

INFORMATION MEMORANDUM

Greatest Joy Investments Limited

(incorporated with limited liability in the British Virgin Islands)



HUNG HING

Hung Hing Printing Group Limited

(incorporated with limited liability in Hong Kong)

HK\$750,000,000

Zero Coupon Guaranteed Convertible Bonds due 2011

(including HK\$150,000,000 in principal amount of Bonds which will be issued pursuant to an option described below)

Issue Price: 100%

The Zero Coupon Guaranteed Convertible Bonds due 2011 in the aggregate principal amount of HK\$750,000,000 (the "Bonds") will be issued by Greatest Joy Investments Limited (the "Issuer") and will be unconditionally and irrevocably guaranteed (the "Guarantee") by Hung Hing Printing Group Limited (the "Company" or "Guarantor") (including HK\$150,000,000 aggregate principal amount of Bonds to be issued pursuant to an option granted by the Issuer to Deutsche Bank AG, Hong Kong Branch (the "Lead Manager"), which was exercised in full by the Lead Manager on 2 March 2006).

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 13 April 2006 up to and including 22 March 2011 into fully paid ordinary shares with a par value of HK\$0.10 each of the Company (the "Shares") at an initial conversion price of HK\$6.76 per Share. The conversion price is subject to adjustment in the circumstances described under "Terms and Conditions of the Bonds – Conversion". The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 2 March 2006 was HK\$5.20 per Share.

The Company may, at its option, satisfy its obligation to deliver Shares following the exercise of the right of conversion by a holder, in whole or in part, by paying to the relevant holder a cash amount in HK dollars equal to the product of (i) the number of Shares otherwise deliverable upon exercise of the conversion right which the Company has elected to satisfy in cash and (ii) the Volume Weighted Average Price (as defined in the Terms and Conditions of the Bonds (the "Terms and Conditions")) of the Shares for each day during the three consecutive Stock Exchange Business Days (as defined in the Terms and Conditions) immediately after the Cash Settlement Notice Date (as defined in the Terms and Conditions).

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 114.35% of their principal amount on 29 March 2011. All or some of the Bonds may be redeemed at the option of the relevant holder on 29 March 2008 at 105.51% of their principal amount. On or at any time after 29 March 2008, the Issuer may redeem all but not some only of the Bonds, at any time prior to maturity, at the relevant Early Redemption Amount (as defined in the Terms and Conditions), provided, however, that no such redemption may be made unless either (i) the closing price of the Shares (as derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange (as defined in the Terms and Conditions)), for any 30 consecutive Trading Days, the last day of such 30-day period falling within five Trading Days prior to the date upon which notice of such redemption is given, was at least 130% of the applicable Early Redemption Amount in effect on each such Trading Day divided by the Conversion Ratio (as defined in the Terms and Conditions); or (ii) at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled. The Bonds may also be redeemed at the option of the holders at the Early Redemption Amount upon the Shares ceasing to be listed on the Hong Kong Stock Exchange or the occurrence of a Change of Control (as defined in the Terms and Conditions). All, but not some only, of the Bonds may be redeemed at any time at their Early Redemption Amount in the event of certain changes relating to British Virgin Islands or Hong Kong taxation. See "Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation".

Application has been made to the Hong Kong Stock Exchange for listing of, and permission to deal in, the Bonds by way of selectively marketed securities (as defined in the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and such permission is expected to become effective on 30 March 2006. The Shares are listed on the Hong Kong Stock Exchange and application has been made to list the Shares to be issued upon conversion of the Bonds on the Hong Kong Stock Exchange.

Investing in the Bonds and the Shares involves certain risks. See "Risk Factors" beginning on page 9 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States.

For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Information Memorandum, see "Subscription and Sale".

The Bonds will be represented by beneficial interests in a permanent global certificate (the "Global Certificate") in registered form, without interest coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about 29 March 2006 (the "Closing Date") with a common depository for, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream").

Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Bookrunner and Lead Manager

Deutsche Bank

Information Memorandum dated 27 March 2006

The Issuer and the Company, having made all reasonable enquiries, confirm that (i) this Information Memorandum contains all information with respect to the Issuer, the Company and the Company's subsidiaries and associated companies (collectively, the "Group"), and the issue of the Bonds and the Shares, which is material in the context of the issue and offering of the Bonds, (ii) the statements contained in it relating to the Group are in every material respect true and accurate and not misleading, and (iii) the opinions and intentions expressed in this document with regard to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Information Memorandum misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer and the Company accept full responsibility for the accuracy of the information contained in this Information Memorandum.

This Information Memorandum has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this Information Memorandum. The distribution of this Information Memorandum and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Company and the Lead Manager to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable on conversion or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Japan, Singapore and Hong Kong, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Information Memorandum, see "Subscription and Sale".

No person has been or is authorised to give any information or to make any representation concerning the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Lead Manager, the Trustee or the Agents. Neither the delivery of this document nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Lead Manager, the Trustee or the Agents to subscribe for or purchase any of the Bonds or Shares and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Information Memorandum is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Lead Manager, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Information Memorandum, and nothing contained in this Information Memorandum is, or shall be relied upon as, a promise, representation or warranty by the Lead Manager, the Trustee or the Agents. This Information Memorandum

is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Company, the Lead Manager, the Trustee or the Agents that any recipient of this Information Memorandum should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Information Memorandum and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In connection with the issue of the Bonds, Deutsche Bank AG, Hong Kong Branch as the stabilising manager (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds.

This Information Memorandum includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer, the Company and the Bonds.

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

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Information Memorandum acknowledges that such person has not relied on the Lead Manager or any person affiliated with the Lead Manager in connection with its investigation of the accuracy of such information or its investment decision.

The Company has prepared audited consolidated financial statements as of and for the three years ended 31 March 2005, 2004 and 2003 and unaudited condensed consolidated financial statements as of and for the six months ended 30 September 2005 and 2004. These financial statements were prepared in conformity with HKFRS.

Unless otherwise specified or the context requires, references herein to "Hong Kong dollars", "HK dollars", "HK\$" and "HK¢" are to the lawful currency of Hong Kong, references herein to "US dollars" or "US\$" are to the lawful currency of the United States of America, references herein to "Renminbi" or "RMB" are to the lawful currency of the People's Republic of China (the "PRC"), references to "HKFRS" are to Hong Kong Financial Reporting Standards and references to "IFRS" are to International Financial Reporting Standards. For further information relating to exchange rates, see "Exchange Rates".

In this Information Memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

INCORPORATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Company which are contained in the Annual Reports of the Company for the three years ended 31 March 2005, 2004 and 2003, respectively are incorporated by reference in this Information Memorandum. Copies of the accounts are available and may be (i) obtained free of charge, upon request, at the specified office of the Company at Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong or (ii) downloaded free of charge from the Company's website on the internet at www.hhop.com.hk.

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Information Memorandum. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Information Memorandum shall have the same meanings when used in this Summary. Prospective investors should therefore read this Information Memorandum in its entirety.

Overview

The Group is a leading and vertically integrated packaging printer headquartered in Hong Kong. With more than 18,000 employees (as of 30 September 2005), over 5 million sq. ft. of floor space of manufacturing and warehousing facilities in the PRC and Hong Kong and 33 printing presses, the Group believes that it is one of the largest printers in Hong Kong and the PRC in terms of revenue, market capitalisation and production capacity.

Through its subsidiaries, the Group operates four complementary business divisions:

- **Paper and carton box printing and manufacturing**
 - Paper products for packaging toys and games, electrical appliances, consumer electronics, consumer products, and food and beverages
 - Novelty children books
 - Soft and hard bound books
 - Other paper products including gift packaging and boxes, stationery, greeting cards and display stands
- **Paper trading**
 - Paper sourcing for internal consumption and third-party printers and converters
- **Corrugated carton manufacturing**
 - Corrugated cartons for toys and games, electrical appliances, consumer electronics, consumer products, and food and beverages
 - Corrugated board for corrugated carton manufacturers and printers
- **Paper manufacturing**
 - Corrugated medium and linerboard for corrugated carton manufacturers.

Paper and carton box printing and manufacturing is the Group's principal business and the most significant contributor to the Group's revenue and operating profit. For the years ended 31 March 2005, 2004 and 2003 and the six months ended 30 September 2005, the paper and carton box printing and manufacturing division accounted for 61.6%, 64.3%, 61.2% and 54.0% of the Group's revenue, and 77.2%, 81.3%, 78.3% and 74.8% of the Group's operating profit, respectively.

The Group believes that its significant scale of operations and vertically integrated operations enable it to enjoy significant synergies and assist it in stabilising its profit margins. Examples of the synergies arising from a significant degree of vertical integration include:

- the increasing contribution from the Group's supporting divisions such as paper trading and paper manufacturing assist it in stabilising its overall profit margins. The margins of its paper trading and manufacturing divisions tend to move in tandem with paper prices and enable it to partially mitigate the adverse impact of increased paper prices on the margins of its core paper and carton box printing and manufacturing division;
- the Group's different divisions consume a significant volume of paper every year for manufacturing purposes and as one of the largest paper traders in Hong Kong it also sources paper for a wide variety of paper customers, it is therefore able to leverage on its significant purchasing power to obtain volume discount and achieve a stable supply of a wide variety of paper;
- the Group's corrugated carton manufacturing division supplies quality paper boxes and shipping cartons for customers in the paper and carton box printing and manufacturing division and its paper manufacturing division supplies quality medium paper and linerboard for customers in the corrugated carton manufacturing division. As a result, the Group is able to offer its customers integrated manufacturing solutions enabling it to meet its customers' product needs more efficiently;
- waste paper generated by the paper and carton box printing and manufacturing division and the corrugated carton manufacturing division during their production process such as die cutting and edging can be sold to the paper manufacturing division for use as raw materials. During the year ended 31 March 2005, an average of approximately 3,000 tons of quality waste paper were sold by these divisions to the paper manufacturing division every month;
- the logistics warehousing facilities of the paper trading division in Shenzhen enable the Group to manage the supply chain for its customers more effectively and facilitate sales by the paper manufacturing division; and
- the significant vertical integration also enables the Group's different divisions to share the latest market information on paper prices, customer demand and supplier information gathered through different channels and enables the Group to react to market changes more efficiently.

The Group is headquartered in Hong Kong and has four operating plants in the PRC comprising one plant in Shenzhen, two plants in Zhongshan and one plant in Wuxi, and a new plant that is currently being built in Heshan, the PRC. The Group's production facilities are strategically located in the Pearl River Delta region and the Yangtze River Delta region, two of the most developed and fast-growing economic areas in the PRC with a high concentration of manufacturing activities for domestic consumption and exports.

In both 2000 and 2002, the Group was named by Forbes as one of the 300 Best Small Companies in the World and in 2004, the Group was awarded the status of "No. 1 Printing Company Within the Top 100 Printing Companies in the Guangdong Province".

The Company is a limited liability company incorporated in Hong Kong in 1987. The Company is an investment holding company that undertakes its business through its subsidiaries and associate companies and has been listed on the Hong Kong Stock

Exchange since 16 March 1992 (SEHK: 0450). As at 24 March 2006, the Company had a market capitalisation of HK\$2,703.5 million based on the closing price of the Shares on that date.

As at the date of this Information Memorandum, the Company had an authorised share capital of HK\$80,000,000 divided into 800,000,000 ordinary shares of HK\$0.10 each and an issued and fully paid share capital of HK\$60,078,053 consisting of 600,780,529 ordinary shares of HK\$0.10 each.

For the six months ended 30 September 2005, the Group's unaudited consolidated revenue was HK\$1,731.6 million and its unaudited net profit attributable to equity holders of the parent was HK\$171.7 million. For the year ended 31 March 2005, the Group's audited consolidated revenue was HK\$2,327.4 million and its audited net profit attributable to equity holders of the parent was HK\$240.3 million. As at 30 September 2005, the Group's unaudited consolidated total assets were approximately HK\$3,366.0 million and its unaudited consolidated total equity excluding minority interests was HK\$1,973.6 million.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Company as at and for the periods indicated.

The summary audited consolidated financial information as at and for the years ended 31 March 2005, 2004 and 2003 (except the summary restated balance sheet data as at 31 March 2005) set forth below is derived from the Company's published audited consolidated financial statements (which have been audited by Ernst & Young and Nexia Charles Mar Fan & Co., certified public accountants) and should be read in conjunction with the published audited consolidated financial statements of the Company for the years ended 31 March 2005, 2004 and 2003 and the notes thereto.

The summary restated balance sheet data as at 31 March 2005 and the summary unaudited consolidated financial information of the Company for the six months ended 30 September 2005 and 2004 set forth below is derived from the Company's unaudited condensed consolidated financial statements for the six months ended 30 September 2005 and 2004 included elsewhere in this Information Memorandum and should be read in conjunction with such unaudited condensed consolidated financial statements and the notes thereto. The financial position and results of operations of the Company for the six months ended 30 September 2005 should not be taken as an indication of the expected financial position and results of operations for the full year ended 31 March 2006.

The Company's consolidated financial statements are prepared and presented in accordance with HKFRS.

Selected Financial Information

Consolidated Balance Sheet Data

	As at 30 September	As at 31 March		
	2005	2005	2004	2003
	HK\$'000 (Unaudited)	HK\$'000 (Audited and restated) ⁽¹⁾	HK\$'000 (Audited)	HK\$'000 (Audited)
Non-current assets	1,536,328	1,516,287	1,145,389	1,022,337
Current assets	1,829,719	1,604,097	1,331,498	1,137,369
Current liabilities	788,994	634,545	338,922	269,357
Net current assets	1,040,725	969,552	992,576	868,012
Total assets less current liabilities	2,577,053	2,485,839	2,137,965	1,890,349
Non-current liabilities	304,254	344,325	246,628	104,179
Minority Interests	299,198	298,854	151,478	148,031
Capital and Reserves	1,973,601	1,842,660	1,739,859	1,638,139

Note:

- (1) The audited consolidated balance sheet of the Company as at 31 March 2005 has been restated for comparative purposes. See Note 1 to the Company's Interim Financial Report for the six months ended 30 September 2005.

Consolidated Income Statement Data

	Six months ended 30 September		Years ended 31 March		
	2005	2004	2005	2004	2003
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited and restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)
Revenue	1,731,635	1,207,326	2,327,393	2,028,920	1,818,333
Cost of sales	(1,341,549)	(897,591)	(1,793,882)	(1,474,572)	(1,306,433)
Gross profit	390,086	309,735	533,511	554,348	511,900
Other income and gains . . .	16,306	23,124	42,337	23,656	16,426
Distribution costs	(41,944)	(36,781)	(65,859)	(55,926)	(46,571)
Administrative and selling expenses	(118,245)	(96,961)	(193,514)	(178,821)	(171,918)
Other operating expenses . .	(5,846)	(406)	(1,880)	(6,640)	(4,418)
Profit from operating activities	240,357	198,711	314,595	336,617	305,419
Finance costs	(15,185)	(3,479)	(12,203)	(5,551)	(6,119)
Share of profits and losses of associates	–	3,206	4,756	8,571	8,444
Profit before tax	225,172	198,438	307,148	339,637	307,744
Tax	(38,777)	(32,655)	(44,096)	(54,653)	(43,502)
Profit for the period/year . .	186,395	165,783	263,052	284,984	264,242
Attributable to:					
Equity holders of parent	171,720	156,784	240,281	264,742	243,531
Minority interests	14,675	8,999	22,771	20,242	20,711
	<u>186,395</u>	<u>165,783</u>	<u>263,052</u>	<u>284,984</u>	<u>264,242</u>
Dividends					
Interim	56,266	54,341	54,341	54,341	54,341
Proposed final	–	–	115,559	114,401	108,681
	<u>56,266</u>	<u>54,341</u>	<u>169,900</u>	<u>168,742</u>	<u>163,022</u>
Earnings per share					
Basic	<u>29.7 cents</u>	<u>27.4 cents</u>	<u>41.9 cents</u>	<u>46.3 cents</u>	<u>42.6 cents</u>

Note: Following the adoption of Hong Kong Financial Reporting Standard 1 “Presentation of Financial Statements”, certain comparative amounts have been reclassified to conform with the current period’s presentation.

THE ISSUE

Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds".

Issuer	Greatest Joy Investments Limited
Guarantor.....	Hung Hing Printing Group Limited
Issue.....	HK\$750,000,000 aggregate principal amount of Zero Coupon Guaranteed Convertible Bonds due 2011 (including HK\$150,000,000 aggregate principal amount of Zero Coupon Guaranteed Convertible Bonds due 2011 to be issued pursuant to the option described below), convertible into fully paid ordinary shares with par value of HK\$0.10 each of the Guarantor. The Lead Manager was granted an option by the Issuer to purchase at any time, in whole or in part on one or more occasions, up to and including the 30th day after the Closing Date, up to an additional HK\$150,000,000 aggregate principal amount of Bonds. The option was exercised in full by the Lead Manager on 2 March 2006. Accordingly, HK\$750,000,000 in aggregate principal amount of Bonds will be issued on the Closing Date.
Guarantee	The due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds will be unconditionally and irrevocably guaranteed by the Guarantor.
Issue Price	100%
Form and Denomination.....	The Bonds will be issued in registered form in the denomination of HK\$10,000 each.
Interest.....	The Bonds will not bear any interest.
Closing Date	29 March 2006
Maturity Date.....	29 March 2011

Negative Pledge	Each of the Issuer and the Guarantor undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its subsidiaries will, create or permit to subsist or arise any Encumbrance upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer, the Guarantor or any other subsidiary or associate of the Issuer and/or the Guarantor or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless the outstanding Bonds are forthwith secured by the same Encumbrance or, at the option of the Issuer and the Guarantor, by such other security as the Bondholders by Extraordinary Resolution (as defined in the Trust Deed) may approve.
Conversion Period	On or after 13 April 2006 up to and including the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on 22 March 2011 or, if the Bonds shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven business days prior to the date fixed for redemption thereof.
Conversion Price	HK\$6.76 per Share. The Conversion Price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, bonus issues, rights issues, distributions and other dilutive events. If all the Bonds were converted at the initial conversion price, approximately 110.95 million Shares would be issuable on conversion.
Conversion Price Reset	If the arithmetic average of the Closing Price of the Shares (the "Reset Reference Price") for each day during the period of 15 consecutive Trading Days immediately prior to 60 days before each anniversary of the Issue Date (each a "Reset Date") is less than the Conversion Price in effect on the relevant Reset Date, the Conversion Price may be adjusted downwards, at the option of the Issuer, on the relevant Reset Date so that the Reset Reference Price will become the adjusted Conversion Price with effect from the relevant Reset Date, provided that any such adjustment to the Conversion Price shall be limited such that the adjusted Conversion Price in no event shall be less than 80% of the initial Conversion Price.

Cash Settlement Option	The Guarantor may, at its option, satisfy its obligation to deliver Shares following the exercise of the right of conversion by a holder, in whole or in part, by paying to the relevant holder a cash amount in HK dollars equal to the product of (i) the number of Shares otherwise deliverable upon exercise of the conversion right which the Company has elected to satisfy in cash and (ii) the Volume Weighted Average Price of the Shares for each day during the three consecutive Stock Exchange Business Days immediately after the Cash Settlement Notice Date.
Final Redemption	Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the Terms and Conditions, the Bonds will be redeemed on 29 March 2011 at 114.35% of their principal amount.
Redemption at the Option of the Issuer	On or at any time after 29 March 2008 and prior to the Maturity Date, the Issuer may redeem all, but not some only, of the Bonds at the Early Redemption Amount if (i) the closing price of the Shares (as derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) for any 30 consecutive Trading Days, the last day of such 30-day period falling within five Trading Days prior to the date upon which notice of such redemption is given, was at least 130% of the applicable Early Redemption Amount in effect on each such Trading Day divided by the Conversion Ratio; or (ii) at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.
Tax Redemption.	The Issuer may redeem all, but not some only, of the Bonds at the Early Redemption Amount in the event of certain changes in British Virgin Islands or Hong Kong taxation.
Redemption at the Option of the Bondholders.	On 29 March 2008, the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all or some only of the Bonds at 105.51% of their principal amount.
Redemption upon Delisting or Change of Control	A Bondholder shall have the right, at such Bondholder's option, to require the Issuer to redeem all or some only of such Bondholder's Bonds at the Early Redemption Amount upon (i) the Shares ceasing to be listed or admitted to trading on the Hong Kong Stock Exchange; or (ii) the occurrence of a Change of Control with respect to the Guarantor.

Clearing Systems. The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Closing Date with a common depository for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

Governing Law English law

Trustee DB Trustees (Hong Kong) Limited

Listing. Application has been made to list the Bonds as selectively marketed securities on the Hong Kong Stock Exchange.

The Shares are currently, and those Shares to be issued upon conversion of the Bonds will be, listed on the Hong Kong Stock Exchange.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Information Memorandum, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. Additional considerations and uncertainties not presently known to the Issuer or the Company, or which the Issuer or the Company currently deems immaterial, may also have an adverse effect on an investment in the Bonds.

RISKS RELATING TO THE GROUP'S BUSINESS

The performance of the Group's business is dependent on future economic growth in the PRC and in particular the PRC's export industry (as the majority of the Group's products are directly or indirectly exported to overseas markets) and a slowdown of the PRC or global economy could have a material adverse effect on the financial condition, results of operations and prospects of the Group

The majority of the Group's products (including packaging materials, books, corrugated cartons and other paper products) are produced in the PRC and are directly or indirectly exported to overseas markets. The growth of the Group's business is therefore largely dependent upon continuous economic development and growth in the PRC and in particular the PRC's export industry.

The continuous increase in demand for printing services and corrugated cartons and other paper products of the Group depends on (i) the increase in export oriented manufacturing activities driven by the increasing trend of global outsourcing to the PRC, and (ii) the increase in demand for consumer goods, driven by domestic economic growth, both of which are expected to increase the demand for packaging printing services. The PRC has experienced rapid economic development and growth in both export and domestic oriented manufacturing activities in recent years, but there can be no assurance that such growth will continue at such rates either in the PRC generally or in the particular areas in which the Group's operations and investments are located (including the Pearl River Delta region and the Yangtze River Delta region). A sustained period of slower growth in the PRC in general or decrease in outsourcing of manufacturing activities to the PRC could have a material adverse effect on the financial condition, operating results and prospects of the Group.

Moreover, any slowdown in the economies of the United States, the European Union and certain Asian countries may adversely affect economic growth in, and the outsourcing trend to, the PRC and elsewhere. There can be no assurance that the Group's business, financial position and operating results, as well as its future prospects, will not be materially and adversely affected by an economic downturn in any of these countries. If there is any slowdown in Chinese exports as a result of adverse changes in the global or major economies, the Group may be materially and adversely affected since a significant number of its end-customers rely heavily on export orders.

Moreover, the PRC and other economies which are important to the Group may be further adversely affected by a number of factors, including uncertainty related to geo-political events such as the tension between the PRC and Taiwan, the situation in Iraq and Iran, terrorism, domestic fiscal or monetary measures, political instability, epidemics such as a outbreak of any highly contagious diseases, currency fluctuations, natural disasters and other factors. There can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected by any such factors.

Slow demand for packaging printing services could result in overcapacity, which could potentially lead to more fierce competition, in which case the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group faces intense competition and, if the Group is unable to compete successfully against other players in paper and carton box printing and manufacturing, paper trading, corrugated carton manufacturing and paper manufacturing industries, the Group could lose customers and its revenues and profitability may decline

The Group is subject to strong competition in most of the markets that it serves. The Hong Kong and PRC printing, corrugated carton, corrugated medium and linerboard manufacturing industries are highly fragmented, with a significant number of printing houses, corrugators and paper mills.

The Group's primary competitors in the printing industry are Hong Kong and PRC printers, which are typically of smaller scale than the Group. This competition in the printing industry is driven by intense pricing pressures. The printing industry is in a period of dramatic change, with rapid progress in digital technologies driving technical innovation in the editing and printing processes. Competition among companies in the printing industry has accelerated that change, making it necessary for companies to constantly invest in technology advancements and become more efficient and cost competitive. The installation of advanced equipment by manufacturers has in turn intensified the competitive pricing in the industry. The Group faces competition in the corrugated carton, corrugated medium and linerboard manufacturing industry from other domestic and foreign manufacturers. A number of these domestic and international competitors have larger scale of operations and greater financial resources than the Group.

The Group therefore faces pricing pressure in connection with order renewals and when bidding on new business. In recent years, pricing pressure has negatively impacted the Group's gross margins. The Group has endeavoured to offset the negative impact of pricing pressure with cost reduction efforts and enhancement of operating efficiency. If the Group's facilities are, however, not as cost efficient as those of its competitors, or if its competitors otherwise are able to offer lower prices, it may lose customers to its competitors, which would negatively impact its revenues, cash flows and financial condition.

In addition, even in strong markets, price pressures may emerge as competitors attempt to gain a greater market share by lowering prices. Competition in the various markets in which the Group participates comes from companies of various sizes, many of which are of smaller scale than the Group, and which may be keen to enlarge their market shares by aggressive pricing strategy. In addition, companies not currently in direct competition with the Group may introduce competing products in the future.

Increase in raw material, labour and other costs could adversely affect the Group's manufacturing costs and its margins

The Group, like many others, is subject to price increases in many of its raw materials, labour and other costs. In particular, the increase in international oil prices in 2005 has resulted in significant increase in the Group's material transportation and fuel costs and this trend may continue in the near future. In recent years, the Group has also experienced increases in wages and other labour costs, in particular in Shenzhen, primarily as a result of the continuous increase in demand for skilled labour arising from the significant economic growth and increase in commercial and industrial activities in the Pearl River Delta region and the city development of Shenzhen. In addition, the

primary raw materials used in the manufacture of the Group's products are purchased in highly competitive, price sensitive markets. These raw materials have in the past, and may in the future, demonstrate price and demand cyclicality. In recent years, the Group has experienced significant fluctuations in the prices of its principal raw materials such as inks and coating materials. The increase in raw material, labour and other costs has had a negative impact on the profit margin of the Group in recent years.

To the extent that these increases and future cost increases cannot be passed along to its customers, the Group's failure to recover raw material price increases in pricing its products could have a negative effect on the future profitability of the Group. In some cases, contractual provisions, competitive pressures and other factors can limit the Group's ability to pass along price increases at all or on a timely basis. International oil prices and raw material and labour costs are likely to continue to fluctuate based upon supply and demand. The Group's financial margins could be adversely affected and its net profit could decrease if these costs continue to increase and it is unable to pass them on to its customers.

Any prolonged power or water shortage or other material disruption of the Group's operations could adversely affect its revenues and profits

The Group's operations require significant and stable supplies of water and electricity, and its demand for which will further increase as it expands its production capacity. The Group has experienced temporary water shortages in the past, most recently in 2004 in its Shenzhen plant due to a prolonged drought in Southern China, and may in the future experience such disruptions again. Many cities and provinces in the PRC also suffered serious power shortages during the second and third quarters of 2004 and early 2005. Many of the regional grids do not have sufficient power generating capacity to satisfy fully the increased demand for electricity driven by continuous economic growth and persistent hot weather. Many factories in the PRC experienced temporary power outages as a result of the persistent full load operations of the power grids. Local governments (including the Shenzhen Municipal Government) from time to time required local factories to temporarily shut down their operations or reduce their daily operational hours in order to reduce local power consumption levels. In order to maintain normal operations, the Group's Shenzhen plant utilised its on-site supporting power supply systems to generate electricity for the plant for approximately three months in 2004 and a month in 2005 and incurred significant additional fuel costs during such periods. Although the PRC government has made significant investments in the construction of new power plants and enhancement of the power grids, there is no assurance that the Group's PRC operations will not be affected by any prolonged power shortage or disruption in the future, thereby causing material production disruption and delay in delivery schedule. In such event, the Group's business, results of operations and financial conditions could be materially adversely affected.

In addition, the Group's operations are subject to uncertainties and contingencies beyond its control that could result in significant cost increases on material disruptions and adversely affect its revenues and profit. These include industrial accidents, fires, floods, droughts, natural disasters and other catastrophes, equipment failures or other operational problems, strikes or other labor difficulties and disruptions of public infrastructure such as roads, ports or pipelines. Any of these events, as well as power interruptions or rationing, could disrupt or restrict supply of requisite utilities to the Group.

Any such disruption of the Group's operations could result in production disruption and delivery delays and increase its costs of production and adversely affect its business and results of operations. In particular, the Group does not maintain any business interruption insurance and accordingly does not have any insurance coverage for any loss arising from disruption of the Group's operations as result of any of the above events.

The performance of the Group's business is dependent on the functioning of specialised equipment

The Group uses specialised equipment to provide its services and manufacture its products and is therefore dependent on the functioning of such machinery and the Group's ability to acquire and maintain appropriate equipment. The Group may be affected by equipment malfunctions, the inability to configure machinery on a timely basis, training and operational needs related to the equipment, which may delay its utilisation, maintenance requirements and technological or mechanical obsolescence.

The Group's operations require it to incur significant fixed costs, including with respect to printing and other equipment. Accordingly, increases and decreases in sales volume significantly affect the Group's operating profits when production capacity is not fully utilised. In addition, the Group from time to time establishes new production facilities or moves existing production lines within a given plant or among different plants. If the Group does not adequately manage these changes, the productivity of its plants will suffer, which could lead to a fall in sales or a loss of customers.

There can be no assurance that the Group will not experience manufacturing difficulties, or be subject to increased costs or production capacity constraints in the future, any of which could result in a loss of customers or could otherwise have a material adverse effect on the Group's business and results of operations.

The Group's performance is subject to seasonality of demand of the printing and packaging industry

Demand for the Group's products is subject to seasonal fluctuations in each year and is generally higher from March to October and lower from November to February, corresponding to the high and low seasons of the printing and packaging industry. Although demand for the Group's products is subject to seasonality, the Group's revenues and results of operations have not been significantly affected as the Group has increased its production capacity and its sales during each of the three years ended 31 March 2005. The increase in revenue arising from the increase in production and sales has offset any reduction in sales in respect of non-peak seasons as compared to peak seasons. Accordingly, the effects of seasonality are not reflected in the Group's financial results.

The success of the Group is dependent on its implementation of its business plans

The Group has committed to expand its Heshan production facility. See "The Description of the Group – Production Facilities". The successful implementation of the Group's plans depends on a number of factors including, among others, changes in the printing industry, competition and government policies. There is no assurance that the Group's plans can be implemented successfully as scheduled or at all. Any failure or delay in the implementation of any or all of the Group's plans may have an adverse effect on the Group's profitability and prospects.

The Group's business may be adversely affected by present or future environmental laws

The Group is obliged to comply with the laws and regulations on environmental protection promulgated by the PRC government as well as the relevant local authorities in the PRC. Such laws and regulations provide for, *inter alia*, the rate of fees payable to government authorities which provide environmental protection services (such fees are determined normally by reference to the weight of waste substances) and the determination of the disposal amount or generation of solid waste, wastewater, dust, gases and noise. In addition, these regulations empower the local governments to penalise companies which fail to comply with the relevant requirements. Due to its business nature, the Group produces a certain amount of solid waste, wastewater, dust and chemical (separate disposal/recycling) in its production process. If new and more stringent compliance or clean-up standards under these laws or regulations are imposed, or the results of future testing and analyses at the Group's operating facilities indicate that the Group is not compliant with the requisite environmental regulations, the Group may be subject to fines or required to take remedial steps and/or pay increased environmental compliance costs.

The Group may from time to time incur significant accounts receivable from its customers and other parties

From time to time, the Group has had significant accounts receivable or other amounts due from its customers or other parties. As of 30 September 2005, the Group's accounts and bills receivable amounted to HK\$910.3 million. While the Group's historical bad debt has been negligible, as the Group increases its sales, the amount of its accounts and bills receivable is likely to increase and the failure of the Group's customers to pay in full amounts due to the Group could affect its future profitability and liquidity. In particular, declining general economic conditions will increase the risk for the Group, as many of its clients could negatively be impacted by the depressed economy. See Note 14 to the Company's unaudited condensed consolidated financial statements for the aging analysis of the Group's accounts and bills receivable for the six months ended 30 September 2005.

RISKS RELATING TO THE COMPANY AND THE GROUP

The Yam family has significant influence over the management of the Group

As at the date of this Information Memorandum, Mr. Yam Cheong Hung, the Chairman and founder of the Company, and his family and affiliates together own approximately 50.0% of the issued share capital of the Company.

Accordingly, the Yam family has, and will continue to have, the ability to exercise a significant influence over the management and business of the Group and may cause the Group to take actions that are not in, or may conflict with, the interests of the Group and/or the interests of some or all of the Group's creditors or minority shareholders. These include matters relating to the Group's management and policies, the outcome of the Group's corporate actions and the election of directors.

The Group has significant reliance on key management and inability to attract and retain other qualified personnel could impair its ability to operate and grow successfully

The directors and the senior management of the Group possess substantial experience in business management and operation and have made a significant contribution to the development of the Group. See "Directors and Management". The Group's daily operation depends significantly on the performance of its key management personnel. The Group does not have insurance for loss of services of key employees. In

the event that the Group loses the services of any of its key management personnel and fails to find suitable and competent replacements, the operation and profitability of the Group may be adversely affected.

The Group's future growth including the successful implementation of its expansion plan will also depend on its ability to hire, train and retain qualified administrative, manufacturing and sales personnel and a skill labour force to manage its existing operations and future growth. Qualified individuals are in high demand and the Group may not be able to successfully attract, assimilate or retain the personnel it requires. Failure to attract and retain qualified personnel could have a negative impact on the Group's ability to maintain its competitive position and to grow its business.

On occasion, the Group will contract for and/or hire temporary employees to increase the number of personnel in certain operations as seasonality requires. The Group currently believes that it has appropriately aligned its staffing to be consistent with its current and anticipated levels of business activity. The failure of the Group to properly align and maintain skilled staffing levels could affect the future profitability of the Group. In addition, the Group may in the future incur additional employee expenses because of the need to maintain a work force in excess of current needs to service anticipated customer products; such a decision would increase expenses in the short term.

The Group has only limited insurance coverage

Although the Group has taken general insurance coverage in respect of damage to existing properties, inventories, facilities and product liability insurance for some overseas customers, it has not secured any product liability insurance for all customers. As at the date of this Information Memorandum, no product liability or third party claims had been made against the Group. Production and sale of any product within the PRC is subject to the Product Quality Law of the PRC. There may be circumstances in which the Group would not be covered or compensated by insurance in respect of losses, damages, claims and liabilities arising from or in connection with product liability or third party liability or the compensation from existing general insurance may not fully compensate the Group for actual losses, damages, claims and liabilities. In addition, the Group does not maintain any business interruption insurance and there are certain types of losses (such as from wars, acts of terrorism or acts of God and the loss of key management staff or other employees) that generally are not insured because they are either uninsurable or not economically insurable. These events could adversely affect the profitability of the Group. See also "Any prolonged power or water shortage or other material disruption of the Group's operations could adversely affect its revenues and profits".

Further, since the attacks on the United States on 11 September 2001, many insurance companies have substantially increased their premiums. Insurance companies are also seeking to exclude insurance risks and claims relating to terrorism or related activity. As a result, the Group's insurance policies do not cover damages and losses arising from acts of terrorism or related events.

There can be no assurance that the Group's insurance policies will adequately compensate it for losses or damages under any and all potential adverse circumstances. A successful claim made against the Group that is not covered by any of the Group's insurance policies or is in excess of its insurance coverage could have a material adverse effect on the Group's business and financial position.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions, as well as government policies, could affect the Group's business

The PRC economy differs from the economies of most developed countries in many respects, including:

- extent of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-orientated economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business, results of operations or financial condition.

A substantial portion of the Group's revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility

A substantial portion of the Group's revenue is denominated in Renminbi and must be converted to pay dividends or make other payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, strict foreign exchange controls continue for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. In the past, there have been shortages of US dollars or other foreign currency available for conversion of Renminbi in the PRC, and it is possible such shortages could recur, or that restrictions on conversion could be re-imposed.

Prior to 1994, the Renminbi experienced a significant net devaluation against most major currencies and, during certain periods, significant volatility in the market-based exchange rate. Since 1994, the conversion of the Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on rates set by People's Bank of China ("PBOC"). These rates are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rate for the conversion of Renminbi into US dollars has generally been stable.

On 21 July 2005, PBOC announced changes to the Renminbi exchange rate regime. From that date onwards, the PRC moved into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies and the Renminbi will no longer be pegged specifically to the US dollar. The new exchange rate regime does not constitute a strict peg of the Renminbi to the basket of currencies, but instead the Renminbi is allowed to fluctuate within a narrow +/-0.3% range around a central parity rate defined as the previous day's closing RMB/US\$ rate. The reference basket will be used as a guide as to whether the RMB/US\$ rate should rise or fall. At 7 p.m. on 21 July 2005, PBOC announced an initial appreciation of the Renminbi by approximately two per cent. against the US dollar. The PBOC has also subsequently introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps in the domestic market, the relaxation on Renminbi trading by non-financial institutions and the introduction of market makers, comprising both domestic and foreign banks, for trading of Renminbi.

A substantial portion of the Group's revenue and a material but smaller portion of the associated operating costs are denominated in Renminbi, with the remaining portion of revenue and costs denominated in other currencies, primarily US dollars and Hong Kong dollars. As such, the Group may realise potential exchange gains as a result of any future appreciation of the Renminbi against US dollars. As the exchange rate is no longer fixed, and is now allowed to fluctuate within a range around a central parity rate, volatility of the Renminbi exchange rate in the future may materially affect the Group's financial condition and results of operations. The Renminbi may appreciate or depreciate significantly in value against the US dollar in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued or it may be permitted to enter into a free float, which may also result in an appreciation or depreciation of the Renminbi against the US dollar. An appreciation of the Renminbi against the US dollar or other currencies may have the effect of rendering exports from China more expensive and less competitive than products from other countries, thereby reducing the demand for the Group's services and products.

The legal system in the PRC is less developed than in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and

enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes, which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's prospects, financial condition and operating results.

Changes in favourable tax treatment could affect the Group's business, financial condition and operating results

Some of the Group's PRC operating subsidiaries enjoy tax benefits in the PRC that are offered to foreign investment enterprises ("FIEs"). Such benefits include full exemptions from national enterprise income tax for two years starting from the first profit-making year, followed by a 50% reduction in the national income tax rate for the next three years. In addition, some of the Group's subsidiaries are operating in special development zones in the PRC and have been granted preferential enterprise income tax rates ranging from 15% to 27% (as opposed to the national rate of 33%). No assurance can be given that the tax benefits provided to the Group's PRC subsidiaries will remain effective or will not change. If the tax advantages offered to FIEs are abolished or materially reduced, the tax liability of the Group in the PRC would be increased accordingly.

Profits from the Company's PRC operating subsidiaries available for distribution are determined under PRC GAAP

The Group derives substantially all of its profits from the activities of its operating subsidiaries established in the PRC. The profits available for distribution by the Company are therefore dependent, to a significant extent, on the profits available for distribution by the PRC subsidiaries to the Company. In turn, profits available for distribution by companies established in the PRC are determined in accordance with generally accepted accounting principles and financial regulations in the PRC ("PRC GAAP") and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. In addition, under the relevant PRC financial regulations, profits available for distribution are determined after transfers to statutory reserve funds.

The occurrence of another outbreak of SARS or of avian influenza or any other highly contagious disease could affect the Group's business, financial condition and operating results

The outbreak of Severe Acute Respiratory Syndrome ("SARS") that began in the PRC and Hong Kong in early 2003 and spread elsewhere had an adverse effect on all levels of business in Hong Kong and the PRC. The occurrence of another outbreak of SARS or of another highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business in the affected areas. It may also disrupt the Group's business operations and consequently have an adverse effect on its financial condition and operating results.

In particular, avian influenza is also considered to be a particular public health concern. Avian influenza was identified in the Republic of Korea in December 2003, and more recently, there have been numerous cases of human infections in Thailand and Vietnam. Isolated cases of human infections were also reported in the PRC in 2005. If avian influenza infections continue to escalate, the virus transforms into one capable of human-to-human transmission or an outbreak occurs in Beijing or other areas of the PRC, the effects on the regional economies could be similar to or worse than those experienced in 2003 as a result of SARS.

RISKS RELATING TO THE BONDS AND THE SHARES

An active trading market for the Bonds may not develop

The Bonds are new securities for which there is currently no trading market. No application has been made for the Bonds to be admitted for trading on any stock exchange. No assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. The Lead Manager is not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Lead Manager.

The Company is a holding company and the Bonds will be effectively subordinated to all of the liabilities of its subsidiaries

The Company is primarily a holding company that operates through subsidiaries. As a result, (i) its obligations under the Bonds will be effectively subordinated to all existing and future obligations of the existing or future subsidiaries and (ii) all claims of creditors of the existing or future subsidiaries, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such entities (if any) will have priority as to the assets of such entities over the Company's claims and those of its creditors, including the holders of Bonds. As at 30 September 2005, all of the consolidated borrowings of the Group were borrowings of the Group's subsidiaries. The Group may incur significant additional secured or unsecured indebtedness and other liabilities, including off-balance sheet obligations, for other purposes in the future subject to the terms of the Bonds.

The Company's subsidiaries and affiliates may be restricted from paying dividends or repaying intercompany loans or advances

As a holding company, the Company depends upon the receipt of dividends and the repayment of intercompany loans or advances from its subsidiaries to satisfy its obligations, including obligations under the Bonds. The ability of its subsidiaries to pay dividends and repay intercompany loans or advances from their shareholders (including the Company) is subject to applicable law, relevant shareholders' agreements or constitutive documents and restrictions contained in debt instruments of such subsidiaries.

The Company's subsidiaries are separate legal entities and have no obligation, contingent or otherwise, to pay any dividends or make any distributions to the Company or to otherwise pay amounts due with respect to its indebtedness, including the Bonds, or to make funds available for such payments. Accordingly, there can be no assurance that the Company will have sufficient cash flows from distributions by its subsidiaries and affiliates to satisfy its obligations in respect of the Bonds. Although the Company believes that it will be able to meet its obligations in respect of the Bonds, any shortfall would have to be made up from other sources of cash, such as a sale of investments or any financing available to the Company.

Holders will bear the risk of fluctuations in the price of the Shares

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of the Shares, or the availability of such Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds.

Sales of substantial numbers of the Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds. The results of operations, financial condition, future prospects and business strategy of the Company could affect the value of the Shares. The trading price of the Shares will be influenced by the Company's operational results (which in turn are subject to the various risks to which its businesses and operations are subject, which are not described herein) and by other factors such as changes in the regulatory environment that may affect the markets in which the Company operates and capital markets in general. Corporate events such as share sales, reorganisations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Holders have limited anti-dilution protection

The Conversion Price will be adjusted in the event that there is a sub-division, consolidation or re-denomination, rights issue, bonus issue, reorganisation, capital distribution or other adjustment including an offer or scheme which affects Shares, but only in the circumstances and only to the extent provided in "Terms and Conditions of the Bonds – Conversion". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

There may be less publicly available information about the Group than is available in certain other jurisdictions, and the Group's consolidated financial statements will be prepared in accordance with HKFRS

The publicly available information about companies listed in Hong Kong may be different from that regularly made available by public companies in certain other countries. In addition, the Company's financial statements are prepared in accordance with HKFRS, which differ in certain respects from IFRS and generally accepted accounting principles of other countries.

TERMS AND CONDITIONS OF THE BONDS

The following (subject to amendment, and other than the words in italics) is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the HK\$750,000,000 aggregate principal amount of Zero Coupon Guaranteed Convertible Bonds due 2011 (the "Bonds", which term shall include, unless the context requires otherwise, any further Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) of Greatest Joy Investments Limited (the "Issuer"), guaranteed by Hung Hing Printing Group Limited (the "Guarantor"), was authorised by a resolution of the Board of Directors of the Issuer passed on 2 March 2006. The giving of the Guarantee (as defined below) and the right of conversion into Shares (as defined in Condition 6(A)(v)) of the Guarantor were authorised by a resolution of the Board of Directors of the Guarantor passed on 2 March 2006. The Bonds are constituted by a trust deed (the "Trust Deed") to be dated on or about 29 March 2006 (the "Issue Date") made between the Issuer, the Guarantor and DB Trustees (Hong Kong) Limited as trustee for the holders of the Bonds (the "Trustee", which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) and are subject to the paying and conversion agency agreement to be dated on or about 29 March 2006 (the "Agency Agreement") with the Trustee, Deutsche Bank AG, Hong Kong Branch as principal paying and conversion agent (the "Principal Agent"), Deutsche Bank Luxembourg S.A. as transfer agent and registrar (the "Registrar"), and the other paying, conversion and transfer agents appointed under it (each a "Paying Agent", "Conversion Agent", "Transfer Agent" and together with the Registrar and the Principal Agent, the "Agents") relating to the Bonds. References to the "Principal Agent", "Registrar" and "Agents" below are references to the principal agent, registrar and agents for the time being for the Bonds. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection at the registered office of the Trustee being at the date hereof at 55th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong and at the specified offices of each of the Agents. The Bondholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. Guarantee and Status

A. Guarantee

The due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds has been unconditionally and irrevocably guaranteed by the Guarantor. The Guarantor's obligations in that respect (the "Guarantee") are contained in the Trust Deed.

B. Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 5) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

2. Form and Denomination

The Bonds are issued in registered form in the denomination of HK\$10,000 each, without coupon attached. A Bond certificate (each a "Certificate") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond and each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by the Global Certificate deposited with a common depository for, and representing Bonds registered in the name of a nominee of, Euroclear and Clearstream. The Conditions are modified by certain provisions contained in the Global Certificate.

3. Title

Title to the Bonds passes only by transfer and registration in the register of Bondholders as described in Condition 4. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Terms and Conditions "Bondholder" and (in relation to a Bond) "holder" mean the person in whose name a Bond is registered.

4. Transfers of Bonds; Issue of Certificates

A. Register

The Issuer will cause to be kept at the specified office outside Hong Kong of the Registrar and in accordance with the terms of the Agency Agreement a register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds (the "Register"). Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

B. Transfer

Subject to the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Agents. No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

C. Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within three business days of receipt by the Registrar or, as the case may be, any other relevant Agent of the form of transfer, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder) to the address specified in the form of transfer.

Except in the limited circumstances described herein (see "The Global Certificate"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred or converted, a new Certificate in respect of the Bonds not so transferred or converted will, within three business days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or converted (but free of charge to the holder) to the address of such holder appearing on the Register.

For the purposes of Condition 4, "business day" shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

D. Formalities Free of Charge

Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

E. Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Conditions; (ii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to a Bond; or (iii) after, a Relevant Event Redemption Notice (as defined in Condition 8(D)) or a Put Exercise Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond.

F. Regulations

All transfers of Bonds and entries on the register of Bondholders will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder upon request.

5. Negative Pledge

(a) Negative Pledge

Each of the Issuer and the Guarantor undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its subsidiaries will, create or permit to subsist or arise any Encumbrance upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer, the Guarantor or any other subsidiary or associate of the Issuer and/or the Guarantor (as the case may be) or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless the

outstanding Bonds are forthwith secured by the same Encumbrance or, at the option of the Issuer and the Guarantor by such other security as the Bondholders by Extraordinary Resolution may approve.

(b) Interpretation

In these Conditions

- (i) any reference to an "Encumbrance" is to a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person;
- (ii) any reference to "Relevant Indebtedness" is to any future and present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer or any other subsidiary or associate of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement); and
- (iii) any reference to a "subsidiary" or "Subsidiary" of any person is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under British Virgin Islands or Hong Kong law, regulations or generally accepted accounting principles from time to time, are or should have its accounts consolidated with those of that person.

6. Conversion

A. Conversion Right

- (i) *Conversion Period:* Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the "Conversion Right". Subject to and upon compliance with, the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on and after 13 April 2006 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on 22 March 2011 (but, except as provided in Condition 6(A)(iv), in no event thereafter) or if such Bond shall have been called for redemption before the Maturity Date (as defined in Condition 8(A)), then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof (the "Conversion Period").

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by

the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 2 March 2006 which reduces the number of shares outstanding, the Guarantor will upon conversion of Bonds pay in cash (in Hong Kong dollars by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK\$100.00.
- (iii) *Conversion Price*: The price at which Shares will be issued upon conversion (the "Conversion Price") will initially be HK\$6.76 per Share but will be subject to adjustment in the manner provided in Condition 6(C) and Condition 6(D).
- (iv) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (v) *Meaning of "Shares"*: As used in these Conditions, the expression "Shares" means ordinary shares of par value HK\$0.10 each of the Guarantor or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Guarantor.

B. Conversion Procedure

- (i) *Conversion Notice*: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours at the specified office of any Conversion Agent a notice of conversion (a "Conversion Notice") in duplicate in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Certificate and any amounts required to be paid by the Bondholder under Condition 6(B)(ii).

The conversion date in respect of a Bond (the "Conversion Date") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iv) above) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents to such withdrawal. "Stock Exchange Business Day" means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") or the Alternative Stock Exchange (as defined in Condition 6(C) below), as the case may be, is open for business.

- (ii) *Stamp Duty etc.:* A Bondholder delivering a Certificate in respect of a Bond for conversion must pay to the relevant Conversion Agent any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Guarantor in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) (the "Taxes") and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Guarantor will pay all other expenses arising on the issue of Shares on conversion of Bonds. The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued) must provide the Agent with details of the relevant tax authorities to which the Agent must pay monies received in settlement of Taxes payable pursuant to this Condition 6(B)(ii). The Agent is under no obligation to determine whether a Bondholder is liable to pay any Taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(B)(ii).
- (iii) *Registration:* As soon as practicable, and in any event not later than five Trading Days (as defined below) after the Conversion Date, the Guarantor will, subject to Condition 5(B)(iv), in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder deposited as required by sub-paragraphs (i) and (ii), register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Guarantor's share register and will, if the Bondholder has also requested in the Conversion Notice, take all necessary actions to procure that Shares are delivered through the Central Clearing and Settlement System of Hong Kong for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Guarantor's share registrar in Hong Kong (currently Tengis Ltd.) notified to Bondholders in accordance with Condition 16 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a

single certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Bond shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions referred to in Condition 6(C) and the Trust Deed and the relevant Registration Date (as defined below) falls on a date when the relevant adjustment has not yet been reflected in the then current Conversion Price, the provisions of this sub-paragraph (iii) shall be applied *mutatis mutandis* to such number of Shares as is equal to the excess of the number of Shares which would have been required to be issued on conversion of such Bond if the relevant retroactive adjustment had been given effect as at the said Registration Date over the number of Shares previously issued (or which the Guarantor was previously bound to issue) pursuant to such conversion. If the Guarantor has elected to pay the converting Bondholder of the Bond cash in lieu of Shares pursuant to the Cash Settlement Option (as defined below) set forth in Condition 5(B)(iv), the number of excess Shares shall be determined by assuming that the Guarantor had not elected the Cash Settlement Option. In such case, the Guarantor shall satisfy its obligations under this Condition 5(B)(iii) by paying, as soon as practicable and in any event not later than the third Stock Exchange Business Day after the date of such adjustment of the Conversion Price, to the converting Bondholder an amount in Hong Kong dollars equal to the Current Market Price of any such excess Shares on the date the Issuer would be required to deliver such Shares if the Cash Settlement Option had not been exercised.

The person or persons specified for that purpose will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Guarantor's register of members (the "Registration Date"). The Shares issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this sub-paragraph (iii) prior to the time such retroactive adjustment shall have become effective), the Guarantor will pay to the converting Bondholder or his designee an amount (the "Equivalent Amount") equal to any such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong and sent to the address specified in the relevant Conversion Notice.

- (iv) *Cash Settlement:* Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of Shares deliverable upon conversion of the Bonds is required to satisfy the Conversion Right in respect of a Conversion Notice, the Guarantor shall have the option to pay to the relevant Bondholder an amount of cash in Hong Kong dollars equal to the Cash

Settlement Amount (as defined below) in order to satisfy such Conversion Right in full or in part (in which case the other part shall be satisfied by the delivery of Shares) (the "Cash Settlement Option"). In order to exercise the Cash Settlement Option, the Guarantor shall provide notice of the exercise of the Cash Settlement Option (the "Cash Settlement Notice") to the relevant Bondholder as soon as practicable but no later than the next Stock Exchange Business Day following the date of delivery of the Conversion Notice (the "Cash Settlement Notice Date"). The Cash Settlement Notice must specify the number of Shares in respect of which the Guarantor will make a cash payment in the manner described in this Condition. The Guarantor shall pay the Cash Settlement Amount no later than the fifth Stock Exchange Business Day following the Cash Settlement Notice Date. If the Guarantor exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be converted on the same Conversion Date, the Guarantor shall make the same proportion of cash and Shares available to such converting Bondholders.

For the purposes of these Conditions:

"Cash Settlement Amount" means the product of (i) the number of Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bond(s) to which the Conversion Notice applies, and in respect of which the Guarantor has elected the Cash Settlement Option and (ii) the Market Price of the Shares.

"Market Price" means the arithmetic average of the Volume Weighted Average Price of the Shares for each day during the three consecutive Stock Exchange Business Days immediately after the Cash Settlement Notice Date.

"Volume Weighted Average Price" means, in respect of a Share on any Stock Exchange Business Day, the order book volume-weighted average price of a Share appearing on or derived from Bloomberg screen 450 HK Equity VAP or such other source as shall be determined to be appropriate by an Independent Investment Bank on such Stock Exchange Business Day, provided that on any such Stock Exchange Business Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Stock Exchange Business Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Stock Exchange Business Day on which the same can be so determined.

The Guarantor is not obliged to issue Shares in satisfaction of the Conversion Rights in breach of its obligations under the Listing Rules of the Hong Kong Stock Exchange.

If the Guarantor is at any time otherwise (for any reason whatsoever) unable to issue Shares in satisfaction of the Conversion Right of any converting Bondholder, the Guarantor undertakes to exercise the Cash Settlement Option in full, or to the extent required, to satisfy the Conversion Right of the Bondholder.

C. Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in the following events as set out in the Trust Deed:

- (1) *Consolidation, Subdivision or Reclassification:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (2) *Capitalisation of Profits or Reserves:*

- (i) If and whenever the Guarantor shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including, Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an Independent Investment Bank shall certify to the Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(3) *Distributions:*

- (i) Subject to Condition 6(C)(3)(ii), if and whenever the Guarantor shall pay or make any Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Distribution is actually made.

- (ii) If and whenever the Guarantor shall pay or make any Distribution in cash only to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the record date for the determination of Shareholders entitled to receive such Distribution in cash; and

B is the amount of cash so distributed attributable to one Share.

Such adjustment shall become effective on the record date for the determination of Shareholders entitled to receive such Distribution in cash.

- (4) *Rights Issues of Shares or Options over Shares:* If and whenever the Guarantor shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (5) *Rights Issues of Other Securities:* If and whenever the Guarantor shall issue any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

- (6) *Issues at less than Current Market Price:* If and whenever the Guarantor shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) of options, warrants or other rights to subscribe or purchase Shares in

each case at a price per Share which is less than the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Guarantor of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

- (7) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Guarantor or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Guarantor or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Guarantor upon conversion, exchange or subscription at a consideration per Share which is less than the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Guarantor for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

- (8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Guarantor for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) *Other Offers to Shareholders:* If and whenever the Guarantor or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Guarantor or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

- (10) *Other Events*: If the Guarantor or the Trustee determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Guarantor shall, at its own expense, consult an Independent Investment Bank, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Investment Bank to be in their opinion appropriate to give the intended result.

For the purposes of these Conditions:

“Alternative Stock Exchange” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

“Closing Price” for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

“Current Market Price” means, in respect of a Share at a particular date, the average of the Closing Prices for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said five Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the Shares on each of the said five Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

“Distribution” means any dividend or distribution (whether of cash or assets *in specie*) by the Guarantor for any financial period (whenever paid or made and however described) (and for these purposes a distribution of assets *in specie* includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i)) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend) unless it comprises a purchase or redemption of Shares by or on behalf of the Guarantor (or a purchase of Shares by or on behalf of a Subsidiary of the Guarantor), where the weighted average price (before expenses) on any one day in respect of such purchases does not exceed the Current Market Price of the Shares as published in the Daily Quotation Sheet of the Hong Kong Stock Exchange or the equivalent quotation sheet of an Alternative Stock Exchange, as the case may be, by more than 5% either (1) on that date, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day.

In making any such calculation, such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares.

“Fair Market Value” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment banks) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

“Independent Investment Bank” means an independent investment bank of international repute (acting as expert) selected by the Guarantor and approved by the Trustee.

“Relevant Cash Dividend” means any cash dividend specifically declared by the Guarantor.

“Trading Day” means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange, is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.

“Scrip Dividend” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Distribution (and for the avoidance of doubt to the extent that no adjustment is to be made under Condition 6(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof).

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 16 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their par value.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of a leading Independent Investment Bank of international repute (acting as expert), selected by the Guarantor and approved in writing by the Trustee, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in their opinion appropriate in order to give such intended result. No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Guarantor or any Subsidiary of the Guarantor pursuant to any Employee Share Scheme (as defined in the Trust Deed) (and which Employee Share Scheme is in compliance with the listing rules of the Hong Kong Stock Exchange or, if applicable, those of an Alternative Stock Exchange).

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1) above.

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

D. Conversion Price Reset

If the arithmetic average of the Closing Price of the Shares (the "Reset Reference Price") for each day during the period of 15 consecutive Trading Days immediately prior to 60 days before each anniversary of the Issue Date (each a "Reset Date") is less than the Conversion Price in effect on the relevant Reset Date (taking into account any adjustments as described in Condition 6(C) which may have occurred prior to the relevant Reset Date), the Conversion Price may be adjusted, at the option of the Guarantor by notice to Bondholders, on the relevant Reset Date so that the Reset Reference Price (subject to paragraph (i) below) will become the adjusted Conversion Price with effect from the relevant Reset Date.

Such adjusted Conversion Price shall be rounded upwards, if necessary, to the nearest Hong Kong cent, provided that:

- (i) any such adjustment to the Conversion Price shall be limited such that the adjusted Conversion Price in no event shall be less than 80% of the initial Conversion Price;
- (ii) subject to (i) above, the adjustment events set out in Condition 6(C) shall apply, *mutatis mutandis*, to adjustments hereunder to ensure that appropriate adjustments shall be made to the Conversion Price as so adjusted to reflect any events set out in Condition 6(C);

- (iii) the Conversion Price shall not be reduced below the then par value (currently HK\$0.10 per Share) of the Shares unless under applicable law then in effect the Bonds could be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares; and
- (iv) for the avoidance of doubt, any such adjustment to the Conversion Price shall only be a downward adjustment.

Any such adjustments shall become effective as of the relevant Reset Date and shall be notified to the Bondholders in accordance with Condition 16 at any time before the relevant Reset Date.

E. Undertakings

The Guarantor has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (i) it will maintain direct or indirect beneficial ownership of all of the Issuer's share capital and the Issuer will not conduct any business or any activities other than the raising of debt financing and the lending of the proceeds thereof to the Guarantor and/or any of its other Subsidiaries and any other activities reasonably incidental thereto;
- (ii) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, and (c) if the Guarantor is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as from time to time selected by the Guarantor and approved by the Trustee and will forthwith give notice to the Bondholders in accordance with Condition 16 of the listing or delisting of the Shares (as a class) by any of such stock exchange; and
- (iii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds.

The Guarantor has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

F. Notice of Change in Conversion Price

The Issuer shall give notice to the Bondholders in accordance with Condition 16 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

7. Payments

A. Principal and Premium

Payment of principal and premium will be made by transfer to the registered account of the Bondholder or by Hong Kong dollar cheque drawn on a bank in Hong Kong mailed to the registered address of the Bondholder in accordance with Condition 16 if it does not have a registered account. Payment of principal and premium will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

References in these Conditions, the Trust Deed and the Agency Agreement to principal and premium in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

B. Registered Accounts

For the purposes of this Condition, a Bondholder's registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

C. Fiscal Laws

All payments are subject in all cases to any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

D. Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

E. Default Interest and Delay In Payment

If the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 5% per annum from the due date. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

F. Business Day

In this Condition, "business day" means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

8. Redemption, Purchase and Cancellation

A. Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 114.35% of its principal amount on 29 March 2011 (the "Maturity Date"). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) below (but without prejudice to Condition 9).

B. Redemption at the Option of the Issuer

On or at any time after 29 March 2008 and prior to the Maturity Date, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, the Trustee and the Principal Paying Agent (which notice will be irrevocable), redeem all and not some only of the Bonds at a redemption price equal to the Early Redemption Amount on the redemption date, provided, however, that no such redemption may be made unless (i) the closing price of the Shares (as derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange), for each of the 30 consecutive Trading Days, the last day of such 30-Trading Day period falls within five Trading Days prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount in effect on such Trading Day divided by the Conversion Ratio or (ii) at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.

"Conversion Ratio" means the principal amount of each Bond dividend by the applicable Conversion Price.

The "Early Redemption Amount" of a Bond, for each HK\$10,000 principal amount of the Bonds, is determined so that it represents for the Bondholder a gross yield of 2.7% per annum, calculated on a semi-annual basis. The applicable Early Redemption Amount for each HK\$10,000 principal amount of Bonds is calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is the Semi-Annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-Annual Date):

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1 + r/2)^{d/p}$$

Previous Redemption Amount = the Early Redemption Amount for each HK\$10,000 principal amount of the Bonds on the Semi-Annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to 29 September 2006, HK\$10,000):

<u>Semi-Annual Date</u>	<u>Early Redemption Amount</u> (HK\$)
29 September 2006.....	10,135.00
29 March 2007.....	10,271.82
29 September 2007.....	10,410.49
29 March 2008.....	10,551.03
29 September 2008.....	10,693.47
29 March 2009.....	10,837.83
29 September 2009.....	10,984.15
29 March 2010.....	11,132.43
29 September 2010.....	11,282.72
29 March 2011.....	11,435.04

r = 2.7% expressed as a fraction.

d = number of days from and including the immediately preceding Semi-Annual Date (or if the Bonds are to be redeemed on or before 29 September 2006, from and including the Closing Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

p = 180

The term "Trading Day" means a day on which the Hong Kong Stock Exchange is open for business.

C. *Redemption for Taxation Reasons*

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) redeem all, and not some only, of the Bonds at a redemption price equal to the Early Redemption Amount on the redemption date if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or, as the case may be, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 2 March 2006, and (ii) such obligation cannot be avoided by the Issuer (or as the case may be, the Guarantor) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or as the case may be, the Guarantor) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer (or as the case may be, the Guarantor) shall deliver to the Trustee (a) certificate signed by two directors of the Issuer (or as the case may be, the Guarantor) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or as the case may be, the Guarantor) taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders.

D. *Redemption for Delisting or Change of Control*

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Bonds on the Relevant Event Redemption Date (as defined below) at their Early Redemption Amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "Relevant Event Redemption Notice") together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "Relevant Event Redemption Date" shall be the 14th day after the expiry of such period of 60 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of Relevant Event Redemption Notices delivered as aforesaid on the Relevant Event Redemption Date.

The Trustee shall not be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred.

The Issuer shall give notice to Bondholders in accordance with Condition 16 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition and shall give brief details of the Relevant Event.

A "Relevant Event" occurs:

- (i) when the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange; or
- (ii) when there is a Change of Control.

For the purposes of this Condition 8(D):

"Control" means the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

a "Change of Control" occurs when:

- (i) any Person or Persons acting together acquires Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on the Closing Date;
- (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity; or
- (iii) one or more Persons (other than any Person referred to in sub-paragraph (i) above) acquires the legal or beneficial ownership of all or substantially all of the Guarantor's issued share capital.

"Person" includes any individual, Guarantor, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Guarantor's board of directors or any other governing board and does not include the Guarantor's wholly-owned direct or indirect subsidiaries.

E. Redemption at the Option of the Bondholders

On 29 March 2008 (the "Put Option Date"), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder on the Put Option Date at 105.51% of their principal amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the then current form obtainable from the specified office of any Paying Agent ("Put Exercise Notice") together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Exercise Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Option Date.

F. Purchases

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise.

G. Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

H. Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to Condition 8(B) or (C) will specify the Conversion Price as at the date of the relevant notice, the Conversion Period, the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, the date for redemption, the applicable Early Redemption Amount, the manner in which redemption will be effected and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

9. Taxation

All payments made by the Issuer or, as the case may be, the Guarantor under or in respect of the Trust Deed or the Bonds) will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the British Virgin Islands or Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (or, as the case may be, Hong Kong) otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond;
- (ii) (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days;
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (iv) presented for payment by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a Member State of the European Union.

For the purposes hereof, "relevant date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

References in these Conditions to principal and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

10. Events of Default

A. Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25% in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject to being indemnified and/or secured by the holders to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at the Early Redemption Amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

- (i) a default is made in the payment of any principal or Early Redemption Amount due in respect of the Bonds;
- (ii) any failure by the Guarantor to deliver the Shares as and when the Shares or Cash Settlement Amount are required to be delivered following conversion of Bonds and such failure continues for seven days;
- (iii) the Issuer or the Guarantor does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee;
- (iv) the Issuer, the Guarantor or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of its Subsidiaries; an administrator or liquidator of the Issuer, the Guarantor or any of its Subsidiaries or the whole or any part of the assets and turnover of the Issuer, the Guarantor or any of its Subsidiaries is appointed (or application for any such appointment is made);

- (v) (a) any other present or future indebtedness (whether actual or contingent) of the Issuer, the Guarantor or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer, the Guarantor or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (v) have occurred equals or exceeds HK\$5,000,000 or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantees or indemnity;
- (vi) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any of the property, assets or turnover of the Issuer, the Guarantor or any of its Subsidiaries and is not discharged or stayed within 30 days;
- (vii) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer, the Guarantor or any of its Subsidiaries (except for a members' voluntary solvent winding-up), or the Issuer, the Guarantor or any of its Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations and except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of any Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of its Subsidiaries;
- (viii) an encumbrancer takes possession or an administrative or other receiver, manager, administrator or other similar officer is appointed, of the whole or any part of the property, assets or turnover of the Issuer, the Guarantor or any of its Subsidiaries (as the case may be) and is not discharged within 30 days;
- (ix) (a) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any of its Subsidiaries; or (b) the Issuer, the Guarantor or any of its Subsidiaries is prevented from exercising normal control over all or any substantial part of its property, assets and turnover;
- (x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer or the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds and the Trust Deed admissible in evidence in the courts of the British Virgin Islands, Hong Kong or England is not taken, fulfilled or done;

- (xi) it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- (xii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

provided that, in the case of any such event other than those described in paragraphs (i), (ii), (iii) (v), (vi), (viii) and (x), the Trustee shall have certified in writing to the Issuer that such event is in its opinion materially prejudicial to the interests of Bondholders.

B. Default Cure Amount

Notwithstanding receipt of any payment after the acceleration of the Bonds, a Bondholder may exercise its Conversion Right by depositing a Conversion Notice with a Conversion Agent or Paying Agent during the period from and including the date of a default notice with respect to an event specified in Condition 10(A) (at which time the Issuer will notify the Bondholders of the number of Shares per Bond to be delivered upon conversion, assuming all the then outstanding Bonds are converted) to and including the 30th business day after such payment.

If any converting Bondholder deposits a Conversion Notice pursuant to this Condition 10(B) on the business day prior to, or during, a Closed Period, the Bondholder's Conversion Right shall continue until the business day following the last day of the Closed Period, which shall be deemed the Conversion Date, for the purposes of such Bondholder's exercise of its Conversion Right pursuant to this Condition 10(B).

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10(B), the Guarantor will deliver Shares (which number will be disclosed to such Bondholder as soon as practicable after the Conversion Notice is given) in accordance with the Conditions, except that the Guarantor shall have 12 business days before it is required to register the converting Bondholder (or its designee) in its register of members as the owner of the number of Shares to be delivered pursuant to this Condition and an additional five business days from such registration date to make payment in accordance with the following paragraph.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10, or if the Bonds have become due and payable pursuant to Condition 10(A)(ii), the Guarantor shall, at the request of the converting Bondholder, pay to such Bondholder an amount in Hong Kong dollars (the "Default Cure Amount"), equal to the product of (x) (i) the number of Shares that are required to be delivered by the Guarantor to satisfy the Conversion Right in relation to such converting Bondholder minus (ii) the number of Shares that are actually delivered by the Guarantor pursuant to such Bondholders' Conversion Notice and (y) the Share Price (as defined below) on the Conversion Date; provided that if such Bondholder has received any payment under the Bonds pursuant to this Condition 10(B), the amount of such payment shall be deducted from the Default Cure Amount.

The "Share Price" means the closing price of the Shares as quoted by the Hong Kong Stock Exchange or, as the case may be, the Alternative Stock Exchange on the Conversion Date or, if no reported sales take place on such date, the average of the reported closing bid and offered prices, in either case as reported by the Hong Kong Stock Exchange or other applicable securities exchange on which the Shares are listed for such day as furnished by a reputable and independent broker-dealer selected from time to time by the Trustee at the expense of the Guarantor for such purpose.

11. Prescription

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of default interest or premium (if any)) from the relevant date (as defined in Condition 9) in respect thereof.

12. Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such proceedings against the Issuer or the Guarantor as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25% in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

13. Meetings of Bondholders, Modification and Waiver

A. Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50% in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium or default interest (including any Early Redemption Amount) or Equivalent Amount payable in respect of the Bonds or changing the method of calculation of the Early Redemption Amount, (iii) to change the currency of payment of the Bonds, (iv) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66%, or at any adjourned such meeting not less than 33% in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90% of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

B. Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 13(A) above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a

manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer to the Bondholders as soon as practicable thereafter.

C. Interests of Bondholders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation or waiver) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 13(A) or a modification, waiver or authorisation in accordance with Condition 13(B), the Issuer will procure that the Bondholders be notified in accordance with Condition 16.

14. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds. Such further Bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

16. Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Hong Kong or, if such publication shall not be practicable, in an English language newspaper of general circulation in Asia. Any such notice shall be deemed to have been given on the later of the date of such publication or, if published more than once, on the first date on which publication is made.

17. Agents

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain (a) a Principal Agent, (b) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant

to European Union Directive 2003/48/EC or any other European Union Directive implementing the provisions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive, and (c) a Registrar which will maintain the register of Bondholders outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders and in any event not less than 45 days' notice will be given.

18. Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

19. Governing Law and Submission to Jurisdiction

The Bonds, the Trust Deed and the Agency Agreement are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds, each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England and in relation thereto, has appointed an agent for service of process in the City of London.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the "Conditions" or the "Terms and Conditions") set out in this Information Memorandum. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder (as defined in the Conditions) of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each HK\$10,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond by the Company following its redemption, conversion or purchase by the Company will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

Payments of principal and interest in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

Bondholder's Redemption

The Bondholder's redemption options in Conditions 8(D) and 8(E) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise within the time limits specified in the Conditions.

Registration of Title

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds in respect of which the Global Certificate is issued shall be recognised as the beneficiaries of the trust set out in the Trust Deed, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder, as if they were themselves the holders of Bonds in such principal amounts.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds, estimated to be approximately HK\$724 million after deducting expenses (including but not limited to underwriting commission to be charged by the Lead Manager), will be used by the Group to expand its production facility in Heshan, upgrade its current production facilities in Zhongshan, refinance some of the Group's short-term borrowings, possible future acquisitions of business related to its core business and to fund the Group's general working capital.

CAPITALISATION AND INDEBTEDNESS

Capitalisation and Indebtedness of the Group

As at the date of this Information Memorandum, the Company had an authorised share capital of HK\$80,000,000 divided into 800,000,000 ordinary shares of HK\$0.10 each and an issued and fully paid-up share capital of HK\$60,078,053 consisting of 600,780,529 ordinary shares of HK\$0.10 each.

The following table sets forth the unaudited consolidated capitalisation and indebtedness of the Group as at 30 September 2005 and adjusted to give effect to the issue of the Bonds:

	As at 30 September 2005	
	Actual	As Adjusted
	(in HK\$ million)	(in HK\$ million)
Bank and other borrowings – current portion⁽¹⁾		
Unsecured bank borrowings – due within one year	286.3	286.3
Secured bank borrowings	160.4	160.4
	446.7	446.7
Bank and other borrowings – non-current portion⁽¹⁾		
Unsecured bank borrowings – due after one year	285.0	285.0
The Bonds to be issued ⁽²⁾	–	750.0
	285.0	1,035.0
Shareholders’ funds		
Share capital ⁽³⁾	59.2	59.2
Reserves	1,914.4	1,914.4
	1,973.6	1,973.6
Total capitalisation⁽⁴⁾	2,258.6	3,008.6
Total bank and other borrowings and capitalisation.	2,705.3	3,455.3

Notes:

- (1) As at 28 February 2006, the unaudited consolidated cash and cash equivalent and bank and other borrowings – current and non-current portions of the Group amounted to HK\$605.3 million, HK\$405.0 million and HK\$249.2 million, respectively.
- (2) In accordance with Hong Kong Accounting Standard 32 “Financial Instruments: Disclosure and Presentation”, a convertible bond should be split into an equity and a liability component. For illustrative purposes only, the aggregate principal amount of the Bonds to be issued has been presented as a liability in the above table.
- (3) If all the Bonds were converted at the initial conversion price of HK\$6.76 per Share, up to an additional 110.95 million Shares would be issuable on conversion.
- (4) Total capitalisation represents the sum of bank and other borrowings – non-current portion and shareholders’ funds.

Other than as disclosed above, there has been no material change in the capitalisation of the Group since 30 September 2005.

Capitalisation and Indebtedness of the Issuer

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of US\$1.00 par value each, of which one share of US\$1.00 is held by the Company. The Issuer does not have any debt outstanding other than the Bonds to be issued.

The following table sets out the unaudited capitalisation of the Issuer as at the date of the Information Memorandum, adjusted for the proposed issue of the Bonds:

	As at 27 March 2006	
	Actual	As Adjusted
	HK\$	HK\$
Borrowings		
Bonds to be issued	–	750,000,000
Shareholders' equity		
Issued capital	8	8
Total capitalisation	<u>8</u>	<u>750,000,008</u>

Since 27 January 2006, the date of its incorporation, the Issuer has been dormant and no financial statements of the Issuer have been prepared. The Issuer is not required by the laws of the British Virgin Islands, and does not intend, to publish any financial statements.

There has been no material change in the capitalisation of the Issuer since the date of its incorporation, except for the proposed issue of the Bonds.

THE ISSUER

Formation

Greatest Joy Investments Limited is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1007814). It was incorporated in the British Virgin Islands on 27 January 2006. The Issuer is a wholly-owned subsidiary of the Company.

Business Activity

The Issuer was established to facilitate the issue of the Bonds pursuant to the unrestricted objects and powers set out in its Memorandum of Association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a wholly-owned subsidiary of the Company.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Directors and Officers

The Directors of the Issuer are Mr. Yam Cheong Hung, Mr. Yum Chak Ming, Matthew and Mr. Yam Ho Ming, Michael and each of their business addresses are c/o the Company at Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong. None of the Directors of the issuer holds any shares or options to acquire shares of the Issuer.

The Issuer does not have any employees and has no subsidiaries.

Share Capital

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of US\$1.00 par value each and one share has been issued to and held by the Company. The register of members of the Issuer is maintained at its registered office in the British Virgin Islands at the offices of P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As of the date of this Information Memorandum, the Issuer does not have any debt outstanding other than the Bonds offered hereby.

DESCRIPTION OF THE GROUP

Overview

The Group is a leading and vertically integrated packaging printer headquartered in Hong Kong. With more than 18,000 employees (as of 30 September 2005), over 5 million sq. ft. of floor space of manufacturing and warehousing facilities in the PRC and Hong Kong and 33 printing presses, the Group believes that it is one of the largest printers in Hong Kong and the PRC in terms of revenue, market capitalisation and production capacity.

Through its subsidiaries, the Group operates four complementary business divisions:

- **Paper and carton box printing and manufacturing**
 - Paper products for packaging toys and games, electrical appliances, consumer electronics, consumer products, and food and beverages
 - Novelty children books
 - Soft and hard bound books
 - Other paper products including gift packaging and boxes, stationery, greeting cards and display stands
- **Paper trading**
 - Paper sourcing for internal consumption and third-party printers and converters
- **Corrugated carton manufacturing**
 - Corrugated cartons for toys and games, electrical appliances, consumer electronics, consumer products, and food and beverages
 - Corrugated board for corrugated carton manufacturers and printers
- **Paper manufacturing**
 - Corrugated medium and linerboard for corrugated carton manufacturers.

Paper and carton box printing and manufacturing is the Group's principal business and the most significant contributor to the Group's revenue and operating profit. For the years ended 31 March 2005, 2004 and 2003 and the six months ended 30 September 2005, the paper and carton box printing and manufacturing division accounted for 61.6%, 64.3%, 61.2% and 54.0% of the Group's revenue, and 77.2%, 81.3%, 78.3% and 74.8% of the Group's operating profit, respectively.

The Group believes that its significant scale of operations and vertically integrated operations enable it to enjoy significant synergies and assist it in stabilising its profit margins. Examples of the synergies arising from a significant degree of vertical integration include:

- the increasing contribution from the Group's supporting divisions such as paper trading and paper manufacturing assist it in stabilising its overall profit margins. The margins of its paper trading and manufacturing divisions tend to move in tandem with paper prices and enable it to partially mitigate the adverse impact of increased paper prices on the margins of its core paper and carton box printing and manufacturing division;

- the Group's different divisions consume a significant volume of paper every year for manufacturing purposes and as one of the largest paper traders in Hong Kong it also sources paper for a wide variety of paper customers, it is therefore able to leverage on its significant purchasing power to obtain volume discount and achieve a stable supply of a wide variety of paper;
- the Group's corrugated carton manufacturing division supplies quality paper boxes and shipping cartons for customers in the paper and carton box printing and manufacturing division and its paper manufacturing division supplies quality medium paper and linerboard for customers in the corrugated carton manufacturing division. As a result, the Group is able to offer its customers integrated manufacturing solutions enabling it to meet its customers' product needs more efficiently;
- waste paper generated by the paper and carton box printing and manufacturing division and the corrugated carton manufacturing division during their production process such as die cutting and edging can be sold to the paper manufacturing division for use as raw materials. During the year ended 31 March 2005, an average of approximately 3,000 tons of quality waste paper were sold by these divisions to the paper manufacturing division every month;
- the logistics warehousing facilities of the paper trading division in Shenzhen enable the Group to manage the supply chain for its customers more effectively and facilitate sales by the paper manufacturing division; and
- the significant vertical integration also enables the Group's different divisions to share the latest market information on paper prices, customer demand and supplier information gathered through different channels and enables the Group to react to market changes more efficiently.

The Group is headquartered in Hong Kong and has four operating plants in the PRC comprising one plant in Shenzhen, two plants in Zhongshan and one plant in Wuxi, and a new plant that is currently being built in Heshan, the PRC. The Group's production facilities are strategically located in the Pearl River Delta region and the Yangtze River Delta region, two of the most developed and fast-growing economic areas in the PRC with a high concentration of manufacturing activities for domestic consumption and exports.

In both 2000 and 2002, the Group was named by Forbes as one of the 300 Best Small Companies in the World and in 2004, the Group was awarded the status of "No. 1 Printing Company Within the Top 100 Printing Companies in the Guangdong Province".

The Company is a limited liability company incorporated in Hong Kong in 1987. The Company is an investment holding company that undertakes its business through its subsidiaries and has been listed on the Hong Kong Stock Exchange since 16 March 1992 (SEHK: 0450). As at 24 March 2006, the Company had a market capitalisation of HK\$2,703.5 million based on the closing price of the Shares on that date.

As at the date of this Information Memorandum, the Company had an authorised share capital of HK\$80,000,000 divided into 800,000,000 ordinary shares of HK\$0.10 each and an issued and fully paid share capital of HK\$60,078,053 consisting of 600,780,529 ordinary shares of HK\$0.10 each.

For the six months ended 30 September 2005, the Group's unaudited consolidated revenue was HK\$1,731.6 million and its unaudited net profit attributable to equity holders of the parent was HK\$171.7 million. For the year ended 31 March 2005, the Group's audited consolidated revenue was HK\$2,327.4 million and its audited net profit attributable to equity holders of the parent was HK\$240.3 million. As at 30 September

2005, the Group's unaudited consolidated total assets were approximately HK\$3,366.0 million and its unaudited consolidated total equity excluding minority interests was HK\$1,973.6 million.

History

The following sets forth the major milestone in the history of the Group:

- 1950 Mr. Yam Cheong Hung, Chairman and founder of the Group, established a small printing shop in the Central, Hong Kong to carry on the business of office stationery printing.
- 1959 Mr. Yam diversified the original business into the printing and manufacturing of paper and carton boxes and subsequently the office stationery printing operation was scaled down.
- 1966 Hung Hing Off-Set Printing Company, Limited ("Hung Hing Off-Set Printing") was incorporated to take over Mr. Yam's printing and manufacturing operations. Tai Hing Paper Products Company, Limited ("Tai Hing") was established to manufacture corrugated cartons and corrugated board.
- 1970 Sun Hing Paper Company, Limited ("Sun Hing") was established as an adjunct to the Group's paper and carton box printing and manufacturing business principally to provide a reliable supply of cardboard paper and other types of paper for Hung Hing Off-Set Printing and Tai Hing's operations.
- 1989 Hung Hing Off-Set Printing acquired a majority interest in Piguet Graphic & Prints Company Limited ("Piguet") to provide quality colour separation services.

The Group moved all its operations to its purpose-built premises at Tai Po Industrial Estate in Hong Kong.
- 1990 In order to provide a more convenient location to serve the customers of the Group based in the PRC and to take advantage of the lower labour and other production costs available in the PRC, the Group entered into a processing agreement with the local authority of Boa An Xian, Shenzhen, in the PRC for the processing of some of the Group's semi-finished products at Hwang Tian, Shenzhen.
- 1991 On 31 December 1991, the structure of the companies in the Group was rationalised in order to facilitate a listing on the Hong Kong Stock Exchange as a result of which the Company became the holding company of the Group.
- 1992 The Shares of the Company was formally listed on the Hong Kong Stock Exchange on 16 March 1992. After the listing, the Group began to actively expand its production capacity in the PRC.
- 1993 The Group entered into a 51% owned joint venture in Zhongshan, the PRC for paper and carton box printing and manufacturing and in 1998, the Group's shareholding in the joint venture was increased to 56%.

- 1994 The processing operation at Hwang Tian ceased and production operation was moved to a newly built and wholly-owned plant in Shenzhen, the PRC with significantly increased production capacity.
- 1995 The Group, through the establishment of a 35% owned paper manufacturing associate, Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited (“Zhongshan Rengo”) in Zhongshan, the PRC entered into the medium paper and linerboard manufacturing market.
- 2000 The Group substantially expanded its production facilities in Shenzhen, the PRC, and erected a new building for the production of children’s books, stationery and packaging materials.

The Group set up a new paper making production line through the establishment of another 35% owned paper manufacturing associate, Zhongshan Ren Hing Paper Manufacturing Company Limited (“Zhongshan Ren Hing”).

- 2003 The Group set up a new wholly-owned packaging and printing plant in Wuxi, Jiangsu, the PRC with a view to capturing the demand for packaging printing services in the Yangtze River Delta region.

During 2003, the Group’s logistic and paper distribution warehouse in Shenzhen, the PRC also commenced its operations.

- 2004 In September 2004, the Group acquired a piece of land with an area of 3.5 million sq.ft. in Heshan to build a new plant to supplement its Shenzhen facility and to further reduce its operating costs. Construction at the site has already commenced and Phase 1 is expected to commence operation in May 2006.

In December 2004, the Group increased its shareholding in the two paper manufacturing associates, Zhongshan Rengo and Zhongshan Ren Hing, from 35% to 59%, bringing them under the effective control of the Group.

Strategy

The Group aims to enhance its market leading position in the Hong Kong and PRC printing and packaging markets and continue to seek opportunities to realise sustainable business growth and increase shareholder return and value. To achieve this, the Group’s strategy is to:

Enhance the Group’s market leading position and core competence as a full-service and vertically integrated packaging printer

The Group intends to continue to expand and enhance its production facilities and technology to enhance its core competence as a full-service packaging printer, maximise the synergies among divisions and leverage on its vertically integrated operations and economies of scale to respond quickly to market changes and offset margin pressure. The Group has already established four complementary product and service divisions and a low cost and flexible manufacturing base of significant capacity comprising one plant in Shenzhen and two plants in Zhongshan in the Pearl River Delta region and one plant in Wuxi in the Yangtze River Delta region so that it has the necessary capacity to offer its customers significant production flexibility, ensure rapid and reliable shipments and

provide quality products and services. Following the increase in its equity interest in the two Zhongshan paper manufacturing joint ventures to a controlling stake of 59% in December 2004, the Group has implemented measures to improve the operational efficiency of the plants. It is currently constructing a new plant in Heshan, the PRC, where the average wage is lower than that of Shenzhen, with a view to further reducing its operating costs. It also intends to continue to expand its production facilities in Wuxi in order to capture business opportunities in the Yangtze River Delta region. In general, the Group will continue to focus on delivering quality products and services and enhancing its operating efficiency through prudent inventory management, stringent quality and cost controls and continuous investments in new production processes and technology.

Diversify and broaden the Group's customer base and product range

To counter the effects of increased competition and the seasonality of the Group's revenues, the Group intends to strategically focus on higher-margin business and broaden its product range to include more products that are less subject to seasonality such as packaging materials for cosmetic products, greeting cards and gift boxes. It will also continue to take advantage of the increasing outsourcing of manufacturing activities to the PRC to diversify geographically and broaden its customer base, with an emphasis on capturing new customers in the PRC, United States and Europe. The Group believes that these initiatives will enhance its ability to increase the volume of its business while at the same time further diversify its sources of income.

Provide value-added services to customers

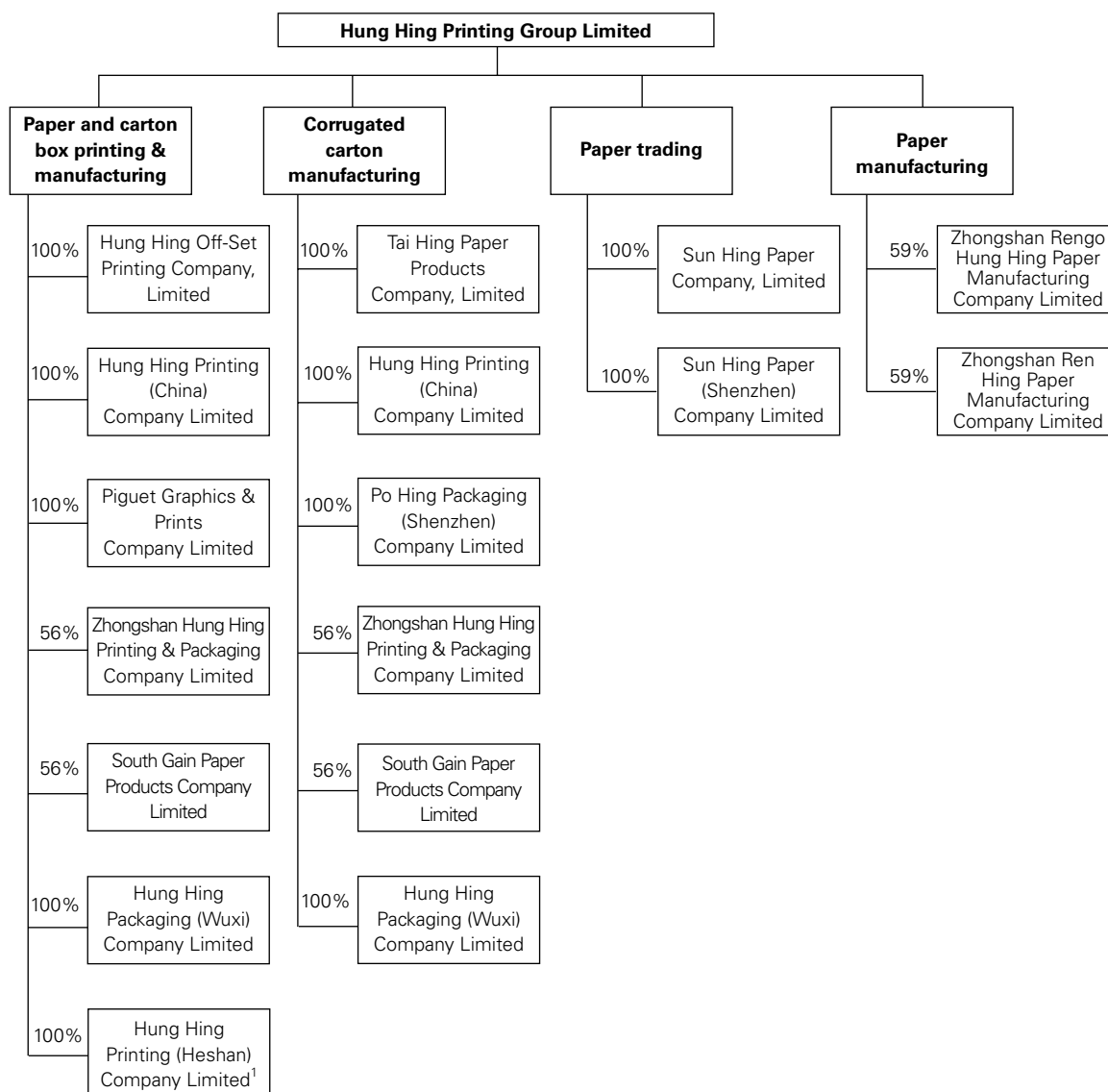
To enhance its competitiveness and improve its margins, the Group intends to leverage its core skills and capabilities to provide value-added services to its customers. For example, the Group's paper engineers work closely with its customers during the product design stage, collaborate with them in improving current and developing new product designs and provide technical advice on printing materials and production processes. In addition to conventional book printing services, the Group assists its publisher clients in packaging their products together with promotion materials or other accessories. Its logistic warehousing facilities in Shenzhen enables the Group to offer its customers significant warehousing capacity and logistic services. The Group will leverage its vertically integrated operations to provide tailor-made and full-service outsourcing solutions to its customers' packaging and printing needs, from package design, material sourcing, printing production and assembly to distribution.

Grow through acquisitions as well as organically

The Group believes that it will need to grow, both in terms of profitability and size, in order to strengthen its position in its core markets and enhance its competitiveness. In addition to growing through organic expansions, the Group will, from time to time, review opportunities to acquire or make long term investments in other industry players, particularly players who will be able to complement its core product portfolio and capabilities and assist it in further expanding the market share for its product and services, in a prudent and selective manner.

Corporate Structure

The following chart sets forth an overview of the corporate structure and the Company's approximate shareholding interests (direct and indirect) in the principal operating subsidiaries of the Group as at the date of this Information Memorandum:



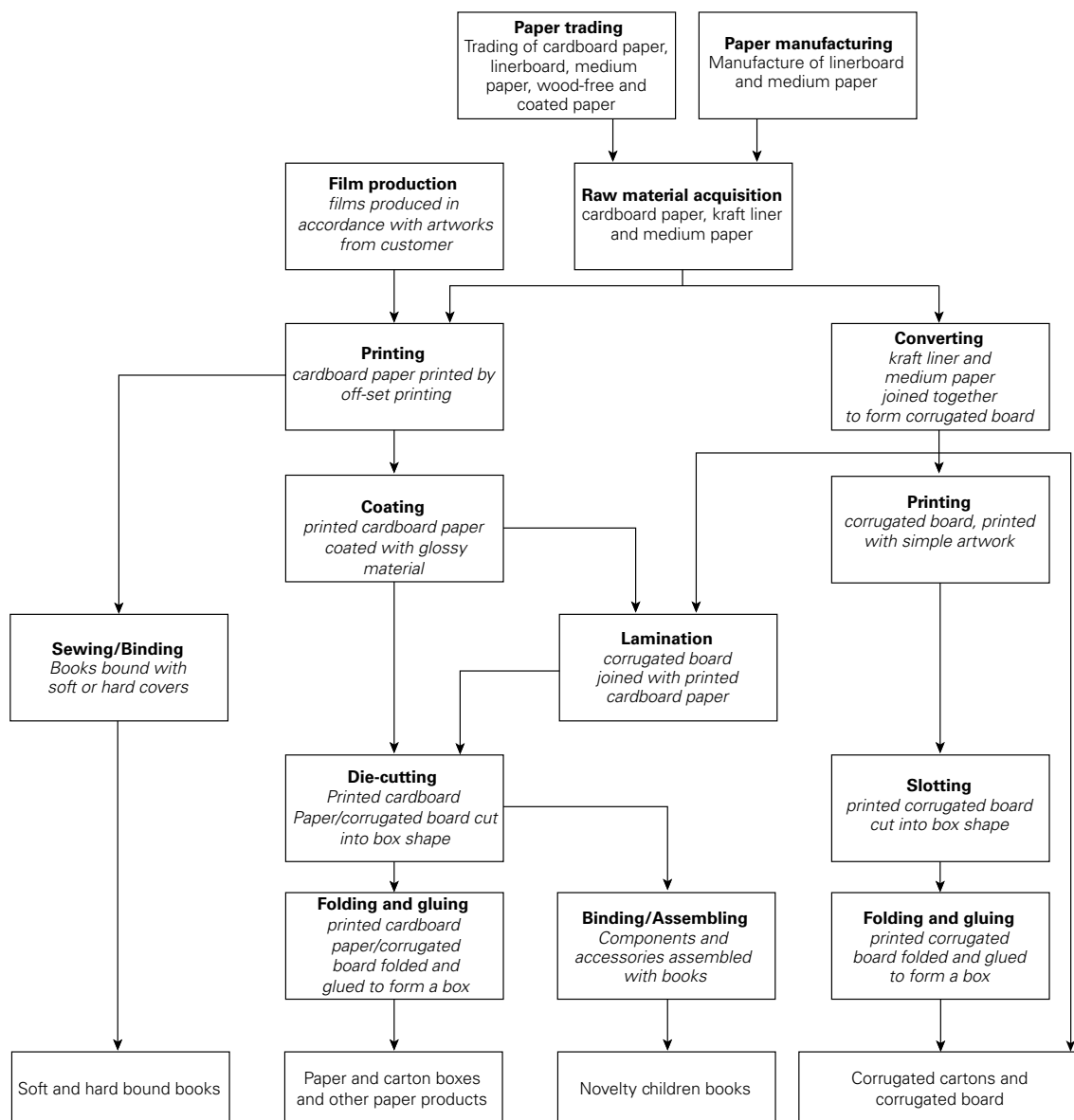
Note:

1. Not yet commenced operations.

Relationship between the Group subsidiaries

Each of the principal operating subsidiaries of the Group carries on its business independently of the other members of the Group and is a profit centre in itself. However, the activities of the operating subsidiaries of the Group supplement and interact with those of other members of the Group. The high degree of vertical integration within the Group's operations, as reflected by the significant level of intra-group transactions, contributes to the operational efficiency of the Group's business and enables the Group to maintain high production flexibility, relatively short production lead-time and competitive prices. In addition, the trading relationship between the principal operating subsidiaries of the Group secures a more reliable source of supplies and orders for the relevant subsidiaries and enables the Group to benefit from economies of scale.

The following chart illustrates the steps typically involved in the printing and manufacturing of paper and carton boxes and other paper products, novelty children books, soft and hard bound books, corrugated cartons and corrugated board and the operating relationship between the business divisions of the Group:



Segment Results

The following tables set forth, for the periods indicated, the contribution to revenue and operating profit generated by the Group's business divisions from sales to external customers:

	Segment revenue				
	For the six months ended 30 September		For the year ended 31 March		
	2005	2004	2005	2004	2003
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
Paper and carton box printing and manufacturing	935,129	806,692	1,433,719	1,304,781	1,112,078
Paper trading	184,169	122,487	228,155	251,929	267,608
Corrugated carton manufacturing	266,224	278,147	509,769	472,210	438,647
Paper manufacturing	346,113	–	155,750	–	–
Total	<u>1,731,635</u>	<u>1,207,326</u>	<u>2,327,393</u>	<u>2,028,920</u>	<u>1,818,333</u>
	Operating profit				
	For the six months ended 30 September		For the year ended 31 March		
	2005	2004	2005	2004	2003
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
	Paper and carton box printing and manufacturing	179,722	157,116	242,842	273,610
Paper trading	17,634	15,034	24,506	44,937	34,964
Corrugated carton manufacturing	23,808	23,146	31,330	27,370	41,063
Paper manufacturing	23,927	–	11,342	–	–
Eliminations	(806)	1,435	1,560	(1,366)	286
	244,285	196,731	311,580	344,551	315,412
Interest, dividend income and other gains	7,445	11,376	22,522	11,341	9,693
Corporate and unallocated expenses	(11,373)	(9,396)	(19,507)	(19,275)	(19,686)
Total	<u>240,357</u>	<u>198,711</u>	<u>314,595</u>	<u>336,617</u>	<u>305,419</u>

Geographical Segments

The following table sets forth, for the periods indicated, the breakdown of the Group's revenues by geographical market (i.e. location of customers):

	For the six months ended 30 September		For the year ended 31 March		
	2005	2004	2005	2004	2003
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
Hong Kong	814,011	572,115	1,064,529	1,078,846	1,021,901
PRC	509,063	285,912	676,188	435,688	374,175
United States	172,443	171,769	278,269	281,139	229,035
Other	236,118	177,530	308,407	233,247	193,222
Total	<u>1,731,635</u>	<u>1,207,326</u>	<u>2,327,393</u>	<u>2,028,920</u>	<u>1,818,333</u>

Paper and Carton Box Printing and Manufacturing

The paper and carton box printing and manufacturing division is the largest contributor of the Group's revenue and operating profit. For the six months ended 30 September 2005, the division's activities accounted for 54.0% and 74.8% of the Group's total revenue and operating profit, respectively. For the year ended 31 March 2005, the division's activities accounted for 61.6% and 77.2% of the Group's total revenue and operating profit, respectively.

Products and Services

The principal products of the paper and carton box printing and manufacturing division include:

- *Folding cartons* for packaging toys, electrical appliances, consumer electronics, consumer products, and food and beverages, which enable its customers to include high-impact graphics, abrasion and heat resistance, leakage protection and moisture, gas and solvent barriers in their product packaging;
- *Novelty children books* in a wide variety of formats, sizes and functions including stickers, jigsaws, pop-ups, slipcases, boards, pull-outs, baths, blocks, big carousels, plushes and lenticulars; and
- *Other paper products* including gift packaging, stationery (notebooks, tabulated address books, writing paper and envelopes, ring binder files and photo albums), greetings cards and paper bags.

In addition, to take advantage of the trend in outsourcing commercial printing to printers in the PRC by publishers in the United States and Europe and the consolidation by multinational companies of their orders to selected printers, the Group launched a conventional book division in 2004 to produce softcover and hardcover books.

With its vertically integrated operations, the Group's principal capabilities and service offerings in the paper and carton box printing and manufacturing business include:

- *Printing and Binding*
 - 33 advanced colour presses, mainly five, six, seven, eight and ten colours, which enable the Group to provide 24-hour seamless services with on-line finishing;

- over 161 automatic/handfeed die-cutters; and
 - a wide range of binding machines specifically for children and conventional books.
- *Paper*
 - a broad range of paper and significant warehousing capacity which minimise the lead time or indent period for most of its stocks;
 - in-house paper and board roll sheeters to cut paper to fit a wide range of customer specifications and offer significant flexibility on book formats;
 - capability to print large paper sheet sizes of up to 1440mm x 1040mm; and
 - in-house carton making which offers greater flexibility and faster schedules than other suppliers.
 - *Paper Engineering*
 - a team of skilled paper engineers to produce samples for client examinations and to provide technical advice on print materials and production processes.
 - *Finishing*
 - digitally accurate die-cutting using computerised laser die-board making systems;
 - a broad range of print finishes including silk screening, UV ink onto foil, conductive inks, magnetic inks, scratch and sniff inks, glow in the dark inks, fluorescent inks, UV ink mixed with glitter, lenticular, PP lamination, UV varnish, calendering varnish, regular varnish, water-based varnish, foil embossing and hot stamping; and
 - capability to combine printing and packing of customer components.

The Group is one of the top colour separation houses in Hong Kong, providing comprehensive pre-press services to meet individual customer needs. Through its subsidiary, Piguet, the Group provides quality film and colour separation and colour proof production services for packaging, books, magazines, posters and other paper products.

Raw Materials

The principal raw materials used by the paper and carton box printing and manufacturing division are cardboard paper and corrugated board. A wide range of paper is used for children book production according to the specific requirements of its customers. The division purchases cardboard paper and corrugated board primarily from other subsidiaries of the Group and other independent paper suppliers. Other raw materials used include ink from Japan and Europe, PVC films for box windows from Taiwan and glossy coating materials from the United States, France and Taiwan.

Production

The efficiency of the printing and manufacturing process is dependent largely on the use of advanced printing machines capable of producing a wide variety of products and large volumes required by the Group's customers. The Group owns 33 printing presses in total, including five new perfectors – three sets with 8 colour (4c x 4c) and two sets with 10 colour (5c x 5c). The Group also possesses computer-to-plate facilities, high speed

binding lines and on site reprographics and paper sheeting facilities. The Group believes that the use of advanced and computerised machinery and equipment for manufacturing and printing quality products is one of the principal factors in maintaining its competitiveness.

The Group's novelty children books production process is labour intensive. Depending on the design of the products, the production process may involve cutting, folding, assembling and finishing which are done manually.

Quality control

The Group is required to meet its customers' specifications in terms of accuracy and consistency of colour, size of printed matter and quality of binding, folding and gluing. Quality control during and after each individual stage of the processing is important as defects are usually difficult to correct afterwards. Operators involved in each stage of the production process carry out quality control inspections and finished products are subjected to a similar further inspection.

Returns of the division's defective products from its customers are historically negligible.

Customers

The majority of the paper and carton boxes manufactured by this division are sold to manufacturers in the toys, consumer goods, consumer electronics, electrical appliances and food and beverage industries for the retail packaging of their products as a result of the trends in outsourcing packaging printing to printers in PRC. This division also provide commercial printing services to international publishers. The customers in this division include some of the leading publishers of children books and other book publishers such as Reader's Digest and Penguin, blue-chip consumer product producers such as Colgate – Palmolive and toy manufacturers such as Mattel. The Group places strong emphasis on providing reliable and value-added services. These qualities have enabled the Group to attract a diversified customer base, including brand name manufacturers and original equipment manufacturers from Japan, Europe, United States and Australia, as well as PRC and Hong Kong companies. The customer base of the paper and carbon box printing and manufacturing division comprises more than 600 active accounts.

Paper trading

The Group's subsidiary, Sun Hing, is one of the largest paper traders in Hong Kong. It was incorporated in Hong Kong in 1970 and has a history of over 30 years acting as a paper agent, trading paper sourced from around the world.

Products and Services

The principal products traded by the paper trading division are cardboard paper which is mainly used for paper and carton boxes, linerboard and medium paper which are used for corrugated cartons and corrugated board and wood-free and coated papers which are used for magazines and books.

The majority of the paper trading division's sales are standard-sized and standard-quality products and special-sized or special-quality products are purchased only to fulfil specific orders from its customers. Papers purchased by the paper trading division which are not delivered directly to customers are stored in the warehouse of the Group. The paper trading division also provides delivery and storage services to its customers. It arranges custom clearance for imported paper and transports the imported paper from the ports to customers' factories in the PRC. It also provides storage services to

customers at its Shenzhen logistics warehouse. The paper trading division keeps a stock level of paper of up to two months' average sales requirements. The control of the different varieties of paper and the stockholding level have been significantly enhanced by the commencement of operations of its logistics warehouse facility in Shenzhen, the PRC.

The logistics warehouse facility, with a storage capacity of over 60,000 tons, also allows the Group to maintain a stable supply of paper to mitigate the risks of paper price fluctuation. The Group also closely monitors trends in the paper industry and its storage capacity. The Group intends to cooperate with other paper manufacturers in or outside the PRC to capture business opportunities in the Pearl River Delta region and the domestic paper market in the PRC.

The division also has its own processing facilities, such as paper and board sheeters and rewinders to tailor make paper into different sizes to meet its customers' specific requirements.

Paper sourcing

The paper trading division sources its paper supplies principally from the United States, Japan, Korea, South Africa, Europe, Indonesia and PRC. Examples of the different types of paper include duplex board from Japan and the PRC; linerboard and medium paper from Canada and the PRC; and ivory card and art paper from Finland, the United States and the PRC. The Group has long-established relationships with a number of major international paper trading houses and mills such as APP, Rengo, M-real, Stora Enso and Nine Dragons. For the six months ended 30 September 2005 and the year ended 31 March 2005, the paper trading division's biggest supplier accounted for approximately 35.0% and 38.4%, respectively, of Sun Hing's purchases.

Customers

The Group's internal paper requirements accounted for approximately 51.4% and 61.7%, respectively, of the division's total sales during the six months ended 30 September 2005 and the year ended paper trading 31 March 2005. The paper trading division's customers also include many leading printers and packaging printing companies in Hong Kong and southern China. It has a wide customer base of over 350 active accounts.

Corrugated carton manufacturing

Products

The corrugated carton manufacturing division manufactures and sells corrugated cartons and corrugated board and possesses extensive experience in the manufacturing of quality corrugated cartons.

Raw materials

The principal raw materials used for the manufacturing of corrugated board are linerboard and medium paper. The division imports all its linerboard and medium paper requirements through the Group's paper trading division but sources the remaining linerboard and medium paper requirements directly from PRC paper manufacturers. Other raw materials include ink from New Zealand and Hong Kong and starch from the PRC and Thailand.

Production

The Group's products require direct printing on corrugated cartons and corrugated boards. Starting with an appropriate printing plate, the Group has the capacity to produce large quantities of products in short periods, thereby enabling a quick response to customers' orders. The Group uses advanced printing and manufacturing machinery which enable the production of strong corrugated board and quality printing on to the corrugated board. A new corrugator in the Zhongshan plant became operational in 2005 and has enhanced the competitiveness of this division, which is an important component of the Group's long-term vertically integrated strategy.

Customers

The corrugated carton manufacturing division's products, mainly corrugated cartons, are sold directly to end-users such as manufacturers in the toy, consumer good, electrical appliance, electronic and food and beverage industries as well as to other packaging and printing companies in Hong Kong and PRC. The balance of the division's output is corrugated board which are sold to corrugated carton manufacturers and printers as well as to the Group's printing division for internal use. Internal sales accounted for approximately 20.4% and 17.4%, respectively, of this division's total sales during the six months ended 30 September 2005 and the year ended 31 March 2005.

Paper Manufacturing

The Group primarily operates its paper manufacturing business division through Zhongshan Rengo and Zhongshan Ren Hing.

Products

The paper manufacturing division manufactures and sells high strength medium paper and linerboard to corrugated board and corrugated carton manufacturers. Medium paper and linerboard are the principal raw materials for corrugated board and corrugated carton. Linerboard is used to provide the inner and outer facing to medium paper and the combination of the linerboard and fluted inner sheet of medium paper gives the board its rigid structure. The paper manufacturing division offers standard-sized medium paper and linerboard of different grades and strengths to meet the requirements of different customers.

Raw materials

The principal raw materials for medium paper and linerboard are unbleached kraft pulp and old corrugated cardboard/containers ("OCC"). The Group's linerboard typically contains 10% to 20% kraft pulp and 80% to 90% OCC fibres whereas its medium paper is generally made from 100% OCC.

The paper manufacturing division sources its OCC primarily from the United States and Europe, which accounted for over 90% of its OCC requirements. The Group has developed ongoing business relationships with OCC brokers and has sourcing agents in the United States and Europe to facilitate the procurement of quality OCC. It sources all of its kraft pulp from the United States, Canada and Russia. The paper manufacturing division typically maintain a stock of raw materials sufficient to satisfy its production requirements for one month. It keeps in average approximately 36,000 tons of OCC in stock.

Production

The paper manufacturing division operates three paper making machines in Zhongshan, the PRC, with an annual production capacity of approximately 350,000 tons. Two of the paper machines produce paper with maximum width of 4.00 metres at a speed of 500 metre per minute and one paper machine produces paper with maximum width of 5.50 metres at a speed of 600 metre per minute.

The paper manufacturing facilities of the paper manufacturing division are located in Xiaqi, Zhongshan, Guangdong Province, the PRC with a gross area of 1.8 million sq. ft. Zhongshan is situated on the west bank of the Pearl River Delta region in southern China with convenient transportation by water and road. Major buildings on the site include three paper production buildings, warehousing and storage facilities, a power generation plant, water supply and wastewater treatment facilities and a pier. The power generation plant generates sufficient electricity for the plant's use at a lower cost than purchasing electricity from the local power bureau. The water supply system and wastewater treatment facilities also ensure a stable supply of water to the plant.

Customers

The paper manufacturing division's products are primarily sold to third party corrugated board and carton manufacturers as well as to the Group's corrugated carton manufacturing division for internal use. Most of the products are sold to corrugated board and carton manufacturers located in the Pearl River Delta region. Internal sales accounted for approximately 22.8% and 11.5%, respectively, of this division's sales during the six months ended 30 September 2005 and the year ended 31 March 2005. It has a customer base of over 200 active accounts.

MARKETING AND CUSTOMERS

The Group has several teams of marketing executives for each of its principal operations. The executives maintain regular contact with existing and potential customers and liaise with them regarding orders and specifications throughout the production process in order to ensure that the customers' needs are met. Although the Group advertises in trade journals, it believes that it is the experience and reputation of the Group in the packaging printing industry in Hong Kong and the PRC that attracts new customers. Referral business forms a major part of the Group's new business. Many of the Group's largest customers during the six months ended 30 September 2005 and the year ended 31 March 2005, have had a trading relationship with the Group for over 10 years.

The Group has a diversified customer base, with more than 1,700 active customers involved in a wide variety of industries. The Group does not believe that there is any significant reliance on any single customer. The largest single customer and the largest five customers together accounted for approximately 3.0% and 11.0% of the Group's total sales, respectively, for the six months ended 30 September 2005 and 3.4% and 10.8%, respectively, for the year ended 31 March 2005. Sales to customers are usually made on an open account basis of between 30 to 90 days, with the exception of sales to new overseas customers, which are made on a letter of credit basis. Most sales to customers are made in either Hong Kong dollars or United States dollars.

Although the Group has established long-term business relationships with many clients, most of its clients purchase its products and services under purchase orders rather than long-term supply agreements. The Group believes that operating without long-term agreements is consistent with industry practices, although it could potentially increase the Group's vulnerability to significant period-to-period changes during

economic downturn. Due to the project-oriented nature of the Company's business, sales to particular clients may vary significantly from year to year and period to period, depending upon the number and size of their projects. The identity of those clients may also change.

RAW MATERIALS

Raw materials necessary to the Group are readily available from numerous suppliers. The Group has not experienced difficulties in obtaining materials for its continuing operations in the past and does not consider itself dependent on any particular supplier for raw materials or for the Group's equipment needs. The Group's vertically integrated operations also facilitate a more stable paper supply, which helps to mitigate the risks of paper price fluctuations. The Group typically seeks to pass along increases in raw material prices to its customers. However, particular contractual provisions, competitive pressures and other factors can limit the Group's ability to do so at all or on a timely basis.

PRODUCTION FACILITIES

The Group has one plant in Shenzhen, two plants in Zhongshan, one plant in Wuxi and a new plant that is currently being built in Heshan, the PRC.

The following table sets forth a summary of the production facilities of the Group in the PRC as at the date of this Information Memorandum:

<u>Facilities</u>	<u>Location</u>	<u>Business activities</u>	<u>Factory floor space (sq. ft.)</u>	<u>Certification</u>	<u>Annual capacity</u>
Shenzhen Plant	Fu Yong Zhen, Shenzhen	Printing and manufacture of carton boxes and books Corrugated carton manufacturing	2.0 million	ISO 9001: 2000 ISO 14001 ICTI COBP	100 million copies of children's books, 300 million print impressions, 200 million sq.m. of corrugated board
Zhongshan Plants	Zhongshan Gang Region, Zhongshan, Guangdong	Paper box printing and manufacturing Corrugated carton manufacturing	1.2 million	ISO 9001: 2000 application for ISO 14001 pending	150 million print impressions, 100 million sq.m. of corrugated board
	Xiaqi, Zhongshan, Guangdong	Manufacture of medium paper and linerboard	1.1 million		350,000 tons of kraft linerboard and medium paper
Wuxi Plant	Wuxi, Jiangsu	Printing and manufacturing of packaging products, colour boxes, corrugated cartons, greetings cards and shopping bags	0.5 million	ISO 9001: 2000 ISO 14001	75 million print impressions 20 million corrugated board

In September 2004, the Group acquired a piece of land with an area of 3.5 million sq. ft. in Heshan to build a new plant to supplement its Shenzhen facility. Heshan is located in Guangdong province, approximately 90 minutes drive from Shenzhen by road. Construction at the facility has already commenced and Phase 1 is expected to commence operation in May 2006. As the average wage in Heshan is lower than that in Shenzhen, the Group will first relocate the more labour intensive production processes to Heshan. It is the Group's long-term plan to gradually relocate more of its production processes to Heshan.

The Group is also installing two printing machines in Tai Po, Hong Kong with a view to supplementing its operations in the PRC and maintaining greater production flexibility.

COMPETITION

The market for the services provided by the Group is fragmented and highly competitive, primarily on the basis of price, quality, production capability, capacity for prompt delivery and continuing relationships. The Group's principal competitors, and the scope of the area in which it competes, vary based upon the services offered. Numerous competitors exist for all of the Group's services. The Group believes that relatively few competitors offer the wide range of services that the Group provides. Despite the competitive environment, there are only a few companies that have the skills and financial resources, similar to the Group, to participate in package printing, corrugated carton manufacturing, paper manufacturing and paper trading. The Group believes that through its four complementary business divisions, it has achieved significant economies of scale and synergies to compete effectively in the packaging printing business in Hong Kong and the PRC.

INTELLECTUAL PROPERTY RIGHTS

The Group does not own any material intellectual property rights but the Group possesses technical knowhow as to improving the quality of its products and manufacturing efficiency.

ENVIRONMENTAL POLICY

The Group and the industry in which it operates are subject to environmental laws and regulations concerning emissions into the air, discharges into waterways and the generation, handling and disposal of waste materials. These laws and regulations are constantly evolving, and it is impossible to accurately predict the effect they may have upon the future capital expenditures, earnings and competitive position of the Group. The Group's past expenditures relating to environmental compliance have not had a material effect on the Group. Growth in the Group's production capacity with a resultant increase in discharges and emissions could require additional capital expenditures for environmental control facilities in the future.

The Group takes serious measures to protect and preserve the environment and all of its operating production facilities (except the two Zhongshan plants) have been accredited with ISO14001, the certification for compliance with international environmental standards. The Zhongshan printing and corrugated carton plant is currently applying for the ISO14001 certification. In its efforts to preserve, protect and improve the environment, the Group has also developed new wastewater treatment technologies and purified systems in its paper manufacturing plant in Zhongshan so that waste effluents can be purified for use in the manufacturing process. The system substantially reduces water pollution produced by the plant by mixing wastewater

generated by the plant with the coal ash produced in the course of electricity generation for the plant. Waste effluent purified by such a treatment is then used for manufacturing purposes.

The Group's operations involve the extensive use of imported waste paper. The Group's paper manufacturing plant uses recycled materials from imported waste paper from the USA and Europe which are then recycled into linerboard and medium paper for making corrugated board. The corrugated board is then used to make carton boxes for consumer products which are shipped world-wide.

GOVERNMENT REGULATIONS

The operations of the Group are subject to various laws and regulations in the jurisdictions in which it operates. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Group believes that it is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. The Company is not aware of significant problems experienced by any member of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its properties or operations.

EMPLOYEES

As at 30 September 2005, the Group employed a total of 18,018 staff in Hong Kong and the PRC. Of the total, 309 were employed in Hong Kong and 17,709 in the PRC.

The Group is dedicated to providing a good-quality work environment and training for its staff, to ensure both operational efficiency for the Group and career opportunities for employees.

The Group continues to provide its employees with competitive salaries. The Group also offers bonuses based on the working performance of the employee and business performance of the companies within the Group.

The Group's ethical policy is to comply with all relevant national or local laws and regulations on labour, fire prevention and industrial safety. The Group respects the rights of its employees to work in a safe and hygienic environment, to form lawful associations and to have their performance assessed solely on ability. The Group does not recruit nor support child, forced or prison labour and does not support physical or mental punishment. The Group does not discriminate in any way on the basis of gender, race, religion, age, sexual orientation or ethnic origin. The Group's working hours comply with local laws, which includes one full day off every week.

INSURANCE

The Group is covered by insurance policies which comprise of all risk property insurance and public liability insurance. The Group does not maintain insurance for loss of senior management staff or other key employees or business interruptions. The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage, which are normal for the type and location of the properties to which they relate. Notwithstanding such insurance coverage, damage to the buildings, facilities, equipment or other properties as a result of occurrences such as fire, flood, water damage, explosion, power loss, typhoons and other

natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material adverse effect on the Group's financial condition and results of operations.

LEGAL PROCEEDINGS AND TAX REVIEW

Neither the Company nor any of its subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Bonds, nor is the Company aware that any such proceedings are pending or threatened.

The Group has recently reached a settlement agreement with the Hong Kong Inland Revenue Department (the "IRD") in respect of the review by IRD of the tax assessments for the years 1996/1997 to 2003/2004 in respect of certain subsidiaries of the Group. The Group has made a provision of approximately HK\$13 million to satisfy potential tax liabilities which may arise from the IRD review, which is sufficient to cover the settlement amount under the settlement agreement with IRD.

SUBSIDIARIES

The following table sets forth the subsidiaries of the Company as at the date of this Information Memorandum which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial proportion of the net assets of the Group for the year:

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK\$100	100	–	Paper products and carton box trading
Sun Hing Paper Company, Limited	Hong Kong	HK\$100	100	–	Paper trading
Hung Hing Printing (China) Company Limited	the PRC	HK\$80,000,000	–	100	Production and colour printing of paper products
Tai Hing Paper Products Company, Limited	Hong Kong	HK\$100	100	–	Trading of corrugated cartons
Piguet Graphic & Prints Company Limited	Hong Kong	HK\$1,000,000	100	–	Provision of colour separation services
Zhongshan Hung Hing Printing & Packaging Company Limited	the PRC	US\$15,000,000	–	56	Printing and manufacturing of paper cartons
Zhongshan Hung Hing Off-Set Printing Company Limited	the PRC	US\$5,000,000	–	56	Production and colour printing of paper products
Hung Hing International Limited	British Virgin Islands/ the PRC	US\$100	100	–	Investment holding
South Gain Enterprises Limited	Hong Kong	HK\$1,000,000	–	56	Selling and purchasing agent

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Po Hing Packaging (Shenzhen) Company Limited	the PRC	US\$11,200,000	-	100	Printing and manufacturing of paper cartons
South Gain Paper Products Company Limited	the PRC	US\$15,000,000	-	56	Not yet commenced operations
Sun Hing Paper (Shenzhen) Company Limited	the PRC	HK\$30,000,000	-	100	Paper trading
Hung Hing Packaging (Wuxi) Company Limited	the PRC	US\$24,000,000	100	-	Production and colour printing of paper products
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	the PRC	US\$28,830,000	51	8	Paper manufacturing
Zhongshan Ren Hing Paper Manufacturing Company Limited	the PRC	US\$14,710,000	51	8	Paper manufacturing
Hung Hing Printing (Heshan) Company Limited	the PRC	HK\$80,000,000	-	100	Not yet commenced operations

RELATED PARTY TRANSACTIONS

The Group currently engages in, and expects from time to time in the future to engage in, financial and commercial transactions with its related parties. All such transactions are conducted on an arm's length and commercial basis. See note 30 to the audited consolidated financial statements of the Group for the year ended 31 March 2005 and note 18 to the unaudited condensed interim financial statements of the Group for the period ended 30 September 2005.

DIRECTORS AND MANAGEMENT

The members of the board of directors of the Company as at the date of this Information Memorandum are as follows:

Executive directors:

Yam Cheong Hung (*Chairman*)
Yum Chak Ming, Matthew (*Managing Director*)
Yam Ho Ming, Michael
Yam Hon Ming, Tommy

Non-executive directors:

Chu Shu Ho, David
Yum Pui Ming, Anna

Independent non-executive directors:

Yip Yu Bun
Wong Siu Ping
Yap, Alfred Donald

The biographies of the Executive Directors, Non-executive Directors, Independent Non-executive Directors and the Senior Management at the date of the Information Memorandum are as follows:

Executive Directors

Mr. Yam Cheong Hung (*Chairman*)

Mr. Yam Cheong Hung, aged 77, has been the Chairman and a director of the Company since 1991. He is responsible for the strategic policy and the corporate development of the Group. He has over 50 years of experience in the printing industry.

Mr. Yum Chak Ming, Matthew (*Managing Director*)

Mr. Yum Chak Ming, Matthew, aged 48, has been the Managing Director and a director of the Company since 1991. He holds a Bachelor of Applied Science degree in Industrial Engineering and a Master of Business Administration degree in Marketing and Finance, both from the University of Toronto. He is responsible for the overall management of the Group. He has been with the Group since 1983 and is a son of Mr. Yam Cheong Hung.

Mr. Yam Ho Ming, Michael

Mr. Yam Ho Ming, Michael, aged 47, is a director of the Company and is responsible for overseeing the Group's paper trading and paper manufacturing operations in China. He holds a Bachelor of Science degree in Printing Management from Rochester Institute of Technology, United States. He has over 10 years of experience in the printing industry both in Hong Kong and overseas. He worked for 3 years in the sales and marketing department with a paper mill in Canada before rejoining the Group in 1992. He became a director of the Company in June 1996. He is a son of Mr. Yam Cheong Hung.

Mr. Yam Hon Ming, Tommy

Mr. Yam Hon Ming, Tommy, aged 42, was a director of the Company from 1991 to 1996. He rejoined the Group in 1999 and became a director of the Company in July 2000. He holds a Bachelor of Art degree in Economics from York University, Canada. He is the General Manager of the Group's subsidiary, Hung Hing Packaging (Wuxi) Company Limited and is responsible for its general management. He has over 10 years of experience in the printing industry. He is a son of Mr. Yam Cheong Hung.

Non-executive directors**Dr. Chu Shu Ho, David, JP**

Dr. Chu Shu Ho, David, JP, aged 56, has been a director of the Company since 1991. He has over 30 years of experience in the paper packaging industry. He is the Honorary Chairman of the Hong Kong Corrugated Paper Manufacturers Association Limited and a member of the National Committee of the Chinese People's Political Consultative Conference. He is well known in the Chinese sports society. Dr. Chu is the Chairman of the Mission Hills Group and Mission Hills Golf Club.

Ms. Yum Pui Ming, Anna

Ms. Yum Pui Ming, Anna, aged 45, has been a director of the Company since 1992. She has 12 years of experience in administration and finance. She is a daughter of Mr. Yam Cheong Hung.

Independent non-executive directors**Mr. Yip Yu Bun, MH**

Mr. Yip Yu Bun, MH, aged 79, has been a director of the Company since 1994. He is the Managing Director of The Green Pagoda Press Limited. He is the Honorary President of the Hong Kong Printers Association, the former Chairman of the Printing, Publishing & Newspaper Industry Safety and Health Committee of the Occupational Safety & Health Council and the former Chairman of the Printing Industry Training Board of the Vocational Training Council. He has over 40 years of experience in the printing industry.

Mr. Wong Siu Ping

Mr. Wong Siu Ping, aged 57, was a non-executive director of the Company from 2000 to 2002 and re-appointed as an independent non-executive director of the Company in July 2004. He is the Deputy General Manager, Finance Department of China Resources (Holdings) Company Limited. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1984. Mr. Wong has over 15 years of experience in financial management with a diversified business group in Hong Kong.

Mr. Yap, Alfred Donald, JP

Mr. Yap, Alfred Donald, JP, aged 68, is presently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. He is the former president of The Law Society of Hong Kong and of The Law Association for Asia and The Pacific (LAWASIA). He has served and presently still serves on various public and community bodies. Mr. Yap is currently an independent non-executive director of eSun Holdings Limited, Wong's International (Holdings) Limited and RBI Holdings Limited, which are listed on the Stock Exchange of Hong Kong Limited. He became a director of the Company in March 2005.

Senior management

Mr. Man Lim Huen

Mr. Man Lim Huen, aged 72, is a director and co-founder of the Group's subsidiary, Tai Hing Paper Products Company, Limited. He is an advisor to the Group's subsidiary, Hung Hing Printing (China) Company Limited. He has over 30 years of experience in production and factory management in the corrugated carton industry. He has been with the Group since 1966.

Mr. Chan Siu Man, Alvin

Mr. Chan Siu Man, Alvin, aged 48, is the executive director of the Group's subsidiary, Hung Hing Off-Set Printing Company, Limited and is responsible for sales and marketing. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto. He has been with the Group since 1990. He is a son-in-law of Mr. Yam Cheong Hung.

Mr. Sung Chee Keung

Mr. Sung Chee Keung, aged 47, is the General Manager of the Group's subsidiary, Zhongshan Hung Hing Printing & Packaging Company Limited and is responsible for its general management. He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, United States. He has 20 years of experience in the printing industry and has been with the Group since 1986.

Mr. Chan Lai Him, Raymond

Mr. Chan Lai Him, Raymond, aged 49, is the executive director of the Group's subsidiary, Tai Hing Paper Products Company, Limited and is responsible for its general management. He holds a Bachelor of Art degree in Commerce from the University of Toronto. He has over 16 years of experience in different manufacturing industries and has been with the Group since 1999. He is a son-in-law of Mr. Yam Cheong Hung.

Mr. Chan Tai Ho

Mr. Chan Tai Ho, aged 57, is the General Manager of the Group's subsidiary, Tai Hing Paper Products Company, Limited and is responsible for sales and marketing. He has over 30 years of experience in the corrugated carton industry and has been with the Group since 1969.

Mr. Song Zhi Yi

Mr. Song Zhi Yi, aged 45, is the General Manager of the Group's subsidiary, Hung Hing Printing (China) Company Limited and is responsible for its general management. He holds a Bachelor's degree in Forestry from the Southern China University, the People's Republic of China. He has been with the Group since 1990.

Ms. Chong Wai Kan, Winky

Ms. Chong Wai Kan, Winky, aged 36, is the General Manager of the Group's subsidiary, Sun Hing Paper Company, Limited and is responsible for its general management. She has over 10 years of experience in sales and marketing in paper trading. She has been with the Group since 1992.

Mr. Tung Yu Bui

Mr. Tung Yu Bui, aged 57, is the Financial Controller and Company Secretary of the Company and is responsible for the financial and secretarial affairs of the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, he had 5 years of experience with a major international accounting firm in Hong Kong and 11 years of experience in financial management with a multinational company in Hong Kong. He has been with the Group since 1992.

Mr. Lau Chin Hung, Edwin

Mr. Lau Chin Hung, Edwin, aged 52, is the Deputy General Manager of the Company and the Personal Assistant to Managing Director. He is responsible for assisting the Managing Director in the planning and operations of the Group. He obtained a higher diploma with distinction in design from Hong Kong Polytechnic University in 1976. He has over 16 years experience in senior management in the printing industry. He has been with the Group since 2004.

Mr. Lee Kwok Wai, Raymond

Mr. Lee Kwok Wai, Raymond, aged 46, is the General Manager of the Group's subsidiaries Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited and is responsible for their general management. He holds a Bachelor of Economics degree in Finance and a Master of Business Administration degree, from the Royal Melbourne Institute of Technology, Australia. Prior to joining the Group, he had extensive experience in finance, manufacturing, sales and marketing with multinational companies in China. He has worked in the paper manufacturing industry over 10 years. He has been with the Group since 2005.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Directors' Interests in Shares

At 24 March 2006, the interests of the directors in the share capital of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

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 (Note)	Total	
Yam Cheong Hung	–	1,650,207	282,676,379	284,326,586	47.33%
Yum Chak Ming, Matthew	9,104,537	–	282,676,379	291,780,916	48.57%
Yam Ho Ming, Michael . .	–	–	282,676,379	282,676,379	47.05%
Yam Hon Ming, Tommy .	–	–	282,676,379	282,676,379	47.05%
Yum Pui Ming, Anna . . .	1,246,135	951,134	282,676,379	284,873,648	47.42%
Yap, Alfred Donald	27,504	–	–	27,504	–

Note: Yam Cheong Hung, Yum Chak Ming, Matthew, Yam Ho Ming, Michael, Yam Hon Ming, Tommy and Yum Pui Ming, Anna are beneficial shareholders of approximately 9.15%, 14.08%, 14.08%, 14.08%, and 9.86%, respectively, of the issued share capital of C.H. Yam International Limited, which directly holds 88,887,189 shares of the Company and indirectly holds 193,789,190 shares of the Company through its subsidiary, Hung Tai Industrial Company Limited.

Save as disclosed above, as at 24 March 2006, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

At no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, and no such rights were exercised by them; neither the Company nor any of its subsidiaries was party to any arrangement to enable the directors to acquire such rights in any other corporate.

Substantial Shareholders' and Other Persons' Interests in Shares

At 24 March 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Yam Cheong Hung	Held by Controlled Corporation and his spouse ⁽¹⁾	284,326,586	47.33%
C.H. Yam International Limited	Beneficial Owner and held by Controlled Corporation ⁽¹⁾	282,676,979	47.05%
C.H. Yam Holding Limited	Held by Controlled Corporation ⁽¹⁾	193,789,190	32.26%
Hung Tai Industrial Company Limited	Beneficial Owner	193,789,190	32.26%
Deutsche Bank AG	Interest in Shares arising from the Subscription Agreement for the Bonds ⁽²⁾ and as beneficial owner and custodian	119,549,001	19.90%
Capital Research and Management Company	Beneficial Owner	45,749,000	7.61%

⁽¹⁾ 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 Securities and Futures Ordinance, Yam Cheong Hung is deemed to be interested in the 1,650,207 shares (0.27%) owned by his spouse.

⁽²⁾ See "Subscription and Sales".

Short positions:

Name	Capacity and nature of interest	Number of ordinary shares in short position	Percentage of the Company's issued share capital
Deutsche Bank AG	Beneficial Owner	264,000	0.04%

Save as disclosed above, as at 24 March 2006, no person, other than the directors of the Company, whose interests are set out in section "Directors' Interests in Shares" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DESCRIPTION OF THE SHARES

The articles of association of the Company (the "Articles") include provisions, *inter alia*, to the following effect:

Voting Rights

Subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative who is not himself a member entitled to vote, shall have one vote, and on a poll every member shall have one vote for every share of which he is the holder which is fully paid-up or credited as fully paid-up.

Alterations of Capital

The Company may by ordinary resolution:

- (a) increase its share capital by the creation of new shares of such amount as the resolution prescribes;
- (b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (c) subject to the provisions of the Companies Ordinance, sub-divide its shares or any of them, into shares, of a smaller amount than is fixed by the Memorandum of Association;
- (d) determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others; and
- (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Whenever as a result of a consolidation of shares any members would become entitled to fractions of a share, the directors may on behalf of those members sell to any person (including, subject to the provisions of the Companies Ordinance and the Listing Rules, the Company) the shares representing the fractions for the best price reasonably obtainable and distribute the net proceeds of sale in due proportion among those members or retain the net proceeds for the benefit of the Company, and the directors may authorise some person to execute an instrument of transfer of the share to or in accordance with the directions of the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

Subject to the provisions of the Companies Ordinance and the Listing Rules, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, in any way.

Purchase of Own Shares

Subject to the provisions of the Companies Ordinance and the Listing Rules, the Company may repurchase its own shares and any securities which carry a right to subscribe or purchase shares out of its own share capital including redeemable shares in accordance with the provisions of any code governing the repurchase of securities which may be applicable to the Company.

Variation of Rights

Subject to the provisions of the Companies Ordinance, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class may be varied, either while the Company is a going concern or during or in contemplation of a winding up:

- (a) in such manner (if any) as may be provided by those rights; or
- (b) in the absence of any such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class,

but not otherwise. The provisions of the Articles relating to general meetings shall apply to every such separate meeting, except that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question and at an adjourned meeting shall be one person holding shares of the class in question or his proxy.

Share Capital

Subject to the provisions of the Companies Ordinance and the Articles, the unissued shares in the Company shall be at the disposal of the directors, who may offer, allot, grant options over or otherwise dispose of them to such persons and on such terms as the directors think fit.

Transfer of Shares

The instrument of transfer of a share may be in any usual form or in any other form which the directors approve and shall be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee.

The directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. They may also refuse to register a transfer of a share unless the instrument of transfer:

- (a) is lodged, duly stamped, at the registered office of the Company or at such other places as the directors may appoint and is accompanied by the certificate for the share to which it relates, such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer and a fee of such amount as may from time to time be permitted under the rules prescribed by the Hong Kong Stock Exchange;
- (b) is in respect of only one class of shares; and
- (c) is in favour of not more than four transferees.

If the directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the directors may determine.

Subject to the provisions of the Articles and the rules of the Hong Kong Stock Exchange, no other fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the directors refuse to register shall (except in the case of fraud) be returned to the person lodging it when notice of the refusal is given.

Nothing in the Articles shall preclude the directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

Dividends

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the member, but no dividend shall exceed the amount recommended by the directors. No dividend shall be payable except out of the profits of the Company.

The directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear. The directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. If the directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

Except as otherwise provided by the Articles or the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purpose of the Articles, an amount paid up on a share in advance of a call shall be treated, in relation to any dividend declared after the payment but before the call, as not paid up on the share.

Whenever the Board or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the directors may further resolve that such dividend be satisfied wholly or in part by the distribution of special assets of any kind with or without offering any rights to shareholders to elect to receive such dividend in cash.

Whenever the Board or the Company have resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted shall be of the same class or classes as the class or classes already held by the members and the members will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment or (b) that the members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the directors may think fit on the basis that the shares so allotted shall be of the same class or classes as the class or classes of shares already held by the member. The Company may also upon the recommendation of the Board by special resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a

dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to the shareholders of the Company to elect to receive such dividend in cash in lieu of such allotment.

Unclaimed Dividend

Any dividend which has remained unclaimed for six years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the Company.

Capitalisation of Profits

The directors may, with the authority of an ordinary resolution of the Company and subject to the Articles, resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company (including any share premium account or capital redemption reserve).

MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange since 16 March 1992. The table below sets forth the closing prices and the daily trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Total Trading
	High	Low	End of Period	Volume of Shares
	HK\$	HK\$	HK\$	('000)
2003				
First Quarter	5.35	4.65	4.65	32,144
Second Quarter	5.5	4.7	5.45	36,592
Third Quarter	6.65	5.35	6.4	72,035
Fourth Quarter	6.7	5.9	6.2	59,648
2004				
First Quarter	6.65	5.95	6.1	30,531
Second Quarter	6.35	5.6	5.85	12,615
Third Quarter	6.25	5.6	6	10,863
Fourth Quarter	6.15	5.65	5.8	13,909
2005				
First Quarter	6.1	5.6	5.65	30,805
Second Quarter	5.85	5.6	5.65	16,174
Third Quarter	5.75	4.75	4.9	32,565
Fourth Quarter	4.925	4.025	4.6	26,979
2006				
First Quarter (through 24 March 2006)	5.25	4.425	4.5	97,680

Source: Bloomberg

EXCHANGE RATES

Under the Linked Exchange Rate System established in 1983, HK dollar banknotes are fully backed by US dollars at a rate of US\$1.00 to HK\$7.80 (the "Linked Rate"). The central element in the arrangements which give effect to the link is that by agreement between the Hong Kong government and the three Hong Kong banknote issuing banks, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China, certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for the banknotes issued, are issued and redeemed only against payment in US dollars, at the fixed exchange rate of US\$1.00 to HK\$7.80. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent US dollars at the fixed rate of exchange.

Depending on the flow of funds into and out of the HK dollar market, the Hong Kong Monetary Authority ("HKMA") operates convertibility undertakings on both the strong side and the weak side of the Linked Rate. The strong-side convertibility undertaking requires the HKMA to buy US dollars from licensed banks at up to US\$1.00 to HK\$7.75 whilst the weak-side convertibility undertaking requires the HKMA to sell US dollars up to US\$1.00 to HK\$7.85. The HKMA may choose to conduct market operations consistent with Currency Board principles within the range of HK\$7.75 and HK\$7.85 to US\$1.00 to promote monetary consistency in the foreign exchange markets.

The following table sets forth, for each of the years indicated, the low, average, high and period-end noon buying rates in New York City for cable transfers, in HK dollars per US dollar:

<u>Year</u>	Noon Buying Rate			
	Low	Average	High	Period End
	(HK\$ per US\$)			
2002				
Second Quarter (from 3 June)	7.7993	7.8000	7.8005	7.8000
Third Quarter	7.7996	7.8000	7.8005	7.7998
Fourth Quarter	7.7980	7.7992	7.8000	7.7988
2003				
First Quarter	7.7987	7.7994	7.8001	7.7995
Second Quarter	7.7980	7.7992	7.7998	7.7984
Third Quarter	7.7444	7.7945	7.7999	7.7445
Fourth Quarter	7.7085	7.7565	7.7692	7.7640
2004				
First Quarter	7.7632	7.7788	7.7980	7.7930
Second Quarter	7.7870	7.7973	7.8010	7.8000
Third Quarter	7.7970	7.7997	7.8008	7.7984
Fourth Quarter	7.7698	7.7799	7.7990	7.7723
2005				
First Quarter	7.7775	7.7979	7.7999	7.7990
Second Quarter	7.7692	7.7883	7.7995	7.7719
Third Quarter	7.7567	7.7692	7.7792	7.7567
Fourth Quarter	7.7514	7.7542	7.7587	7.7533
2006				
First Quarter (up to 24 March)	7.7506	7.7571	7.7620	7.7591

Source: Federal Reserve Bank of New York (www.newyorkfed.org)

On 21 July 2005, the PBOC announced changes to the Renminbi exchange rate regime. From that date onwards, the PRC moved into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies and the Renminbi is no longer be pegged specifically to US dollars. The new exchange rate regime will not constitute a strict peg to the basket of currencies but instead, the Renminbi is allowed to fluctuate within a narrow +/-0.3% range around a central parity rate, defined as the previous day's closing RMB/US dollar rate. The reference basket will be used as a guide to whether the RMB/US\$ rate should rise or fall. At 7pm on 21 July 2005, PBOC announced an initial appreciation of the Renminbi by two per cent. against the US dollar.

The following table sets forth, for each of the years indicated, the low, average, high and period-end noon buying rates in New York City for cable transfers, in RMB per US dollar:

Year	Noon Buying Rate			
	Low	Average	High	Period End
	(RMB per US\$)			
2002				
Second Quarter (from 3 June)	8.2700	8.2767	8.2775	8.2771
Third Quarter	8.2766	8.2768	8.2774	8.2774
Fourth Quarter	8.2768	8.2773	8.2800	8.2800
2003				
First Quarter	8.2766	8.2776	8.2800	8.2774
Second Quarter	8.2768	8.2771	8.2776	8.2776
Third Quarter	8.2766	8.2772	8.2798	8.2771
Fourth Quarter	8.2765	8.2769	8.2776	8.2767
2004				
First Quarter	8.2767	8.2771	8.2774	8.2770
Second Quarter	8.2766	8.2769	8.2773	8.2766
Third Quarter	8.2766	8.2767	8.2770	8.2766
Fourth Quarter	8.2764	8.2765	8.2768	8.2765
2005				
First Quarter	8.2765	8.2765	8.2765	8.2765
Second Quarter	8.2765	8.2765	8.2765	8.2765
Third Quarter	8.0871	8.1374	8.2765	8.0920
Fourth Quarter	8.0702	8.0829	8.0924	8.0702
2006				
First Quarter (up to 24 March)	8.0250	8.0529	8.0702	8.0338

Source: Federal Reserve Bank of New York (www.newyorkfed.org)

DIVIDENDS

Subject to the Companies Ordinance and the Articles of Association of the Company, the Company in general meeting may declare dividends but no dividends shall exceed the amount recommended by the Board of Directors of the Company. The Board of Directors of the Company may from time to time pay such interim dividends to the members of the Company as may appear to the Board to be justified by the profits of the Company. No dividend shall be paid otherwise than out of the profits of the Company or with the sanction of an ordinary resolution, out of the share premium account or other fund or account authorised for this purpose in accordance with the Companies Law. No dividends shall carry interest.

The table below sets out certain statistics on ordinary dividends declared by the Company on Shares in respect of the financial years indicated:

<u>Year ended 31 March</u>	<u>Interim Ordinary Dividend per Share</u>	<u>Final Ordinary Dividend per Share</u>	<u>Total Ordinary Dividend per Share</u>	<u>Interim Ordinary Dividend</u>	<u>Final Ordinary Dividend</u>	<u>Total Ordinary Dividend</u>
(HK\$ million, except per share data)						
2003	9.5 cents	19.0 cents	28.5 cents	54,341	108,681	163,022
2004	9.5 cents	20.0 cents	29.5 cents	54,341	114,401	168,742
2005	9.5 cents	20.0 cents	29.5 cents	54,341	115,559	169,900

On 9 December 2005, the directors of the Company declared an interim dividend of HK9.5 cents per Share for the six months ended 30 September 2005. It was also announced that the shareholders of the Company may elect to receive new shares in lieu of all or part of the interim dividend.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Information Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

British Virgin Islands

As the Issuer is incorporated pursuant to the BVI Business Companies Act, 2004 of the British Virgin Islands, (i) payment of principal and premium (if any) in respect of the Bonds will not be subject to taxation in the British Virgin Islands, (ii) no withholding tax will be required to be deducted by the Issuer on such payments to any holder of a Bond and (iii) the Bonds will not be liable to stamp duty in the British Virgin Islands. Gains derived from the sale of Bonds by persons who are not otherwise liable to British Virgin Islands income tax will not be subject to British Virgin Islands income tax. A holder of a Bond who is a non-resident of the British Virgin Islands will not be subject to estate or gift taxes with respect to the Bonds.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including Early Redemption Amounts) in respect of the Bonds.

No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the Shares.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, conversion or redemption of the Bonds where such sale, disposal, conversion or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- (a) a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- (b) a corporation carrying on a trade, profession or business in Hong Kong; or
- (c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Shares where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue, transfer or conversion of a Bond.

No Hong Kong stamp duty will be chargeable upon the issue of the Shares. Hong Kong stamp duty is payable, however, on any purchase and sale of Shares for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the *ad valorem* rate of 0.1% of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

EU Directive on the taxation of savings income

The Council of the European Union has adopted a new directive regarding the taxation of savings income. Member States are required from 1 January 2005 to provide to the tax authorities of other Member States details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments unless during such period they elect otherwise.

SUBSCRIPTION AND SALE

The Issuer and the Company have entered into a subscription agreement with Deutsche Bank AG, Hong Kong Branch (the "Lead Manager"), dated 2 March 2006 (the "Subscription Agreement"), pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Issuer agreed to sell to the Lead Manager, and the Lead Manager agreed to subscribe for, the aggregate principal amount of the Bonds. Pursuant to the Subscription Agreement, the Company agreed to unconditionally and irrevocably guarantee the Bonds.

The Lead Manager initially proposes to subscribe for the Bonds at a purchase price equal to the offer price indicated on the cover page less a combined management and underwriting commission and selling concession in aggregate of 3% of the principal amount of the Bonds subscribed.

The Company has agreed in the Subscription Agreement that neither the Company nor any of its subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, for a period from 2 March 2006 up to 90 days after the Closing Date, without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld), issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise) save for Shares issued (i) pursuant to the conversion provisions of the Bonds or (ii) pursuant to any obligation in existence at the date of the Subscription Agreement which has been disclosed to the Lead Manager.

In addition, each of C H Yam International Limited, Hung Tai Industrial Company Limited, Mr Yam Cheong Hung, Mr Yum Chak Ming, Matthew and Ms Yum Pui Ming, Anna has also undertaken to the Lead Manager that for a period from 2 March 2006 up to 90 days after the Closing Date, such person or entity will not sell any Shares or enter into other transactions with a similar effect as described in the preceding paragraph.

The Subscription Agreement provides that the Issuer and the Company will jointly and severally indemnify the Lead Manager against certain liabilities, including liabilities under the Securities Act. The Subscription Agreement provides that the obligations of the Lead Manager are subject to certain conditions precedent, and entitles the Lead Manager to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer and the Company have agreed to jointly and severally indemnify the Lead Manager against certain liabilities in connection with the offer and sale of the Bonds.

The Lead Manager or its affiliates may purchase the Bonds for its or their own account and enter into transactions, including (i) credit derivatives, asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Company's securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Information Memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

The Lead Manager and certain of its subsidiaries or affiliates have performed certain investment banking and advisory services for the Company and/or its subsidiaries from time to time for which they have received customary fees and expenses. The Lead Manager may, from time to time, engage in transactions with and perform services for the Company and/or its subsidiaries in the ordinary course of their business.

General

The Bonds are a new issue of securities with no established trading market. Application has been made to list the Bonds as selectively marketed securities on the Hong Kong Stock Exchange. However, no assurance can be given as to the liquidity of any trading market for the Bonds.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Information Memorandum or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. The Lead Manager is not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in this Information Memorandum or any amendment or supplement thereto.

United States

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act or any state securities law and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the Shares to be issued upon conversion of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Bonds to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer or Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

The Lead Manager has represented, warranted and agreed that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and the Company; and
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

British Virgin Islands

The Lead Manager has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to offer or sell the Bonds.

Hong Kong

The Lead Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

Singapore

The Lead Manager has acknowledged that this Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to section 275(1A) of the SFA, and in accordance with the conditions, specified in section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

The Lead Manager has further represented and agreed to notify and hereby notifies each of the following relevant persons specified in section 275 of the SFA which has subscribed or purchased the Bonds from or through itself, namely a person which is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under section 275 of the SFA, except:

- (1) to an institutional investor under section 274 of the SFA or to a relevant person, or any person pursuant to section 275(1A), and in accordance with the conditions, specified in section 275 of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) by operation of law.

Japan

The Lead Manager has represented, warranted and agreed that the Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and that the Bonds which it subscribes will be subscribed by it as principal and that, in connection with the initial offering of the Bonds, it will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other applicable laws and regulations of Japan.

GENERAL INFORMATION

- 1. Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 024694402 and the International Securities Identification Number for the Bonds is XS0246944028.
- 2. Listing of Shares:** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Bonds.
- 3. Listing of Bonds:** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds. It is expected that dealing will, if permission is granted to deal in and for the listing of the Bonds on the Hong Kong Stock Exchange, commence on or about 30 March 2006.
- 4. Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer passed on 2 March 2006. The Company has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Guarantee and the Trust Deed. The issue of the Guarantee authorised by resolutions of the Board of Directors of the Company was passed on 2 March 2006. Listing of the Bonds on the Hong Kong Stock Exchange is conditional upon satisfaction of the requirements of that exchange, including execution of the Trust Deed and the Agency Agreement.
- 5. No Material Adverse Change:** Except as disclosed in this Information Memorandum there has been no material adverse change in the financial or trading position of the Company and the Group since 31 March 2005 and no material adverse change in the financial position or prospects of the Group since 31 March 2005.
- 6. Litigation:** Save as disclosed in this Information Memorandum, neither the Company nor any of its subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Bonds nor is the Company aware that any such proceedings are pending or threatened.
- 7. Available Documents:** Copies of the latest annual report and consolidated accounts of the Company and the latest unaudited interim consolidated accounts of the Company may be obtained free of charge, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified office of the Company at Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong during normal business hours, so long as any of the Bonds is outstanding. The Company publishes unaudited consolidated interim financial statements every year for the six months ended 30 September.
- 8. Indemnification of the Trustee:** The Trustee is entitled under the Trust Deed to rely without liability to the Bondholders on certificates prepared by the directors of the Issuer or the Company and accompanied by a certificate or report prepared by an internationally recognised firm of accountants to the Issuer or the Company whether or not addressed to the Trustee, and whether or not the same are subject to any limitation on the liability of the internationally recognised firm of accountants to the Issuer or the Company and whether, by reference to a monetary cap or otherwise limited or excluded and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Issuer or the Company to procure such delivery under the Terms and Conditions or the Trust Deed. Any such certificate or report shall be conclusive and binding on the Issuer, the Company, the Trustee and the Bondholders.

9. **Auditors:** The consolidated financial statements of the Company as at and for the three years ended 31 March 2005, 2004 and 2003 incorporated by reference in this Information Memorandum have been jointly audited by Ernst & Young and Nexia Charles Mar Fan & Co., certified public accountants, as stated in their reports appearing therein.

The condensed consolidated financial statements of the Company for the six months ended 30 September 2004 and 2005 have not been audited but Ernst & Young have conducted a review for the purposes of the offering of the Bonds in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

For the purposes of paragraph 8(2) of Appendix 1 Part C of the Listing Rules, Ernst & Young and Nexia Charles Mar Fan & Co. have given and not withdrawn their written consent to the issue of this Information Memorandum with references to their audit reports on the published annual consolidated financial statements of the Company for the years ended 31 March 2005, 2004 and 2003, and Ernst & Young have given and not withdrawn their consent to the issue of this Information Memorandum with references to their review report on the condensed consolidated financial statement of the Company for the six months ended 30 September 2004 and 2005, and with references to the respective names of Ernst & Young and Nexia Charles Mar Fan & Co. in the form and context in which they appear.

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INDEPENDENT REVIEW REPORT

To the board of directors
Hung Hing Printing Group Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the accompanying interim financial report set out on pages F-3 to F-21.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by HKICPA. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2005.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2006

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2005

		For the six months ended 30 September	
		2005	2004
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited and restated)
REVENUE.....		1,731,635	1,207,326
Cost of sales.....		<u>(1,341,549)</u>	<u>(897,591)</u>
Gross profit.....		390,086	309,735
Other income and gains.....	4	16,306	23,124
Distribution costs.....		(41,944)	(36,781)
Administrative and selling expenses.....		(118,245)	(96,961)
Other expenses.....		<u>(5,846)</u>	<u>(406)</u>
PROFIT FROM OPERATING ACTIVITIES.....	5	240,357	198,711
Finance costs.....	6	(15,185)	(3,479)
Share of profits of associates.....		—	3,206
PROFIT BEFORE TAX.....		225,172	198,438
Tax.....	7	<u>(38,777)</u>	<u>(32,655)</u>
PROFIT FOR THE PERIOD.....		<u>186,395</u>	<u>165,783</u>
Attributable to:.....			
Equity holders of parent.....		171,720	156,784
Minority interests.....		<u>14,675</u>	<u>8,999</u>
		<u>186,395</u>	<u>165,783</u>
INTERIM DIVIDEND.....	8	<u>56,266</u>	<u>54,341</u>
EARNINGS PER SHARE			
Basic.....	9	<u>29.7 cents</u>	<u>27.4 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET
30 September 2005

		30 September 2005	31 March 2005
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,282,098	1,289,684
Prepaid land lease payments	11	146,867	149,682
Goodwill		3,100	3,041
Properties under construction	12	88,614	57,382
Available-for-sale investments/Long term investments	13	9,930	10,438
Deferred tax assets		5,719	6,060
Total non-current assets		<u>1,536,328</u>	<u>1,516,287</u>
CURRENT ASSETS			
Inventories		471,012	553,611
Accounts and bills receivable	14	910,333	644,509
Prepayments, deposits and other receivables		52,427	71,561
Derivative financial instruments	15	2,276	–
Cash and cash equivalents	16	393,671	334,416
Total current assets		<u>1,829,719</u>	<u>1,604,097</u>
CURRENT LIABILITIES			
Accounts payable	17	134,302	124,016
Tax payable		46,339	28,947
Other payables and accrued liabilities		160,229	153,069
Interest-bearing bank loans		446,661	328,513
Derivative financial instruments	15	1,463	–
Total current liabilities		<u>788,994</u>	<u>634,545</u>
NET CURRENT ASSETS		<u>1,040,725</u>	<u>969,552</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,577,053</u>	<u>2,485,839</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		285,000	325,000
Deferred tax liabilities		19,254	19,325
Total non-current liabilities		<u>304,254</u>	<u>344,325</u>
Total net assets		<u>2,272,799</u>	<u>2,141,514</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		59,227	57,779
Reserves		1,858,108	1,669,322
Proposed dividend		56,266	115,559
		1,973,601	1,842,660
Minority interests		299,198	298,854
Total equity		<u>2,272,799</u>	<u>2,141,514</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005 (Unaudited)

	Notes	Issued share	Share	Capital	Capital	Legal	Hedging	Available-	Exchange	Retained	Proposed	Total	Minority	Total Equity
		capital	premium	redemption	reserves	reserves	reserve	for-sale	fluctuation	profits	dividend		Interests	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005														
As previously reported		57,779	621,373	966	104,289	59,887	-	-	-	882,807	115,559	1,842,660	298,854	2,141,514
Opening adjustments	1, 2													
In respective of financial instruments.		-	-	-	-	-	-	-	-	655	-	655	-	655
In respective of negative goodwill		-	-	-	(105,103)	-	-	-	-	105,103	-	-	-	-
As restated, after opening adjustments		57,779	621,373	966	(814)	59,887	-	-	-	988,565	115,559	1,843,315	298,854	2,142,169
Changes in fair value of available-for-sale investments		-	-	-	-	-	-	(837)	-	-	-	(837)	-	(837)
Net losses on cash flow hedges		-	-	-	-	-	(2,057)	-	-	-	-	(2,057)	-	(2,057)
Exchange realignment.		-	-	-	-	-	-	-	8,270	-	-	8,270	3,718	11,988
Total income/(expense) recognised directly in equity		-	-	-	-	-	(2,057)	(837)	8,270	-	-	5,376	3,718	9,094
Net profit for the period.		-	-	-	-	-	-	-	-	171,720	-	171,720	14,675	186,395
Total income/(expense) for the period.		-	-	-	-	-	(2,057)	(837)	8,270	171,720	-	177,096	18,393	195,489
Contribution from a minority shareholder of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	10,000	10,000
Final 2005 dividend declared.		-	-	-	-	-	-	-	-	-	(115,559)	(115,559)	-	(115,559)
Issue of shares pursuant to a scrip dividend scheme		1,448	67,301	-	-	-	-	-	-	-	-	68,749	-	68,749
Dividends paid to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(28,049)	(28,049)
Interim 2006 dividend		-	-	-	-	-	-	-	-	(56,266)	56,266	-	-	-
At 30 September 2005.		<u>59,227</u>	<u>688,674*</u>	<u>966*</u>	<u>(814)*</u>	<u>59,887*</u>	<u>(2,057)*</u>	<u>(837)*</u>	<u>8,270*</u>	<u>1,104,019*</u>	<u>56,266</u>	<u>1,973,601</u>	<u>299,198</u>	<u>2,272,799</u>

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* These reserve accounts comprise the consolidated reserve of HK\$1,858,108,000 (31 March 2005: HK\$1,669,322,000) in the condensed consolidated balance sheet.

For the six months ended 30 September 2004 (Unaudited)

	Issued share capital	Share premium account	Capital redemption reserve	Capital reserves	Legal reserves	Hedging reserve	Available- for-sale investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total	Minority Interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	57,200	590,690	966	104,289	58,752	-	-	-	813,561	114,401	1,739,859	151,478	1,891,337
Net profit for the period	-	-	-	-	-	-	-	-	156,784	-	156,784	8,999	165,783
Contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	2,000	2,000
Final 2004 dividend declared	-	-	-	-	-	-	-	-	-	(114,401)	(114,401)	-	(114,401)
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(14,943)	(14,943)
Interim 2005 dividend	-	-	-	-	-	-	-	-	(54,341)	54,341	-	-	-
At 30 September 2004.	<u>57,200</u>	<u>590,690</u>	<u>966</u>	<u>104,289</u>	<u>58,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>916,004</u>	<u>54,341</u>	<u>1,782,242</u>	<u>147,534</u>	<u>1,929,776</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2005

	For the six months ended 30 September	
	2005	2004
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
NET CASH INFLOW/(OUFLOW) FROM OPERATING ACTIVITIES	110,145	(34,873)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(62,371)	(111,970)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>10,040</u>	<u>8,122</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	57,814	(138,721)
Cash and cash equivalents at beginning of period	334,416	437,375
Effects of foreign exchange rate changes, net	<u>1,441</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>393,671</u></u>	<u><u>298,654</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	194,061	100,755
Time deposits with original maturity of less than three months when acquired	<u>199,610</u>	<u>197,899</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>393,671</u></u>	<u><u>298,654</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2005

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1.....	Presentation of Financial Statements
HKAS 2.....	Inventories
HKAS 7.....	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10.....	Events after the Balance Sheet Date
HKAS 12.....	Income Taxes
HKAS 16.....	Property, Plant and Equipment
HKAS 17.....	Leases
HKAS 18.....	Revenue
HKAS 19.....	Employee Benefits
HKAS 21.....	The Effects of Changes in Foreign Exchange Rates
HKAS 23.....	Borrowing Costs
HKAS 24.....	Related Party Disclosures
HKAS 27.....	Consolidated and Separate Financial Statements
HKAS 28.....	Investments in Associates
HKAS 32.....	Financial Instruments: Disclosure and Presentation
HKAS 33.....	Earnings per Share
HKAS 36.....	Impairment of Assets
HKAS 37.....	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38.....	Intangible Assets
HKAS 39.....	Financial Instruments: Recognition and Measurement
HKAS 40.....	Investment Property
HKFRS 3.....	Business Combinations
HK(SIC)-Int 21 ..	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38, HK (SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group’s leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group’s leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid

land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained profits. The comparatives on the condensed consolidated balance sheet as at 31 March 2005 have been restated to reflect the reclassification of leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity/Debt securities

In prior periods, the Group classified its investments in equity/debt securities as long term investments which were held for non-trading purposes and were stated at fair values. Any changes in fair value of long term investments were recognised in the income statement for the period in which they arise.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity/debt securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investments is sold, collected or otherwise disposed of or until the investments is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

When the fair value of unlisted equity/debt securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investments is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flow that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. The amount of the loss recognised in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investments previously recognised in the income statement.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(ii) Derivative financial instruments – Foreign currency contracts

The Group uses foreign currency contracts to hedge its risks associated with foreign currency fluctuations. In prior periods, these contracts were not designated as hedges and were recognised on a cash basis. Upon the adoption of HKAS 39, such existing contracts entered into before HKAS 39 is initially applied are not retrospectively designated as hedges. Foreign currency contracts entered into subsequent to the adoption of HKAS 39 are designated as hedges. In accordance with HKAS 39, foreign currency contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Such derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and risk management objective and strategy for undertaking the hedge. Hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's hedges of the foreign currency risk relating to

- (1) the exposure to changes on fair value of a recognised asset or liability or an unrecognised firm commitment are accounted for as fair value hedges;
- (2) the exposure to variability in cash flows associated with a recognised asset or liability or a highly probable forecast transaction are accounted for as cash flow hedges.

When accounting for fair value hedges, changes in the fair value of hedging instruments that are designated and qualified as fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged assets or liabilities or firm commitments that are attributable to the hedged risk.

When accounting for cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the Group removes the associated gains and losses that were recognised directly in equity, and includes them in the initial cost or other carrying amount of the asset or liability.

For other cash flow hedges, amounts recognised directly in equity are recognised in the income statement in the same period or periods during which the forecast transaction affects profit or loss.

Cash flow hedge accounting shall be discontinued prospectively if the hedging instrument is sold, terminated or exercised or the hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument remains

separately recognised in equity until the forecast transaction occurs at which stage it is accounted for in accordance with the guidance given above depending on whether or not the forecast transaction results in the recognition of an asset or liability.

If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains in equity is recognised immediately in the income statement. If the entity revokes the designation for a hedge of a forecast transaction, the cumulative gain or loss recognised in equity remains separately recognised in equity until the forecast transaction occurs or is no longer expected to occur. If the transaction occurs, the cumulative gain is accounted for in accordance with the guidance given above depending on whether or not the forecast transaction results in the recognition of an asset or liability. If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains in equity is recognised immediately in the income statement.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(iii) Other financial assets designated as hedges

The Group also uses foreign currency bank deposits to hedge its risks associated with foreign currency fluctuations. In prior periods, these deposits were not designated as hedges and any exchange gains or losses were recognised in the income statement. Upon the adoption of HKAS 39, such bank deposits are designated as cash flow hedges. In accordance with HKAS 39, the effective portion of the gain or loss on the bank deposits is recognised directly in equity, while the ineffective portion is recognised in the income statement. The accounting policies for other financial assets designated as hedges are the same as those derivative financial instruments described in (ii) above.

(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 April 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 April 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 April 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carry amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained profits. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. SUMMARY OF THE IMPACT OF CHANGES ON ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted accordingly. The details of the opening adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1 April 2005

Effect of new policies (Increase/(decrease))		Capital reserve	Retained profits	Total
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Opening adjustments:				
HKAS 39				
Fair value hedges (net of effect of deferred tax).....	1(b)(ii)	–	655	655
HKFRS 3.....				
Derecognition of negative goodwill..	1(c)	(105,103)	105,103	–
Total effect at 1 April 2005.....		<u>(105,103)</u>	<u>105,758</u>	<u>655</u>

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month periods ended 30 September 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 39 and HKFRS 3, the amounts shown for the six months period ended 30 September 2004 may not be comparable to the amounts shown for the current interim period.

(b) Effect on profit after tax for the six months ended 30 September 2005 and 2004

Effect of new policies (Increase/(decrease))	Notes	For the six months ended 30 September					
		2005			2004		
		Equity holders of the parent	Minority interests	Total	Equity holders of the parent	Minority interests	Total
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Effect on profit after tax:							
HKAS 39							
Available-for-sale Investments	1(b)(i)	837	-	837	-	-	-
Fair value hedges	1(b)(ii)	141	-	141	-	-	-
Derivative financial instruments not qualified as hedges	1(b)(ii)	768	-	768	-	-	-
HKFRS 3							
Discontinuation of amortisation of goodwill	1(c)	76	-	76	-	-	-
Total effect for the period		<u>1,822</u>	<u>-</u>	<u>1,822</u>	<u>-</u>	<u>-</u>	<u>-</u>
Effect on earnings per share:							
Basic		<u>HK\$0.32 cent</u>			<u>-</u>		

(c) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 September 2005 and 2004

Effect of new policies (Increase/(decrease))	Notes	For the six months ended 30 September					
		2005			2004		
		Equity holders of the parent	Minority interests	Total	Equity holders of the parent	Minority interests	Total
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
HKAS 39:							
Available-for-sale investments	1(b)(i)	(837)	-	(837)	-	-	-
Cash flow hedges	1(b)(ii)&(iii)	(2,057)	-	(2,057)	-	-	-
Total effect for the period		<u>(2,894)</u>	<u>-</u>	<u>(2,894)</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. SEGMENT INFORMATION

Business segments

The principal activities of the Group consisted of the printing and manufacturing of paper and carton boxes, the trading of paper, the manufacturing of corrugated cartons and the manufacturing of paper.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

An analysis by business segments is as follows:

For the six months ended 30 September 2005				
	SEGMENTS REVENUE			SEGMENT RESULTS
	Sales to external customers	Inter-segment sales	Total sales	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Paper and carton box printing and manufacturing	935,129	20,908	956,037	179,722
Paper trading	184,169	194,461	378,630	17,634
Corrugated carton manufacturing	266,224	68,088	334,312	23,808
Paper manufacturing	346,113	101,940	448,053	23,927
Eliminations	–	(385,397)	(385,397)	(806)
	<u>1,731,635</u>	<u>–</u>	<u>1,731,635</u>	244,285
Interest, dividend income and other gains				7,445
Corporate and unallocated expenses . .				(11,373)
Profit from operating activities				240,357
Finance costs				(15,185)
Profit before tax				225,172
Tax				(38,777)
Profit for the period				<u>186,395</u>

For the six months ended 30 September 2004				
	SEGMENTS REVENUE			SEGMENT RESULTS
	Sales to external customers	Inter-segment sales	Total sales	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)
Paper and carton box printing and manufacturing	806,692	2,168	808,860	157,116
Paper trading	122,487	309,385	431,872	15,034
Corrugated carton manufacturing	278,147	65,489	343,636	23,146
Eliminations	–	(377,042)	(377,042)	1,435
	<u>1,207,326</u>	<u>–</u>	<u>1,207,326</u>	196,731
Interest, dividend income and other gains				11,376
Corporate and unallocated expenses . .				(9,396)
Profit from operating activities				198,711
Finance costs				(3,479)
Share of profits of associates				3,206
Profit before tax				198,438
Tax				(32,655)
Profit for the period				<u>165,783</u>

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

An analysis of segment revenue by geographical segments is as follow:

	For the six months ended 30 September	
	2005	2004
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Sales to external customers:		
Hong Kong	814,011	572,115
Mainland China	509,063	285,912
United States of America	172,443	171,769
Others	236,118	177,530
	<u>1,731,635</u>	<u>1,207,326</u>

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2005	2004
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Bank interest income	5,269	4,814
Dividend income from available-for-sale investments/ long term investments	206	129
Gain on forward foreign currency contracts	–	6,471
Fair value gains on derivative instruments, not qualified as hedges	930	–
Fair value gains on fair value hedges, net	1,040	–
Foreign exchange difference, net	4,166	–
Others	4,695	11,710
	<u>16,306</u>	<u>23,124</u>

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 September	
	2005	2004
	HK\$'000 (Unaudited)	HK\$'000 (Restated)
Depreciation	54,847	38,613
Amortisation of prepaid land premiums/land lease payments	1,777	1,098

6. FINANCE COSTS

	For the six months ended 30 September	
	2005	2004
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on bank loans	<u>15,185</u>	<u>3,479</u>

7. TAX

	For the six months ended 30 September	
	2005	2004
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Current – Hong Kong	14,791	11,429
Current – Mainland China	23,733	19,919
Deferred.	<u>253</u>	<u>1,307</u>
Total tax charge for the period	<u>38,777</u>	<u>32,655</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group and the associates operate, based on existing legislation, interpretations and practices in respect thereof.

Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at rate of 33%. However, certain of the Group's subsidiaries are operating in specific development zones in Mainland China, and the relevant authorities have granted these subsidiaries preferential CIT rates ranging from 15% to 27%.

For the six months ended 30 September 2004, share of tax attributable to associates amounted to HK\$504,000 was included in "Share of profits of associates" on the face of the condensed consolidated income statement.

8. INTERIM DIVIDEND

	For the six months ended 30 September	
	2005	2004
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interim dividend of HK\$9.5 cents (2004: HK\$9.5 cents) . . .	<u>56,266</u>	<u>54,341</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the parent of HK\$171,720,000 (Six month ended 30 September 2004: HK\$156,784,000), and the weighted average number of 577,875,157 (Six month ended 30 September 2004: 572,006,798) ordinary shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30 September 2005 and 2004 have not been presented as there were no dilutive potential ordinary shares in existence during these periods.

10. PROPERTY, PLANT AND EQUIPMENT

	<u>30 September 2005</u>
	HK\$'000 (Unaudited)
Net book value at 1 April 2005, as previously reported	1,439,366
Reclassification (<i>note 1 (a)</i>)	<u>(149,682)</u>
Net book value at 1 April 2005, as restated	1,289,684
Additions	39,538
Disposal	(2,981)
Depreciation for the period	(54,847)
Exchange realignment	<u>10,704</u>
Net book value at 30 September 2005	<u>1,282,098</u>

Certain property, plant and equipment of the Group with total net book value of HK\$279,920,000 (31 March 2005 (restated): HK\$286,612,000) have been pledged to banks to secure certain short term banking facilities.

11. PREPAID LAND LEASE PAYMENTS

	<u>30 September 2005</u>
	HK\$'000 (Unaudited)
Net book value at 1 April 2005, as previously reported	–
Reclassification (<i>note 1 (a)</i>)	<u>149,682</u>
Net book value at 1 April 2005, as restated	149,682
Additions	242
Amortisation for the period	(1,777)
Exchange realignment	<u>(1,280)</u>
Net book value at 30 September 2005	<u>146,867</u>

Certain leasehold land of the Group with total net book value of HK\$46,943,000 (31 March 2005 (restated): HK\$49,173,000) have been pledged to banks to secure certain short term banking facilities.

12. PROPERTIES UNDER CONSTRUCTION

	<u>30 September 2005</u>
	HK\$'000 (Unaudited)
Net book value at 1 April 2005	57,382
Additions	30,150
Exchange realignment	<u>1,082</u>
Net book value at 30 September 2005	<u>88,614</u>

The properties under construction are located in Mainland China.

13. AVAILABLE-FOR-SALE INVESTMENTS/LONG TERM INVESTMENTS

	<u>30 September 2005</u>	<u>31 March 2005</u>
	HK\$'000 (Unaudited)	HK\$'000 (Restated)
Unlisted equity investment, at fair value	60	60
Club debentures, at fair value	<u>1,691</u>	<u>1,362</u>
	1,751	1,422
Hong Kong listed equity investments, at market value . . .	<u>8,179</u>	<u>9,016</u>
	<u>9,930</u>	<u>10,438</u>

Available-for-sale investments consist of investments in listed and unlisted ordinary shares and club debentures, and therefore have no fixed maturity date or coupon rate.

Losses on fair values of listed equity investments of HK\$837,000 were recognised in the available-for-sale investment revaluation reserve.

14. ACCOUNTS AND BILLS RECEIVABLE

	<u>30 September 2005</u>	<u>31 March 2005</u>
	HK\$'000 (Unaudited)	HK\$'000
Accounts receivable	862,677	594,600
Bills receivable	<u>47,656</u>	<u>49,909</u>
	<u>910,333</u>	<u>644,509</u>

An aged analysis of accounts receivable at the balance sheet date, based on invoice date and net of provision for impairment, is as follows:

	<u>30 September 2005</u>	<u>31 March 2005</u>
	HK\$'000 (Unaudited)	HK\$'000
Within 30 days	370,838	256,816
Between 31 to 60 days	233,568	151,451
Between 61 to 90 days	146,004	97,577
Over 90 days	<u>112,267</u>	<u>88,756</u>
	<u>862,677</u>	<u>594,600</u>

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 to 90 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>30 September 2005</u>	<u>31 March 2005</u>
	HK\$'000	HK\$'000
	(Unaudited)	
Current assets:		
Forward foreign exchange contracts		
Fair value hedges	965	–
Not qualified as hedges	<u>1,311</u>	<u>–</u>
	<u>2,276</u>	<u>–</u>
Current liabilities:		
Forward foreign exchange contracts		
Cash flow hedges	1,082	–
Not qualified as hedges	<u>381</u>	<u>–</u>
	<u>1,463</u>	<u>–</u>

16. CASH AND CASH EQUIVALENTS

	<u>30 September 2005</u>	<u>31 March 2005</u>
	HK\$'000	HK\$'000
	(Unaudited)	
Cash and bank balances	194,061	170,962
Time deposits	<u>199,610</u>	<u>163,454</u>
	<u>393,671</u>	<u>334,416</u>

17. ACCOUNTS PAYABLE

An aged analysis of accounts payable at the balance sheet date, based on invoice date, is as follows:

	<u>30 September 2005</u>	<u>31 March 2005</u>
	HK\$'000	HK\$'000
	(Unaudited)	
Within 30 days	89,821	98,921
Between 31 to 60 days	31,221	17,207
Between 61 to 90 days	6,481	1,812
Over 90 days	<u>6,779</u>	<u>6,076</u>
	<u>134,302</u>	<u>124,016</u>

18. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 September	
		2005	2004
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Associates:			
Sales.....	(i)	–	146,989
Purchases.....	(ii)	–	32,763
Interest income.....	(iii)	–	936
Rentals paid to companies in which directors of the Company are controlling shareholders.....	(iv)	<u>660</u>	<u>660</u>

Notes:

- (i) The sales to associates were carried out in the ordinary course of business of the Group according to the prices and conditions offered to regular customers of the Group.
- (ii) The purchases from associates were carried out in the ordinary course of business of the Group according to the prices and conditions similar to those offered to regular customers of the suppliers.
- (iii) The interest income from the amounts due from associates, arising in the ordinary course of business of the Group, were unsecured, bore interest at prime rate for balances due over one month and had no fixed terms of repayment.
- (iv) The rentals paid to two companies of which certain directors of the Company are controlling shareholders were in connection with the housing benefits provided to Messrs. Yum Chak Ming, Matthew and Yam Hon Ming, Tommy, directors of the Company, respectively, and were based on estimated open market rentals. They have been included in the directors' remuneration.

(b) Outstanding balances with related parties

There are no outstanding balances with related parties as at 30 September 2005 (31 March 2005: Nil).

(c) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2005	2004
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Short term employment benefits.....	<u>11,601</u>	<u>12,403</u>

19. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and staff quarters under operating lease agreements that are non-cancellable. Leases for office properties are negotiated for terms ranging from one to fifty years, and those for staff quarters for terms ranging from one to two years.

At 31 September 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<u>30 September 2005</u>	<u>31 March 2005</u>
	HK\$'000	HK\$'000
	(Unaudited)	
Within one year	5,884	2,760
In the second to fifth years, inclusive	7,012	6,268
After five years	<u>64,696</u>	<u>64,303</u>
	<u>77,592</u>	<u>73,331</u>

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments at the balance sheet date.

	<u>30 September 2005</u>	<u>31 March 2005</u>
	HK\$'000	HK\$'000
	(Unaudited)	
Contracted, but not provided for		
Buildings	60,756	21,416
Plant and machinery	<u>120,948</u>	<u>13,853</u>
	<u>181,704</u>	<u>35,269</u>

21. POST BALANCE SHEET EVENT

On 2 March 2006, the Group entered into an agreement with a bank for a proposed issue of zero coupon guaranteed convertible bonds due 2001 with an aggregate amount of HK\$750,000,000.

22. COMPARATIVE AMOUNTS

As further explained in notes 1 and 2 to the unaudited condensed consolidated interim financial statements, due to the adoption of the new HKFRSs during the period, the accounting treatment and presentation of certain items and balances in the unaudited condensed consolidated interim financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current period's presentation.

23. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 27 March 2006.

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Greatest Joy Investments Limited

*(incorporated with limited liability
in the British Virgin Islands)*



HUNG HING

Hung Hing Printing Group Limited

*(incorporated with limited liability
in Hong Kong)*

HK\$750,000,000

Zero Coupon

**Guaranteed Convertible
Bonds due 2011**

(including HK\$150,000,000 in
principal amount of Bonds
which will be issued pursuant
to an option described herein)

Deutsche Bank

Information Memorandum

27 March 2006