Company for industrial use for a term up to 23 March 2047.
- (ii) According to 2 Realty Title Certificates Nos. Yue Fang Di Zheng Zi Di 1426332 dated 28 January 1999 and Yue Fang Di Zheng Zi Di C0485373 dated 28 December 2001 buildings with a total gross floor area of approximately 65,562.33 sq.m. are vested in Zhongshan Hung Hing Printing & Packaging Co. Ltd (中山鴻興印刷包裝有限公司).
- (iii) In course of our valuation, we have contributed "no commercial value" for buildings with a total gross floor area of about 11,117 sq.m. due to the reason that Zhongshan Hung Hing Printing & Packaging Co. Ltd. (中山鴻興印刷包裝有限公司) has not yet obtained the realty title certificates.
- (iv) For reference purpose, the value of the buildings with total gross floor area of about 11,117 sq.m. mentioned in note (iii) is RMB9,820,000 under the assumption that Zhongshan Hung Hing Printing & Packaging Co. Ltd. (中山鴻興印刷包裝有限公司) possess valid legal title to the buildings, the construction costs have been fully settled and the Group will obtain the relevant certificates without significant legal impediment and onerous fee of payment to the government authorities and any other parties.
- (v) We have been provided with a PRC legal opinion on the title to the property issued by the Company's legal advisors, which contains, inter alia, the following information:
 - (a) Zhongshan Hung Hing Printing & Packaging Co. Ltd. (中山鴻興印刷包裝有限公司) has obtained the land use rights and building ownerships under the aforesaid State-owned Land Use Right Certificate and Building Ownerships mentioned in Notes (i) and (ii).
 - (b) Zhongshan Hung Hing Printing & Packaging Co. Ltd. (中山鴻興印刷包裝有限公司) is entitled to transfer, let or mortgage the land use right and building ownerships mentioned in Notes (i) and (ii) of the property.

- (c) The property is subject to a mortgage in favour of 中國農業銀行中山火炬 高技術產業開發區支行 for a maximum loan amount of RMB53,000,000. The mortgage period is from 5 August 2008 up to 5 September 2012.

- (vi) As at 31 May 2009, the market value of the land portion is about RMB41,700,000. The value of the building and structure portion is about RMB60,030,000 which is an informal apportionment and such individual figure does not represent its separate market value. For value of buildings without valid title document, please refer to notes (iii) and (iv) stated above.

(I) RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

(II) DISCLOSURE OF INTERESTS**(i) Directors' interests in the Shares**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) as 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 or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), were as follows:

(a) Interests in issued Shares

Name of Director	Number of Shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation ⁽¹⁾	Total	
Yum Chak Ming	9,374,537	–	–	9,374,537	1.01
Yap, Alfred Donald	27,504	–	–	27,504	–
Sung Chee Keung	602,824	60,000	–	662,824	0.07

(b) Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity and nature and interest	Number of shares/ registered capital held	Percentage of the associated corporation's issued share capital/ registered capital
Sung Chee Keung	Zhongshan Packaging	Through controlled corporation	US\$900,000	5

Name of Director	Name of associated corporation	Capacity and nature and interest	Number of shares/ registered capital held	Percentage of the associated corporation's issued share capital/ registered capital
Sung Chee Keung	Zhongshan Off-Set Printing	Through controlled corporation	US\$250,000	5
Sung Chee Keung	South Gain	Through controlled corporation	85,000 shares	5
Sung Chee Keung	Zhongshan Rengo	Through controlled corporation	US\$1,441,500	5
Sung Chee Keung	Zhongshan Ren Hing	Through controlled corporation	US\$735,500	5

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had registered an interest or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) as 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 or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, the following Directors were directors or employees of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Position in the substantial shareholder of Hung Hing Printing Group Limited
Yum Chak Ming, Matthew	Director of C.H. Yam International Limited Director of C.H. Yam Holding Limited Director of Hung Tai Industrial Company Limited
Yam Ho Ming, Michael	Director of C.H. Yam International Limited Director of C.H. Yam Holding Limited Director of Hung Tai Industrial Company Limited

Name	Position in the substantial shareholder of Hung Hing Printing Group Limited
Ho Chi Kit	Director of Asia Packaging Company Limited Director of Asia Packaging Holdings Limited Director of Asia Packaging Group Holdings Limited
Lam Tsz-Wang, Alvin	Director of Asia Packaging Company Limited Director of Asia Packaging Holdings Limited Director of Asia Packaging Group Holdings Limited

Save as disclosed above, as at the Latest Practicable Date, none of the Directors were directors or employees of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Substantial Shareholders' and other persons' interests in Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as known to the Directors and the chief executives of the Company, the following persons had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, 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 a general meeting of any member of the Group:

(a) Interests in the issued Shares

Name	Notes	Capacity and nature of interest	Shareholding as at the Latest Practicable Date and immediately before the Completion	
			<i>Number of Shares held</i>	<i>%</i>
CVC Capital Partners Asia III Limited	(a)	Through controlled corporation	340,174,445	36.80
CVC Capital Partners Asia Pacific III L.P.	(a)	Through controlled corporation	340,174,445	36.80
Asia Packaging Group Holdings Limited	(a)	Through controlled corporation	340,174,445	36.80
Asia Packaging Holdings Limited	(a)	Through controlled corporation	340,174,445	36.80
Asia Packaging Company Limited	(a)	Directly beneficially owned	340,174,445	36.80

Name	Notes	Capacity and nature of interest	Shareholding as at the Latest Practicable Date and immediately before the Completion	
			Number of Shares held	%
Yam Cheong Hung	(b)	Directly beneficially owned and through controlled corporation and his spouse	291,576,586	31.55
C.H. Yam International Limited	(b)	Through controlled corporation	286,834,379	31.03
C.H. Yam Holding Limited	(b)	Through controlled corporation	195,263,190	21.13
Hung Tai Industrial Company Limited	(b)	Directly beneficially owned	195,263,190	21.13

Note:

- (a) There is a duplication of interests of 340,174,445 Shares among CVC Capital Partners Asia III Limited, CVC Capital Partners Asia Pacific III L.P., Asia Packaging Group Holdings Limited, Asia Packaging Holdings Limited and Asia Packaging Company Limited.
- (b) C.H. Yam International Limited is a company owned by Yam Cheong Hung and his family. C.H. Yam International Limited in turn owns Hung Tai Industrial Company Limited as to 96.6% through its wholly-owned subsidiary, C.H. Yam Holding Limited. Further, under the SFO, Yam Cheong Hung is deemed to be interested in the 1,650,207 Shares (0.27% of the Company's issued share capital) owned by his spouse.

There is a duplication of interests of 195,263,190 Shares among C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited

Save as disclosed above, the Directors and the chief executives of the Company were not aware of any persons, as at the Latest Practicable Date, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or who were, 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 a general meeting of any member of the Group.

(III) COMPETING BUSINESSES OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group's business.

(IV) OTHER INTERESTS OF DIRECTORS

As at the Latest Practicable Date, save as Mr. Sung Chee Keung and his Associate's interests in the Packaging Entities and the LeMonde Transactions and Homegrace Transactions as described on pages 17 and 51 of this circular,

- (a) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2009 (the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to the Group.

(V) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(VI) LITIGATION AND CLAIMS

As at the Latest Practicable Date, neither the Company nor any other members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatening by or against any member of the Group.

(VII) NO MATERIAL ADVERSE CHANGE

The Directors confirm that save as the information disclosed under the section headed "Management discussion and analysis" in the Annual Results and the information disclosed under the sections headed "The LeMonde Acquisitions and Homegrace Acquisitions", "The LeMonde Disposals and Homegrace Disposals" and "Reasons for the LeMonde Transactions and Homegrace Transactions" in this circular, they were not aware of any material changes in the financial or trading position or outlook of the Group since 31 March 2009, the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

(VIII) QUALIFICATIONS OF EXPERTS AND CONSENTS

The following are the qualifications of the professional advisers who have given opinion or advice contained in this circular.

Name	Qualification
Somerley	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the LeMonde Transactions and HomeGrace Transactions
Grant Sherman	Professional valuers

Somerley issued a letter to the Independent Board Committee and the Independent Shareholders dated 5 August 2009 in relation to the LeMonde Transactions and HomeGrace Transactions for the purpose of inclusion in this circular.

Grant Sherman issued a valuation report to the Independent Board Committee and the Independent Shareholders dated 5 August 2009 in relation to the valuation of the property interests held by the Packaging Entities and Paper Mill Entities for the purpose of inclusion in this circular.

Each of the above experts has given and has not withdrawn their written consent to the issue of this circular with the inclusion herein of their opinion, letters or advice and/or all references thereto and to their name in the form and context in which they are respectively included.

As at the Latest Practicable Date, each of the above experts did not have (i) any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or (ii) any interest, direct or indirect, in any assets which had been, since March 31, 2009, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(IX) MISCELLANEOUS

- (a) The secretary and qualified accountant of the Company is Tung Yu Bui, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong.

- (c) The share registrar and transfer office of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The correspondence address of Somerley is 10/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.
- (e) The correspondence address of Grant Sherman is Room 1701, 17/F Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong
- (f) As at the Latest Practicable Date, the Directors comprise of Yum Chak Ming, Matthew, Yam Ho Ming, Michael and Sung Chee Keung, who are executive Directors, Peter Martin Springford, David Murray Lonie, Ho Chi Kit, and Lam Tsz-Wang, Alvin, who are non-executive directors, and Yap, Alfred Donald, Yip Yu Bun, MH, and Luk Koon Hoo who are independent non-executive directors.
- (g) The English text of this circular and form of proxy shall prevail over the Chinese text in the case of inconsistency.

(X) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:30 a.m. to 5:30 p.m. (other than Saturday, Sunday and public holidays) at the registered office of the Company in Hong Kong at Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong, and (ii) on the website of the Company at www.hhop.com.hk from the date of this circular up to and including 21 August 2009, being the date of the EGM:

- (i) the equity transfer agreement dated 25 June 2009, entered into between Hung Hing International and LeMonde in relation to 10% equity interests in Zhongshan Packaging;
- (ii) the equity transfer agreement dated 25 June 2009, entered into between Hung Hing International and LeMonde in relation to 10% equity interests in Zhongshan Off-Set Printing;
- (iii) the equity transfer agreement dated 25 June 2009, entered into between Hung Hing International and LeMonde in relation to 10% equity interests in South Gain;
- (iv) the equity transfer agreement dated 25 June 2009, entered into between the Company and LeMonde in relation to 25% equity interests in Zhongshan Rengo;
- (v) the equity transfer agreement dated 25 June 2009, entered into between the Company and LeMonde in relation to 25% equity interests in Zhongshan Ren Hing;

- (vi) the equity transfer agreement dated 25 June 2009, entered into between Hung Hing International and Homegrace relation to 5% equity interests in Zhongshan Packaging;
- (vii) the equity transfer agreement dated 25 June 2009, entered into between Hung Hing International and Homegrace in relation to 5% equity interests in Zhongshan Off-Set Printing;
- (viii) the equity transfer agreement dated 25 June 2009, entered into between Hung Hing International and Homegrace in relation to 5% equity interests in South Gain;
- (ix) the equity transfer agreement dated 25 June 2009, entered into between the Company and Homegrace in relation to 5% equity interests in Zhongshan Rengo;
- (x) the equity transfer agreement dated 25 June 2009, entered into between the Company and Homegrace in relation to 5% equity interests in Zhongshan Ren Hing;
- (xi) the letters of consent referred to in the section headed “Qualifications of Experts and Consents” in this appendix;
- (xii) the letter from the Independent Board Committee, the text of which is set out on page 21 of this circular;
- (xiii) the letter from Somerley, the text of which is set out on pages 22 to 37 of this circular;
- (xiv) the valuation report by Grant Sherman, the text of which is set out on pages 38 to 50 of this circular; and
- (xv) a copy of this circular.

NOTICE OF THE EGM



HUNG HING

HUNG HING PRINTING GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 450)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Hung Hing Printing Group Limited (the “**Company**”) will be held at M/F Renaissance Harbour View Hotel Hong Kong, No.1 Harbour Road, Wanchai, Hong Kong on Friday, 21 August 2009 at 3:45 p.m. (or immediately after the closing of the Company’s annual general meeting on the same date) for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between LeMonde Inc. (“**LeMonde**”) as seller and Hung Hing International Limited (“**Hung Hing International**”) as buyer in relation to 10% equity interests in 中山鴻興印刷包裝有限公司 (Zhongshan Hung Hing Printing & Packaging Company Limited), a Sino-foreign joint venture company established under the laws of the People’s Republic of China at a consideration of HK\$21,746,734, the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and
- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”
2. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between LeMonde as seller and Hung Hing International as buyer in relation to 10% equity interests in 中山鴻興柯式印務有限公司 (Zhongshan Hung Hing Off-Set Printing Company Limited), a Sino-foreign joint venture company established under the laws of the People’s Republic of China at a consideration of HK\$6,138,294, the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and

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- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”
3. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between LeMonde as seller and Hung Hing International as buyer in relation to 10% equity interests in South Gain Enterprises Limited (南益企業有限公司), a company incorporated in Hong Kong with limited liability, at a consideration of HK\$17,818,213, the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and
- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”
4. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between the Company as seller and LeMonde as buyer in relation to 25% equity interests in 中山聯合鴻興造紙有限公司 (Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited), a Sino-foreign joint venture company established under the laws of the People’s Republic of China at a consideration of RMB4,166,666 (approximately HK\$4,734,848), the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and
- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”
5. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between the Company as seller and LeMonde as buyer in relation to 25% equity interests in 中山聯興造紙有限公司 (Zhongshan Ren Hing Paper Manufacturing Company Limited), a Sino-foreign joint venture company established under the laws of the People’s Republic of China at a consideration of RMB4,166,667 (approximately HK\$4,734,849), the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and

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- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”
6. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between Homegrace Consultants Limited (“**Homegrace**”) as seller and Hung Hing International as buyer in relation to 5% equity interests in 中山鴻興印刷包裝有限公司 (Zhongshan Hung Hing Printing & Packaging Company Limited), a Sino-foreign joint venture company established under the laws of the People’s Republic of China at a consideration of HK\$10,873,367, the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and
- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”
7. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between Homegrace as seller and Hung Hing International as buyer in relation to 5% equity interests in 中山鴻興柯式印務有限公司 (Zhongshan Hung Hing Off-Set Printing Company Limited), a Sino-foreign joint venture company established under the laws of the People’s Republic of China at a consideration of HK\$3,069,147, the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and
- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”
8. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between Homegrace as seller and Hung Hing International as buyer in relation to 5% equity interests in South Gain Enterprises Limited (南益企業有限公司), a company incorporated in Hong Kong with limited liability, at a consideration of HK\$8,909,107, the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and

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- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”
9. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between the Company as seller and Homegrace as buyer in relation to 5% equity interests in 中山聯合鴻興造紙有限公司 (Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited), a Sino-foreign joint venture company established under the laws of the People’s Republic of China at a consideration of RMB833,333 (approximately HK\$946,969), the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and
- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”
10. a) “**THAT** the equity transfer agreement dated 25 June 2009 entered into between the Company as seller and Homegrace as buyer in relation to 5% equity interests in 中山聯興造紙有限公司 (Zhongshan Ren Hing Paper Manufacturing Company Limited), a Sino-foreign joint venture company established under the laws of the People’s Republic of China at a consideration of RMB833,334 (approximately HK\$946,970), the details of which are described in the circular of the Company dated 5 August 2009, be and is hereby approved, confirmed and ratified; and
- b) the board of directors of the Company be and is hereby authorized to exercise all the powers of the Company and to do all things and acts and execute all documents (including under the seal of the Company or its subsidiary) as might be in their opinion be necessary, desirable or expedient in connection with such agreement.”

By Order of the Board
Tung Yu Bui
Company Secretary

Hong Kong, 5 August 2009

Registered office:
Hung Hing Printing Centre,
17-19 Dai Hei Street,
Tai Po Industrial Estate,
New Territories, Hong Kong

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Notes:

- (1) Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and on a poll vote on his behalf. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member. A proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
- (2) Where there are joint holders of any share in the Company any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall be deemed joint holders thereof.
- (3) A form of proxy for use at the EGM is enclosed herewith.
- (4) To be effective, the form of a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited with the Company's share registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai Hong Kong not later than 48 hours before the time appointed for the holding of the EGM or adjournment thereof. Completion and return of the proxy form will not prevent members from attending and voting at the EGM if they so wish.