THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for your information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, your stockbroker or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hung Hing Printing Group Limited (the "Company"), you should at once hand this circular to the purchaser or transferee or the licensed securities dealer or registered institution in securities or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

HUNG HING

HUNG HING PRINTING GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 450)

SUBSCRIPTION OF NEW SHARES AND WHITEWASH WAIVER

Financial Adviser to Hung Hing Printing Group Limited

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

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

SOMERLEY LIMITED

A letter from the Board is set out on pages 6 to 24 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 25 of this circular. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 49 of this circular.

A notice convening an extraordinary general meeting (the "**EGM**") of the Company to be held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, June 30, 2008 at 2:30 p.m. is set out on pages 132 to 134 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or adjournment thereof. Completion and return of the proxy form will not prevent you from attending and voting at the EGM if you so wish.

June 13, 2008

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

"Announcement"	the announcement dated May 6, 2008 of the Company regarding, among other things, the Subscription Agreement and the Whitewash Waiver
"acting in concert"	has the meaning ascribed to this term under the Takeovers Code
"Applicable Laws"	with respect to any person, any laws, rules, regulations, guidelines, directives, treaties, judgments, decrees, orders or notices of any Authority that is applicable to such person
"Approvals"	all approvals, licences, consents, registrations, permits and authorizations from any Authority and any third party
"Associates"	has the meaning ascribed thereto in the Listing Rules
"Authority"	any relevant government, administrative or regulatory body or court tribunal, arbitrator or governmental agency or authority or department
"BNP Paribas" or "Financial Adviser"	BNP Paribas Capital (Asia Pacific) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company in respect of the Subscription Agreement and the Whitewash Waiver
"Board"	the board of Directors from time to time
"Business Day"	a day other than a Saturday, Sunday or public holiday in Hong Kong
"Company"	Hung Hing Printing Group Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
"Company Warranties"	the warranties given by the Company pursuant to the Subscription Agreement
"Completion"	completion of the Subscription

"Completion Date"	the fifth Business Day following the satisfaction or waiver of the last condition precedent (to the extent such conditions precedent are capable of being fulfilled before the Completion Date) or such other date as the parties may agree
"CVC"	CVC Asia Pacific Ltd., a company incorporated in Hong Kong
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, June 30, 2008 at 2:30 p.m. to consider, and if thought fit, pass the resolutions to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder, and (ii) the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
"Financial Information"	has the meaning ascribed to it in the Announcement
"Group"	the Company and each Subsidiary
"Group Company"	the Company or a Subsidiary
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board which comprises the three independent non-executive Directors, namely Mr. Yip Yu Bun, Mr. Wong Siu Ping and Mr. Yap, Alfred Donald and one of the two non-executive Directors, Dr. Chu Shu Ho, David
"Independent Shareholders"	Shareholders other than the Subscriber, Yum Chak Ming, Matthew, Yam Ho Ming, Michael and parties acting in concert with any of them and those who are not interested or involved in the Subscription and the Whitewash Waiver
"Independent Third Party(ies)"	third party(ies) independent of the Company and connected persons (as defined in the Listing Rules) of the Company

"Interim Results"	the unaudited consolidated results of the Group for the 6 months ended September 30, 2007 published on December 10, 2007
"Investment Funds"	CVC Capital Partners Asia Pacific III L.P. and CVC Capital Partners Asia Pacific III Parallel Fund – A, L.P. which ultimately own 88% and 12%, respectively, of the Subscriber
"Latest Practicable Date"	June 10, 2008 being the latest practicable date for ascertaining information contained in this circular prior to printing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	August 29, 2008, or any other date as agreed between the Company and the Subscriber
"Managing Director"	managing director of the Company
"Material Adverse Change"	any event, circumstances, effect, occurrence or state of affairs or any combination thereof which has, or is reasonably likely to have, a Material Adverse Effect
"Material Adverse Effect"	a material adverse effect on: (i) the business, operations, property, condition (financial or otherwise) or prospects of the Company which could reasonably be expected to impair the ability of the Company or the Subscriber to perform its obligations under the Subscription Agreement or any of them; or (ii) the legality, validity or enforceability of the Subscription Agreement or any of them or the rights or remedies of the Subscriber under the Subscription Agreement or any of them
"Relevant Period"	the period beginning six months prior to the date of the Announcement and up to the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

"Shareholder"	a person entered in the register of members of the Company as the holder from time to time of Shares
"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company
"Somerley" or "Independent Financial Adviser"	Somerley Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the Whitewash Waiver
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Asia Packaging Company Limited, the subscriber to the Subscription Agreement
"Subscription"	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated April 24, 2008 and entered into between the Company and the Subscriber
"Subscription Price"	the subscription price of HK$2.70 per Subscription Share
"Subscription Shares"	an aggregate of 323,500,445 Shares to be subscribed for by the Subscriber pursuant to the Subscription Agreement
"Subsidiary"	a subsidiary of the Company as set out in the Subscription Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Whitewash Waiver"	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation (which would otherwise arise as a result of Completion) to make a mandatory general offer for the existing issued securities of the Company, other than the Shares held by the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"US$"	United States dollars, the lawful currency of United States of America
"%"	per cent.

HUNG HING

HUNG HING PRINTING GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 450)

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

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

June 13, 2008

To the Shareholders

Dear Sir or Madam,

**SUBSCRIPTION OF NEW SHARES
AND
WHITEWASH WAIVER**

INTRODUCTION

On May 6, 2008, the Company announced that it had entered into the Subscription Agreement, pursuant to which the Subscriber agreed to subscribe in cash and the Company agreed to allot and issue 323,500,445 Subscription Shares at the Subscription Price of HK$2.70 per Subscription Share, subject to the terms and conditions of the Subscription Agreement.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the Whitewash Waiver, (iii) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement and the Whitewash Waiver, and (iv) the notice of the EGM.

THE SUBSCRIPTION AGREEMENT

Parties

Issuer:	HUNG HING PRINTING GROUP LIMITED, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
Subscriber:	ASIA PACKAGING COMPANY LIMITED, a company incorporated in the Cayman Islands with limited liability

The Subscriber, its ultimate beneficial owners (being the Investment Funds as described in the "Information on the Subscriber" section below) and parties acting in concert with any one of them are Independent Third Parties.

As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them (i) do not hold any securities in the Company, and (ii) are not acting in concert with any of the Shareholders, the Directors and their respective Associates.

Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe in cash and the Company agreed to allot and issue 323,500,445 Subscription Shares at the Subscription Price of HK$2.70 per Subscription Share, subject to the terms and conditions of the Subscription Agreement.

Number of Subscription Shares

Pursuant to the Subscription Agreement, 323,500,445 Subscription Shares will be allotted and issued to the Subscriber. The Subscription Shares represent approximately 53.8% of the existing issued share capital of the Company and approximately 35.0% of the issued share capital of the Company as enlarged by the allotment and issue of such Subscription Shares.

Subscription Price

The Subscription Price of HK$2.70 per Subscription Share represents:

(i) a discount of approximately 32.84% to the closing price of HK$4.02 per Share as quoted on the Stock Exchange on November 6, 2007, being the day six months prior to the date of the Announcement;

(ii) a premium of approximately 11.57% to the closing price of HK$2.42 per Share as quoted on the Stock Exchange on April 23, 2008, being the trading day immediately prior to the date of entering into of the Subscription Agreement;

(iii) a premium of approximately 9.76% to the closing price of HK$2.46 per Share as quoted on the Stock Exchange on April 24, 2008, being the last trading day immediately prior to the entering into of the Subscription Agreement;

(iv) a premium of approximately 23.85% to the closing price of HK$2.18 per Share as quoted on the Stock Exchange on June 10, 2008, being the Latest Practicable Date;

(v) a premium of approximately 10.47% to the average closing price of approximately HK$2.44 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the entering into of the Subscription Agreement;

(vi) a premium of approximately 9.00% to the average closing price of approximately HK$2.48 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the entering into of the Subscription Agreement;

(vii) a discount of approximately 26.09% to the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK$3.65 per Share as at September 30, 2007, being the date of the latest Interim Results, without taking into account the Subscription; and

(viii) a discount of approximately 18.44% to the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK$3.31 per Share as at September 30, 2007, being the date of the latest Interim Results, had the Subscription Shares been allotted and issued on September 30, 2007.

The net aggregate proceeds from the Subscription, after deduction of relevant expenses (including but not limited to legal expenses and disbursements), is estimated to be approximately HK$865.0 million. The net price per Subscription Share is approximately HK$2.67.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares after taking into consideration various factors, including but not limited to the latest financial position and business prospects of the Company, the Board (excluding the Independent Board Committee) consider that taking into account the Financial Information, the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to a specific mandate proposed to be sought from the Shareholders at the EGM.

Conditions of the Subscription

The Subscription is conditional upon the following conditions precedent being fulfilled on or before the Long Stop Date or being waived by the Subscriber in writing in accordance with the Subscription Agreement after prior consultation with the Company:

(i) the passing of the following resolutions at the EGM:

(a) by the Shareholders (being such Shareholders as are allowed to vote under the Listing Rules and the Takeovers Code or permitted by the Stock Exchange to vote) in relation to the Subscription Agreement and the transactions contemplated thereunder:

- the increase of the authorized share capital of the Company to HK$120,000,000 comprising 1,200,000,000 Shares;

- the issue and allotment of 323,500,445 Subscription Shares constituting approximately 35.0% of the enlarged share capital of the Company;

- the Subscription and the transactions contemplated under the Subscription Agreement;

- the appointment of the Subscriber's four nominees to the Board with effect from Completion or, if the Subscriber has waived the conditions of obtaining the Shareholders' approval for the Whitewash Waiver and the granting of the Whitewash Waiver by the Executive and/or is otherwise required to make an offer as a result of the Subscription, with effect from the posting of the offer document in relation to the mandatory general offer required to be made as a result of the Subscription; and

(b) by the Independent Shareholders in relation to the Whitewash Waiver by way of poll;

(ii) the granting of the Whitewash Waiver by the Executive;

(iii) the resignation of three Directors on the Board (being Directors other than the independent non-executive Directors), with effect from Completion or, if the Subscriber has waived the conditions of obtaining the Shareholders' approval for the Whitewash Waiver and the granting of the Whitewash Waiver by the Executive and/or is otherwise required to make a mandatory general offer as a result of the Subscription, with effect from the later of the first closing date of the mandatory general offer required to be made as a result of the Subscription, or such offer being declared unconditional (or otherwise with the consent of the Executive);

(iv) the listing of and permission to deal in all the Subscription Shares being granted by the Listing Committee of the Stock Exchange and such listing and permission not subsequently being revoked prior to the Completion Date;

(v) the Company Warranties being true, complete and accurate as at the date of the Subscription Agreement and remaining so as at the Completion Date as if made on that date;

(vi) save as otherwise disclosed to the Subscriber in a separate letter issued pursuant to the Subscription Agreement, there not having been any Material Adverse Change and the Company having operated its business in the ordinary course of business since the date of the Interim Results;

(vii) the zero coupon guaranteed convertible bonds due 2011 issued by Greatest Joy Investments Limited having been redeemed in full; and

(viii) the Subscriber providing evidence to the Company one Business Day prior to Completion that it has adequate funding to satisfy its payment obligations under the Subscription Agreement.

At any time on or before the Long Stop Date, the Subscriber may waive, in whole or in part, the above conditions (i) to (vii), to the extent permitted by law, by notice to the Company. In the event the Subscriber waives the satisfaction of conditions (i)(b) and (ii) and elects to proceed with the Subscription, the Subscriber will comply with all the relevant requirements under the Takeovers Code, including but not limited to the making of a general offer under Rule 26.1 of the Takeovers Code and further announcement. The current issued share capital of the Subscriber is 100 ordinary shares of US$0.01 each. If and when the Subscriber is required to make a general offer, if such offer was to include a non-cash alternative, further details will be provided by the Subscriber at the appropriate time. The Subscriber does not have any other outstanding options, derivatives, warrants and other securities convertible into shares or any other derivatives of the Subscriber as at the date of this circular.

If the above conditions (i) to (vii) are not fulfilled to the reasonable satisfaction of the Subscriber or waived in writing by it on or before the Long Stop Date, the Subscription Agreement shall automatically terminate with immediate effect.

As at the Latest Practicable Date, the above condition (vii) has been fulfilled.

Completion of the Subscription

Completion of the Subscription will take place at 3 p.m. on the fifth Business Day following the satisfaction or waiver of the last condition (to the extent such conditions are capable of being fulfilled before such date) or such other date as the parties may agree, subject to the conditions precedent having been fulfilled to the reasonable satisfaction of the Subscriber or waived in accordance with the Subscription Agreement.

Undertakings by the Company

Pursuant to the Subscription Agreement, the Company has agreed to give, among other things, certain undertakings as set out below:

(i) From the date of the Subscription Agreement up until the Completion Date, the Company shall not declare, pay or make a dividend or distribution.

(ii) From Completion, for so long as the Subscriber continues to hold not less than 33% of the Shares or is the Shareholder holding the largest percentage of the Shares, the Subscriber shall be entitled to nominate four persons to the Board to act as Directors and shall be entitled to appoint the chairman of the Board. The Company shall use all reasonable endeavours to procure that such nominees are appointed to the Board. The number of Directors on the Board at Completion shall be increased to ten. Any other change to the size of the Board shall be determined by the nomination committee as described below. If the Subscriber holds less than 33% of the Shares and is no longer the Shareholder holding the largest percentage of Shares, the number of Directors the Subscriber has a right to nominate shall be reduced proportionally.

(iii) For so long as the Subscriber continues to hold not less than 33% of the Shares or is the Shareholder holding the largest percentage of the Shares and if the Subscriber so elects, the Subscriber shall be entitled from time to time to nominate directors to the boards of the Subsidiaries up to such number constituting a simple majority of the directors of each such board and the Company shall procure that such nominees are appointed as directors on the boards of the Subsidiaries.

(iv) At Completion, the Company shall procure that one nominee of the Subscriber is appointed as a member on each of the audit committee and remuneration committee of the Company and shall ensure that, for so long as the Subscriber continues to hold not less than 33% of the Shares or is the Shareholder holding the largest percentage of the Shares, a nominee of the Subscriber shall continue to be appointed to such committees.

(v) After Completion, to improve corporate governance and follow best practices, the Company shall establish a nomination committee.

For the avoidance of any doubt, none of the above paragraphs (ii), (iii) and (iv) above shall prevent the members of the Board from being able to fulfill their fiduciary duties imposed on them under the Applicable Laws and the Listing Rules at all times.

The Directors (excluding the Independent Board Committee) considers that the undertakings set out in the Subscription Agreement are in the best interest of the Company and the Shareholders as a whole.

OPTIONS, DERIVATIVES, WARRANTS AND OTHER SECURITIES CONVERTIBLE INTO THE SHARES

The Company does not have any outstanding options, derivatives, warrants and other securities convertible into the Shares or any other derivatives of the Company as at the Latest Practicable Date.

HIGHEST AND LOWEST SHARE PRICE

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$4.02 on November 15, 2007 and HK$2.05 on May 30, 2008, respectively.

SUBSCRIBER'S DEALING AND INTEREST IN THE COMPANY'S SECURITIES

Save for the entering into of the Subscription Agreement, none of the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares during the Relevant Period. As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them do not hold any Shares or securities of the Company.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in the Cayman Islands on April 10, 2008 with limited liability. Its principal business is investment holding and to date, it has not conducted any business. The Subscriber is ultimately owned by the Investment Funds which are advised by CVC. The Investment Funds are widely held among a large number of investors comprising pension funds, financial institutions, university endowment funds, funds of funds and private individuals. The Investment Funds have a total of approximately US$4.1 billion under management and were established in July and September 2007, respectively. The funds have so far acquired a 65% interest in Stella Group Limited, an integrated travel and hospitality group in Australia, New Zealand and the United Kingdom, and announced the pending acquisition of an interest in Magnum Corporation Berhad, a licensed 4-digit number forecast betting company in Malaysia.

CVC is one of the leading private equity firms in Asia. It has been one of the most active private equity investors in the region, and has completed 30 major acquisitions, covering Greater China, Southeast Asia, Korea, Japan and Australia.

CVC has made a number of investments in the printing, paper and packaging sector including GS Paper and Packaging (Malaysia's largest paper and corrugated box manufacturer) and Asia Printers (a children's book printing and financial printing group in Hong Kong). Other pertinent global investments in the printing, paper and packaging sector by CVC group include Smurfit Kappa (one of the world's largest manufacturers of containerboard, corrugated containers, folding cartons and paper bags) and Flint group (an integrated supplier of printing ink in Germany).

FUTURE INTENTION OF THE SUBSCRIBER

The Subscriber intends that following Completion, the Group will continue its existing principal business in the ordinary course. The Subscriber would assist the Group to further develop its business by, including but not limited to, providing professional management experience and strengthening its financial reporting practices. The Subscriber has no intention to make major changes to the continued employment status of the Group, save for the nomination of four new Directors and the proposed recruitment of some professional managers to supplement the existing management in certain areas, which would be announced as and when appropriate and in compliance with the relevant rules and regulations.

The Subscriber does not intend to introduce any major changes to the business of the Group or re-deploy or dispose of any of the assets of the Group other than in the ordinary course of business. With regard to the acquisition by the Group of further assets, the Subscriber has no current plans to do so but such acquisition may be a possibility in the future. Any acquisition or disposal of the assets or business of the Group, if any, will be in compliance with the Listing Rules and the Takeovers Code (if applicable). Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to the Shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular, when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisition or disposal and any such acquisition or disposal may, in any event, result in the Company being treated as if it were a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules. The Group will continue to seek new business opportunities to improve the Group's profitability and prospects, and may diversify into other businesses should suitable opportunities arise.

REASONS FOR THE SUBSCRIPTION

The Group is principally engaged in the printing and manufacturing of paper and carton boxes, the manufacturing of paper, the manufacturing of corrugated cartons and the trading of paper.

The Directors consider that the introduction of CVC as a strategic partner will benefit the Company's long-term development and broaden the Company's equity base. With CVC's strong experience in the printing industry, the Subscription is intended to further improve the corporate governance of the Group through the appointment of new professional and experienced Directors to complement the expertise of its existing management team. Further details of the background and expertise of the proposed new Directors are set out on pages 18 to 20 of this circular. The Subscription will also strengthen the Company's financial position and enhance its existing business operations. In addition, by tapping into the depth of CVC's experience in mergers and acquisitions, the Company will be in a stronger position to make investments in new acquisitions or business ventures when suitable opportunities arise in the future.

The Subscriber's decision to enter into the Subscription is based on its view that the Company has strong fundamentals and good market potential and that it can add long-term value to the Company's business by bringing to it CVC's experience in the pulp, paper and packaging sector, by strengthening the Company's management through the appointment of new professional and experienced Directors and by strengthening the Company's financial position through the Subscription as described above.

The gross proceeds of the Subscription is approximately HK$873.45 million. The net aggregate proceeds of the Subscription is approximately HK$865.0 million, which the Company proposes to use in the following manner:

(i) approximately 58% will be used (as and when appropriate) for the reduction of bank debt;

(ii) approximately 5% will be used (as and when appropriate) for the termination of certain derivative contracts as determined by a special committee of the Board to be formed after Completion, depending on the currency exchange rates and interest rate prevailing at the time of the termination; and

(iii) approximately 37% will be used for the expansion of the Group's business. The Company's current expansion plans include the following:

   (a) The Company intends to inject HK$99 million to expand its existing plant in Heshan, which was commissioned in March 2007. Unlike the Company's facility in Shenzhen whose broad range of paper products and prompt delivery service allows the Company to better manage larger and often urgent orders, the existing Heshan facility focuses on labour intensive work for orders from overseas market. Most of the investments will be used to acquire printing and book printing machinery to capture the export market growth in children's books and conventional book printing. The Company also intends to build a new production facility in Heshan to supplement the increase in capacity. The Company believes that such increase will enable it to take advantage of the current industry consolidation, where smaller scaled printers are being phased out to leave more room for growth for larger-scaled printers like itself.

(b) The Company intends to inject HK$65 million to expand its existing facilities in Zhongshan paper manufacturing plant by acquiring the adjacent piece of land. The proposed expansion plans also include the upgrading of the existing paper manufacturing machinery and the power generator to enhance the efficiency of the facilities' operations and improve the quality of their products.

(c) The Company had entered into a joint venture agreement dated March 15, 2008 (the "**Joint Venture Agreement**") with Graphic Packaging International, Japan Limited ("**GPI**"), a subsidiary of Graphic Packaging Holding Company, one of the largest paperboard packaging manufacturers in the United States of America, to establish a joint venture company (the "**Joint Venture Company**") in the People's Republic of China (the "**PRC**") for the purposes of (i) designing and selling special designed and patented multipack packaging products, and (ii) licensing machinery for the production of specialty products, to the beverage industry in the PRC. The registered capital of the Joint Venture Company will be US$1,000,000, and the Company will contribute US$400,000 for its 40% stake. Pursuant to the Joint Venture Agreement, GPI will provide the contacts from its existing customer base, and the Company will be given priority for the production of the multipack packaging products to such customers. The Company believes that under this arrangement, the Joint Venture Company will be in a good position to develop this particular market segment in the PRC.

(d) To the extent the balance of the net proceeds are not utilized and the Company expects such amount to be approximately HK$153 million, they will be kept in the Company as working capital.

With the Subscription proceeds and the benefit of CVC's experience, the Subscription will allow the Company to be better prepared for expansion opportunities as they arise in the future.

The Company believes that the outsourcing trend in the printing industry will continue, and customers will continue to consolidate their orders with fewer but more reliable printers. Given the developed infrastructure of the printing manufacturers in the PRC, the Company believes that the PRC remains an attractive outsourcing base. In addition, in view of the strong demand for quality packaging products due to the rapid growth and rising living standards in the PRC, the Company aims to continue to explore business opportunities and develop its business in the PRC domestic market.

The Board (excluding the Independent Board Committee) consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

CHANGES IN SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company as a result of the Subscription are as follows:

Name	**Capacity and nature of interest**	**Shareholding as at the Latest Practicable Date and immediately before the Completion**		**Shareholding immediately after the Completion**	
		Number of Shares held	*%*[2]	*Number of Shares held*	*%*[2]
Yam Cheong Hung and entities owned or controlled by him and his family and parties in concert with any of them[1]	Directly beneficially owned and through controlled corporation and his spouse	303,596,452	50.53	303,596,452	32.85
Subscriber, its ultimate beneficial owners and parties acting in concert with any of them	Directly beneficially owned	–	–	323,500,445	35.00
Commonwealth Bank of Australia[3]	Through controlled corporation	54,244,491	9.03	54,244,491	5.87
Capital Research and Management Company[3]	Directly beneficially owned	46,223,000	7.69	46,223,000	5.00
Franklin Templeton Investments Corp.[3]	Through controlled corporation	30,857,747	5.14	30,857,747	3.34
General public[3]		165,858,839	27.61	165,858,839	17.94
TOTAL		**600,780,529**	**100.00**	**924,280,974**	**100.00**

Notes:

(1) The entities owned or controlled by Yam Cheong Hung and his family are C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited. 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. The remaining 3.4% of Hing Tai Industrial Company Limited is owned by Independent Third Parties. Further, under the SFO, Yam Cheong Hung is deemed to be interested in the 1,650,207 Shares (0.27% of the Company's issued share capital) owned by his spouse.

(2) Percentage of the Company's issued share capital.

(3) The total percentage shareholding held by public shareholders is approximately (i) 49.47% (as at the Latest Practicable Date and immediately before the Completion, and (ii) 32.15% (immediately after the Completion).

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

No fund raising activity has been carried out by the Company in the twelve months immediately prior to the Latest Practicable Date.

PROPOSED INCREASE IN AUTHORIZED SHARE CAPITAL

As at the date of this circular, the authorized share capital of the Company is HK$80,000,000 divided into 800,000,000 Shares, of which 600,780,529 Shares have been issued and fully paid or credited as fully paid. In order to fulfill the first bullet point of condition precedent (i)(a) referred to in the section headed "Conditions of the Subscription" above, and to provide the Group with flexibility in future expansion and growth by means of issuing new Shares and fund raising activities as the Directors may consider appropriate from time to time, the Directors propose to increase the authorized share capital of the Company to HK$120,000,000 divided into 1,200,000,000 Shares by the creation of an additional 400,000,000 unissued Shares. The increase in the authorized share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM, and save for the Subscription Shares, the Company currently has no intention to issue any part of the proposed increase in its authorized share capital.

APPLICATION FOR LISTING

An application was made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

WHITEWASH WAIVER

On Completion, the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them will hold 323,500,445 Shares, representing approximately 35.0% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. In the absence of the Whitewash Waiver, the Subscriber would incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares other than those held by the Subscriber and its ultimate beneficial owners.

The Subscriber has made an application to the Executive for the Whitewash Waiver. If granted, the Whitewash Waiver will be subject to, among other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM where voting on the relevant resolution shall be decided by way of poll, and (ii) the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them not having acquired any voting rights in the Company in the six-month period prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Subscription, and (iii) the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them not having made any acquisitions or disposals of the voting rights in the Company between the date of the Announcement and Completion.

The EGM will be held to consider, and if thought fit, pass the resolutions to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder, and (ii) the Whitewash Waiver. The resolution in respect of the Whitewash Waiver will be taken by way of poll. In the event the resolution for the Whitewash Waiver is not approved, and the Subscriber elects to proceed with the Subscription, the Subscriber will comply with all the relevant requirements under the Takeovers Code, including but not limited to the making of a general offer and further announcement.

The Directors and the Subscriber confirm that so far as they are aware there are no (i) arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Subscription Agreement and/or the Whitewash Waiver, and (ii) agreements or arrangements to which the Subscriber is party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription Agreement (other than those listed in the section headed "Conditions of the Subscription") and/or the Whitewash Waiver.

APPOINTMENT OF DIRECTORS

The Board has proposed the Subscriber's four nominees, namely Mr. Peter Martin Springford, Mr. David Murray Lonie, Mr. Ho Chi Kit and Mr. Alvin Tsz-Wang Lam, as the candidates for election as Directors at the EGM. If the above candidates are approved by the Shareholders at the EGM, their appointment as Directors will take effect from Completion or, if the Subscriber has waived the conditions of obtaining the Shareholders' approval for the Whitewash Waiver and the granting of the Whitewash Waiver by the Executive and/or is otherwise required to make an offer as a result of the Subscription, with effect from the posting of the offer document in relation to the mandatory general offer required to be made as a result of the Subscription.

The biographical details of the above candidates are set out below:

Peter Martin Springford

Mr. Springford, aged 54, holds an M.B.A. from Otago University in New Zealand and is a member of the Institute of Directors in New Zealand. Mr. Springford is currently a director and the chairman of the audit committee of The New Zealand Refining Company Ltd, New Zealand's only oil refinery and a company listed on the New Zealand Stock Exchange. From 2002 to 2006, Mr. Springford was the managing director & the chief executive officer of Carter Holt Harvey Ltd, a major forestry, wood, paper & packaging company listed on the Australian Stock Exchange and the

New Zealand Stock Exchange. Mr. Springford is also the chairman of Asia Timber Products Company Ltd. and GS Paper and Packaging Sdn Bhd, both being CVC group's unlisted portfolio companies.

Mr. Springford has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. The director's fee of Mr. Springford as a non-executive Director is to be determined by the Board with reference to his experience and prevailing market levels for director's fees for non-executive directors. As at the Latest Practicable Date, Mr. Springford has no interest in the Shares within the meaning of the SFO. Save as disclosed above, Mr. Springford has not held any other directorships in any public listed companies in the past three years and, is not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. Mr. Springford confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

David Murray Lonie

Mr. Lonie, aged 58, holds an Engineering Degree from Melbourne University in Australia and a Master of Science Degree from the University of Newcastle in Australia. Mr. Lonie has held senior operational and sales management roles in the paper industry in Australia and New Zealand over the last 30 years. In the late 1990's, Mr. Lonie was the business development director for the Pulp and Paper Division of Fletcher Challenge Paper, a major listed New Zealand company at that time. From 2001 to 2003, Mr. Lonie was the chief executive of Carter Holt Harvey's Packaging Paper Division. Mr. Lonie is currently the deputy chairman of Asia Timber Products Company Ltd and GS Paper & Packaging Sdn Bhd, both being CVC group's unlisted portfolio companies.

Mr. Lonie has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. The director's fee of Mr. Lonie as a non-executive Director is to be determined by the Board with reference to his experience and the prevailing market levels for director's fees for non-executive directors. As at the Latest Practicable Date, Mr. Lonie has no interest in the Shares within the meaning of the SFO. Save as disclosed above, Mr. Lonie has not held any other directorships in any public listed companies in the past three years and, is not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. Mr. Lonie confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

Ho Chi Kit

Mr. Ho, aged 46, is a director of the Subscriber and the managing director of CVC, the adviser to the Investment Funds which ultimately own the Subscriber. Mr. Ho holds a B.S. (Honours) in Computer Science from the University of Manitoba and an

M.B.A. from the University of British Columbia. He is also a Chartered Financial Analyst. Mr. Ho has been with CVC since 1999 and is currently responsible for CVC's investment activities in Hong Kong and China. Prior to CVC, Mr. Ho was an investment director of Citicorp Everbright China Fund where he actively led the fund's investments in China. Prior to that, he was the associate investment director of Citicorp Capital Asia Limited and assisted in building a regional investment portfolio. Mr. Ho is currently the vice chairman of Zhuhai Zhongfu Enterprise Co., Ltd., a Chinese company listed on the Shenzhen Stock Exchange. Mr. Ho is also a director of Asia Timber Products Company Ltd., a CVC group unlisted portfolio company.

Mr. Ho has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. The director's fee of Mr. Ho as a non-executive Director is to be determined by the board of Directors with reference to his experience and prevailing market levels for director's fees for non-executive directors. As at the Latest Practicable Date, Mr. Ho has no interest in the Shares within the meaning of the SFO. Save as disclosed above, Mr. Ho has not held any other directorships in any public listed companies in the past three years and, is not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. Mr. Ho confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

Alvin Tsz-Wang Lam

Mr. Lam, aged 36, is a director of the Subscriber and a director of CVC, the adviser to the Investment Funds which ultimately own the Subscriber. Mr. Lam holds a B.S. from the Massachusetts Institute of Technology, an M.B.A. from the Wharton School, University of Pennsylvania, and an MA in International Studies from the University of Pennsylvania. Mr. Lam has been with CVC for two and a half years, and was previously a principal with the Boston Consulting Group based in Hong Kong. Mr. Lam is currently a director of Zhuhai Zhongfu Enterprise Co., Ltd., a Chinese company listed on the Shenzhen Stock Exchange. Mr. Lam is also a director of Asia Timber Products Company Ltd., a CVC group unlisted portfolio company.

Mr. Lam has not entered into any service contract with the Company and he is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. The director's fee of Mr. Lam as a non-executive Director is to be determined by the Board with reference to his experience and prevailing market conditions of director's fee for non-executive directors. As at the Latest Practicable Date, Mr. Lam has no interest in the Shares within the meaning of the SFO. Save as disclosed above, Mr. Lam has not held any other directorships in any public listed companies in the past three years and, is not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. Mr. Lam confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no matters that need to be brought to the attention of the Shareholders.

THE EGM

A notice convening the EGM is set out on pages 132 to 134 of this circular.

The Subscriber, its ultimate beneficial owners and parties acting in concert with any of them do not currently hold any Shares and accordingly will not vote on any of the resolutions. Only Shareholders who do not have a material interest in the transactions will vote on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. For the avoidance of doubt, Mr. Yam Cheong Hung and entities owned or controlled by him and his family and parties in concert with any of them are allowed to vote on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder (namely, resolutions numbered 1 to 7 in the notice of the EGM) at the EGM.

Only the Independent Shareholders will vote on the resolution to approve the Whitewash Waiver (namely, resolution numbered 8 in the notice of the EGM) at the EGM. Mr. Yum Chak Ming, Matthew (as the Managing Director) and Mr. Yam Ho Ming, Michael (as an executive Director) have been involved in the negotiations with the Subscriber on behalf of the Company in relation to the Subscription. Accordingly, Mr. Yum Chak Ming, Matthew and Mr. Yam Ho Ming, Michael and parties acting in concert with any of them will abstain from voting on the resolution to approve the Whitewash Waiver (namely, resolution numbered 8 in the notice of the EGM) at the EGM.

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

PROCEDURE FOR DEMANDING A POLL

Pursuant to article 58 of the articles of association of the Company, a resolution put to the vote of the EGM shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded. Subject to the provisions of the Companies Ordinance, a poll may be demanded:

(i) by the chairman of the EGM; or

(ii) by not less than five members having the right to vote at the EGM; or

(iii) by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the EGM; or

(iv) by a member or members holding Shares conferring a right to vote on the resolution on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

In addition, pursuant to the Listing Rules, if the chairman of the EGM and/or Directors individually or collectively hold(s) proxies in respect of Shares holding 5% or more of the total voting rights of the Company at the EGM and if the votes cast at the EGM on a show of hands are in the opposite manner to that instructed in those proxies, then the chairman shall demand a poll. However, if it is apparent from the proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands, then the chairman shall not be required to demand a poll.

LOSS ESTIMATE

The Board estimates that, on the bases set out in Appendix II to this circular and in the absence of any unforeseen circumstances, the loss attributable to the equity holders of the Company for the year ended March 31, 2008 will not be more than HK$18 million.

The texts of the letters from the joint reporting accountants of the Company, Ernst & Young and Nexia Charles Mar Fan & Co., and from the financial adviser, BNP Paribas Capital (Asia Pacific) Limited, about the loss estimate are set out in Appendix II to this circular.

ADDITIONAL FINANCIAL INFORMATION

As stated in the Announcement, the Company expected "net fair value losses of approximately HK$169 million in derivative financial instruments". The statement should be revised as "unaudited loss on net changes in fair values of derivative financial instruments and structured borrowings of approximately HK$164 million for the year ended March 31, 2008". The Company initially entered into these derivative financial instruments and structured borrowings in the normal course of business for the purpose of hedging the foreign exchange risks arising from the foreign currency requirements of the Group. Due to the subsequent volatile market conditions, management of the Company terminated certain of these derivative financial instruments and entered into additional new ones to hedge the original position of these derivative financial instruments in order to minimize the potential loss to the Group. The unaudited fair values of the derivative financial instruments and structured borrowings of the Group at their open positions were (i) net, liabilities of approximately HK$186 million in aggregate as at March 31, 2008 and (ii) net, liabilities of approximately HK$113 million in aggregate as at April 30, 2008. Their future changes in fair values are subjected to a number of factors which include but not limited to changes in the exchange rates of the relevant currencies which are highly unpredictable.

The unaudited cash and bank balances of the Group as at March 31, 2008 was approximately HK$1,134 million (which amounted to HK$604 million as at March 31, 2007). On the basis that the total outstanding borrowings of the Group were approximately HK$1,744 million as at March 31, 2008 (details of which are set out in the section headed "Indebtedness Statement" in Appendix I) and taking into account the net proceeds from the Subscription of approximately HK$865 million, the Group will be in a net cash position immediately after the Completion.

The estimated loss attributable to the equity holders of the Company for the year ended March 31, 2008 of not more than HK$18 million were mainly due to (i) interest charges on early redemption of convertible bonds, and (ii) the loss on net changes in fair values of derivative financial instruments and structured borrowings. The Board considers the overall operations and financial position of the core business of the Company remain sound and intact.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders regarding the Subscription Agreement and the Whitewash Waiver. The Independent Board Committee comprises the three independent non-executive Directors, namely Mr. Yip Yu Bun, Mr. Wong Siu Ping, and Mr. Yap, Alfred Donald and one of the two non-executive Directors, Dr. Chu Shu Ho, David, all of whom are not directly or indirectly interested or involved in the Subscription and the Whitewash Waiver.

The other non-executive Director, Miss Yum Pui Ming, Anna, is the daughter of the Company's chairman and executive Director, Mr. Yam Cheong Hung and the sister of two of the executive Directors, Mr. Yum Chak Ming, Matthew, and Mr. Yam Ho Ming, Michael, both of whom were involved in the negotiations with the Subscriber on behalf of the Company in relation to the Subscription. Accordingly, she is deemed a concert party and will not be on the Independent Board Committee.

Somerley has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription Agreement and Whitewash Waiver. The Independent Board Committee has approved the appointment of Somerley.

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

The Board (including the Independent Board Committee) considers that (i) the proposed increase in authorized share capital, (ii) the issue and allotment of 323,500,445 Subscription Shares constituting approximately 35.0% of the enlarged share capital of the Company, (iii) the Subscription and the transactions contemplated under the Subscription Agreement, (iv) the Whitewash Waiver, and (v) the appointment of the Subscriber's four nominees to the Board are in the interests of the Company and the Shareholders as a whole, and recommends that the Shareholders vote in favour of the resolutions relating to the foregoing matters at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of the Board
Yum Chak Ming, Matthew
Managing Director

HUNG HING

HUNG HING PRINTING GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 450)

June 13, 2008

To the Independent Shareholders

Dear Sir or Madam,

SUBSCRIPTION OF NEW SHARES
AND
WHITEWASH WAIVER

INTRODUCTION

We refer to the circular dated June 13, 2008 (the "**Circular**") of Hung Hing Printing Group Limited, of which this letter forms part. Capitalized terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you in connection with the Subscription Agreement and the Whitewash Waiver, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 24 of the Circular, and the letter from Somerley, as set out on pages 26 to 49 of the Circular. Having considered the terms of the Subscription Agreement, the Whitewash Waiver and the advice given by Somerley and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the Subscription Agreement and the Whitewash Waiver are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve, among other things, the Subscription Agreement and the Whitewash Waiver.

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

Mr. Yip Yu Bun **Mr. Wong Siu Ping** **Mr. Yap, Alfred Donald**
Independent non-executive Directors

Dr. Chu Shu Ho, David
Non-executive Director

The following is the letter of advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

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

13 June 2008

To: the Independent Board Committee and
the Independent Shareholders of
Hung Hing Printing Group Limited

Dear Sirs,

SUBSCRIPTION OF NEW SHARES AND WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver. Details of the Subscription and the Whitewash Waiver are set out in the letter from the Board contained in the circular (the "**Circular**") of the Company to the Shareholders dated 13 June 2008, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Board announced that on 24 April 2008, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 323,500,445 Subscription Shares at the Subscription Price of HK$2.70 per Subscription Share. The Subscription Shares represent approximately 53.8% of the existing issued share capital of the Company and approximately 35.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Immediately following Completion, the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them will be interested in 323,500,445 Shares, representing approximately 35.0% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscriber has made an application to the Executive for the Whitewash Waiver, which if granted, will be subject to, among other things, approval by the Independent Shareholders of the Whitewash Waiver at the EGM by way of poll.

The Independent Board Committee, comprising (i) all of the independent non-executive Directors, namely Mr. Yip Yu Bun, Mr. Wong Siu Ping and Mr. Yap, Alfred Donald, and (ii) one of the non-executive Directors, Dr. Chu Shu Ho, David, has been established to advise the Independent Shareholders regarding the Subscription and the Whitewash Waiver. Somerley Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As set out in the letter from the Board, Mr. Yum Chak Ming, Matthew (as the Managing Director) and Mr. Yam Ho Ming, Michael (as an executive Director) have been involved in the negotiations with the Subscriber on behalf of the Company in relation to the Subscription. Accordingly, Mr. Yum Chak Ming, Matthew and Mr. Yam Ho Ming, Michael and their respective concert parties will abstain from voting on the resolution to approve the Whitewash Waiver at the EGM.

Somerley Limited is not associated with the Company or the Subscriber, or their respective substantial Shareholders, or any party acting, or presumed to be acting, in concert with any of them respectively and, accordingly, is considered eligible to give independent advice on the Subscription and the Whitewash Waiver. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Subscriber, or their substantial Shareholders or any party acting in concert, or presumed to be acting in concert, with any of them.

In formulating our opinion, we have reviewed, among other things, the Subscription Agreement, the annual reports of the Company for each of the three years ended 31 March 2007, the interim report of the Company for the six months ended 30 September 2007 (the "**Interim Report**") and the information contained in this Circular.

We have also relied on the information and facts supplied, and the opinions expressed, by the Directors and senior management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain so up to the date of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or doubt the truth or accuracy of the information provided. We have not, however, conducted an independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

1. Background of the Group

The Group is principally engaged in the printing and manufacturing of paper and carton boxes, the manufacturing of paper, the manufacturing of corrugated cartons and the trading of paper.

During the past few years, the Group has maintained steady growth in business due to the improvement in the global economy as well as the ongoing trend of outsourcing production to quality and reliable suppliers in Asia such as the Group. The success of the Group is attributed to the Group's strategy as follows:

- to diversify its product range through the printing of conventional books as well as offering new brands of paper;
- to expand its customer base geographically and increase its presence in certain new markets such as Australia, Canada, Eastern Europe, Germany and South America; and
- to expand and enhance its facilities in China to serve both the domestic and overseas markets more effectively and also to control the Group's cost base.

Domestic sales in China are also expected to increase as the growing mainland economy results in higher living standards and demand for better quality products. The Group will also strengthen its marketing efforts in order to take advantage of the strong Euro. As stated in the annual report of the Group for the year ended 31 March 2007 (the "**2007 Annual Report**"), the management is cautiously optimistic about the Group's prospects.

On the other hand, the Group faces a number of challenges. These include (i) rising production costs resulting from oil and raw material (such as paper) price adjustments; (ii) minimum wage increase and new labour law enforcement in China which affect labour costs; (iii) power shortages across southern China; and (iv) the appreciation of the Renminbi, as a large portion of the Group's costs are in Renminbi. Due to the intense competition in China, rising costs may not be fully passed on to customers, which will eventually create pressure on the margins.

2. Historical financial performance

Set out below is a summary of the income statement of the Group for the six months periods ended 30 September 2007 and 2006 and for the three financial years ended 31 March 2007.

	For the six months ended 30 September		For the year ended 31 March		
	2007	**2006**	**2007**	**2006**	**2005**
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*	*(Audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
REVENUE	1,934,840	1,705,338	3,141,985	2,956,885	2,327,393
Cost of sales	(1,593,070)	(1,349,616)	(2,523,810)	(2,337,515)	(1,793,882)
Gross profit	341,770	355,722	618,175	619,370	533,511
Other income and gains	33,065	45,173	69,553	36,309	42,337
Distribution costs	(46,072)	(42,476)	(75,541)	(70,942)	(65,859)
Administrative and selling expenses	(131,434)	(120,938)	(242,832)	(225,979)	(193,514)
Other expenses	(7,360)	(1,385)	(5,483)	(7,080)	(1,880)
	189,969	236,096	363,872	351,678	314,595
Fair value gain/(loss) on derivative component of convertible bonds	10,200	64,050	55,275	(1,800)	–
Finance costs	(31,090)	(31,211)	(61,493)	(28,247)	(12,203)
Share of profits and losses of associates	–	–	–	–	4,756
PROFIT BEFORE TAX	169,079	268,935	357,654	321,631	307,148
Tax	(30,899)	(27,974)	(50,123)	(45,540)	(44,096)
PROFIT FOR THE PERIOD/YEAR	138,180	240,961	307,531	276,091	263,052
ATTRIBUTABLE TO:					
Equity holders of the parent	124,795	226,649	277,139	248,891	240,281
Minority interests	13,385	14,312	30,392	27,200	22,771
	138,180	240,961	307,531	276,091	263,052

(i) Revenue and gross profit

Revenue increased from approximately HK$2,327 million in 2005 to approximately HK$3,142 million in 2007, an increase of approximately 35.00%, largely due to the growth in business of the Group, in particular, the acquisition of two paper manufacturing companies in China during the year 2006. Cost of sales increased from approximately HK$1,794 million in 2005 to approximately HK$2,524 million in 2007, an increase of approximately 40.69%. As the increase in cost of sales was at a faster rate than the increase in revenue, the gross profit margin of the Group dropped from approximately 22.92% in 2005 to approximately 19.67% in 2007, a decrease of approximately 3.25%.

Gross profit of the Group for the six months ended 30 September 2007 was approximately HK$342 million, a decrease of approximately HK$14 million or approximately 3.92% as compared to the corresponding period in 2006. This decrease of gross profit was due to macro-economic factors including but not limited to rise in crude oil prices, material costs, wages and benefits and the appreciation of the Renminbi.

The following table sets out the Group's revenue by product mix for the six months periods ended 30 September 2007 and 2006 and for the three financial years ended 31 March 2007:

	For the six months ended 30 September		For the year ended 31 March		
	2007	**2006**	**2007**	**2006**	**2005**
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*	*(Audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Paper and carton box printing and manufacturing	970,796	892,131	1,572,656	1,556,040	1,433,719
Paper manufacturing	394,197	370,712	749,817	638,032	155,750
Corrugated carton manufacturing	320,766	283,138	538,487	493,269	509,769
Paper trading	249,081	159,357	281,025	269,544	228,155
	1,934,840	1,705,338	3,141,985	2,956,885	2,327,393

The business of paper and carton box printing and manufacturing is the largest division of the Group, accounting for over half of the total revenue of the Group in the three years ended 31 March 2007. In financial year 2006, the division expanded its product range by printing more conventional books as well as greeting cards and achieved approximately 8.53% growth in revenue and approximately 5.11% in operating profit. In financial year 2007, the revenue of the division increased by approximately 1.07%. However, increases in material costs resulted in a decline of operating profit of this division by approximately 17.50%.

Paper manufacturing is the second largest division in terms of revenue contribution to the Group. Revenue and operating profit for paper manufacturing increased more than three-fold in financial year 2006 with the Group's acquisition of a majority stake in two paper manufacturing companies in China. Due to strong domestic demand in financial year 2007, the paper manufacturing division recorded an increase of approximately 17.52% in revenue. Helped by global paper price adjustments and improvement in operating efficiencies, the operating profit of this division increased by approximately 42.94% in 2007.

In financial year 2006, the intense competitive environment caused a decline of approximately 3.24% in revenue and approximately 17.90% in operating profit of the corrugated carton manufacturing division of the Group. In financial year 2007, this division's revenue increased by approximately 9.17%, partly due to the Group's entering into of new customer segments such as dairy products and electronics in China. Despite revenue growth, depreciation charges on a new corrugator, intense competition and increases in labour and material costs caused the operating profit of this division to decline by approximately 3.98%.

During the periods under review, the paper trading division recorded increasing revenues and operating profits. In financial year 2006, due to the success in expanding its customer base in China by offering more varieties of paper, revenue and operating profit of the paper trading division increased by approximately 18.14% and approximately 11.26% respectively. During financial year 2007, favorable paper price adjustments and sales of higher value items increased the revenue and operating profit of this division by approximately 4.26% and approximately 30.03% respectively.

(ii) Net profit

As compared to the six months ended 30 September 2006, net profit of the Group decreased by approximately 42.65% to approximately HK$138 million for the six months ended 30 September 2007. In addition to a decrease in gross profit, a substantially smaller fair value gain on convertible bonds and no tax refund received during the six months ended 30 September 2007 (as compared with a tax refund of HK$7 million received in the six months ended 30 September 2006) also contributed to the decrease in net profit of the Group for the six months ended 30 September 2007.

Net profit margin decreased from approximately 11.30% in 2005 to approximately 9.34% in 2006 due to the increase in costs of sales as mentioned above and a fair value loss on the derivative component of convertible bonds. In the financial year 2007, net profit margin increased to approximately 9.79%, partly due to a fair value gain on derivative component of convertible bonds of approximately HK$55 million.

Net profit attributable to Shareholders increased from approximately HK$240 million in 2005 to approximately HK$277 million in 2007, representing an increase of approximately 15.34%.

(iii) Financial position of the Group

Set out below is the consolidated balance sheet of the Group as at 30 September 2007 and as at 31 March 2005, 2006 and 2007.

Balance Sheet

	As at 30 September	As at 31 March		
	2007	**2007**	**2006**	**2005**
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	1,542,921	1,493,144	1,373,577	1,289,684
Other non-current assets	197,282	217,116	211,265	226,603
Total non-current assets	1,740,203	1,710,260	1,584,842	1,516,287
CURRENT ASSETS				
Inventories	705,934	596,372	500,714	553,611
Accounts and other receivables	1,133,533	797,861	587,576	716,070
Structured deposits and other financial instruments	281,936	403,681	1,231	–
Cash and cash equivalents	544,939	603,584	1,311,031	334,416
Total current assets	2,666,342	2,401,498	2,400,552	1,604,097
CURRENT LIABILITIES				
Accounts payable	428,454	318,661	282,162	306,032
Derivative component of convertible bonds	22,575	32,775	88,050	–
Derivative financial instruments and structured borrowings	45,894	24,559	–	–
Interest-bearing bank and other borrowings	421,864	330,592	427,246	328,513
Total current liabilities	918,787	706,587	797,458	634,545
NET CURRENT ASSETS	1,747,555	1,694,911	1,603,094	969,552
TOTAL ASSETS LESS CURRENT LIABILITIES	3,487,758	3,405,171	3,187,936	2,485,839

	As at 30 September 2007 (Unaudited) HK$'000	As at 31 March 2007 (Audited) HK$'000	2006 (Audited) HK$'000	2005 (Audited) HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Convertible bonds	699,646	679,590	641,185	–
Interest-bearing bank and other borrowings	125,346	110,833	169,167	325,000
Structured borrowings	46,494	56,896	–	–
Deferred tax liabilities	43,832	36,550	23,354	19,325
Total non-current liabilities	915,318	883,869	833,706	344,325
Net assets	2,572,440	2,521,302	2,354,230	2,141,514
EQUITY				
Equity attributable to equity holders of the parent	2,194,811	2,167,208	2,037,213	1,842,660
Minority interests	377,629	354,094	317,017	298,854
Total equity	2,572,440	2,521,302	2,354,230	2,141,514

(a) Property, plant and equipment

Property, plant and equipment of the Group include principally buildings, plant and machinery which are used in the printing business of the Group. The net book value of the property, plant and equipment rose steadily as the Group continued to expand and enhance its facilities, in particular in Wuxi and Heshan.

(b) Inventories

Inventories of the Group represented approximately 16.0%, 14.5%, 12.6% and 17.7% of the total assets of the Group as at 30 September 2007, 31 March 2007, 2006 and 2005 respectively. Such balance mainly consisted of raw materials such as paper.

(c) Accounts and other receivables

Accounts and other receivables include accounts receivable, bills receivable, prepayments, deposits and other receivables. Accounts receivable represented the majority of the balance, representing approximately 22.6%, 16.7%, 12.7% and 19.1% of the total assets as at 30 September 2007, 31 March 2007, 2006 and 2005 respectively. The Group generally allows a credit period of 30 to 90 days. And as at 30 September 2007, approximately 85.0% of the accounts receivable, net of provisions, were due within 90 days and approximately 15.0% were due over 90 days.

As stated in the Company's 2007 annual report, the Group's accounts receivable relate to a large number of diversified customers and the Group has no significant concentration of credit risk.

(d) Structured deposits and other financial instruments

Structured deposits and other financial instruments comprise structured deposits, derivative financial instruments and a short-term note. Structured deposits are enhanced yield deposits and are principal protected and are linked to certain market interest rates, currencies exchange rates and bond index rates. Derivative financial instruments consist of forward currency and structured forward currency contracts entered into for the purpose of managing the Group's exchange rate exposures. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The short-term note was held for investment and its value was largely linked to paper stock indices. All these structured deposits and other financial instruments were carried at fair value and any gains or losses arising from changes in fair value were charged to the income statement and/ or balance sheet. Structured deposits were the largest component of this account and they represented approximately 88.4% and 93.1% of the balance of this account as at 30 September 2007 and 31 March 2007 respectively.

(e) Convertible bonds

The Company issued five-year zero coupon convertible bonds (the "CBs") with a principal value of HK$750 million in March 2006. Details of the terms of the CBs are set out in the announcement of the Company dated 3 March 2006. The CBs included a term that they could be redeemed by the issuer at the request of the bondholders at 105.51% of their principal amount on the second anniversary of the issue date in March 2008.

The CBs were split between the derivative and liability components and any change in fair value of the derivative component is recognised in the income statement. The CBs, including derivative and liability components, represented 39.4%, 44.8% and 44.7% of the total liabilities as at 30 September 2007, 31 March 2007 and 2006 respectively.

According to the Company, an aggregate principal amount of approximately HK$749.99 million of the CBs were redeemed for cash on 29 March 2008 at the request of the bondholders. Based on the Company's announcement dated 9 May 2008, all the outstanding principal of the CBs was redeemed for cash on 28 April 2008.

(f) Derivative financial instruments and structured borrowings

Derivative financial instruments have been discussed above and they comprise forward currency and structured forward currency contracts entered into for the purpose of managing the Group's exchange rate exposures. When their fair value is negative, they are carried as liabilities. The structured borrowings contain embedded derivatives. The interest and principal payments and the value of these structured borrowings are related to, among other things, US$ interest rate swaps of 10-year and 2-year terms.

(g) Interest bearing bank and other borrowings

Interest bearing bank and other borrowings were largely bank loans, bank overdrafts and trust receipt loans for the Group's operations and acquisitions of plant and machinery. The borrowings represented 29.8%, 27.8%, 36.6% and 66.8% of the total liabilities as at 30 September 2007, 31 March 2007, 2006 and 2005 respectively. The bank borrowings dropped significantly in 2006 following the repayment of the bank loans by the Group's internal resources during 2006.

3. Latest financial position

The Group issued a profit warning statement in the Announcement. In addition, the Board has estimated that, on the bases set out in Appendix II to this Circular and in the absence of any unforeseen circumstances, the estimated loss attributable to the equity holders of the Company for the year ended 31 March 2008 will not be more than HK$18 million. As disclosed in the section headed "Material Change" in Appendix III of this Circular, the Directors confirm that save as (i) the information disclosed under the section headed "Management discussion and analysis" in the interim report of the Group for the six months ended 30 September 2007; (ii) the information disclosed under the section headed "Profit warning" in the Announcement; and (iii) the information disclosed under the sections headed "The Subscription Agreement", "Reasons for the Subscription", "Whitewash Waiver", "Loss Estimate" and "Additional Financial Information" in the letter from the Board of this Circular, they were not aware of any material changes in the financial or trading position or outlook of the Group since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

According to the letter from the Board, the estimated loss attributable to the equity holders of the Company for the year ended 31 March 2008 was mainly due to (i) interest charges on early redemption of the CBs, and (ii) the loss on net changes in fair value of derivative financial instruments and structured borrowings. The Board considers the overall operations and financial position of the core business of the Company remain sound and intact.

As stated in the letter from the Board, the unaudited loss on net changes in fair values of derivative financial instruments and structured borrowings was approximately HK$164 million for the year ended 31 March 2008. The unaudited fair values of the derivative financial instruments and structured borrowings of the Group at their open positions were (i) net, liabilities of approximately HK$186 million in aggregate as at 31 March 2008, and (ii) net, liabilities of approximately HK$113 million in aggregate as at 30 April 2008. According to the accounting policies adopted by the Group, any gains or losses arising from changes in fair value on derivatives are charged to the income statement and/ or balance sheet. Given that any future changes in fair values are subject to a number of factors including but not limited to changes in the exchange rates of the relevant currencies which are unpredictable, we consider that no meaningful estimate can be made of the financial impact on the Group as a result of the future changes in fair value of the derivative financial instruments and structured borrowings before the positions of such instruments and borrowings are closed out.

As set out in the section headed "Indebtedness Statement" in Appendix I of this Circular, the outstanding borrowings of the Group amounted to approximately HK$1,744 million as at 31 March 2008. Also as disclosed in the section headed "Additional Financial Information" in the letter from the Board of this Circular, the unaudited cash and bank balances of the Group as at 31 March 2008 increased to approximately HK$1,134 million as compared to approximately HK$545 million as of 30 September 2007. Together with the net proceeds of the Subscription of approximately HK$865 million, it is expected that the Group will be in a net cash position immediately after Completion.

4. Future intentions of the Subscriber

As set out in the letter from the Board of this Circular, the Subscriber is a company incorporated in the Cayman Islands on 10 April 2008 with limited liability. Its principal business is investment holding and to date, it has not conducted any business. The Subscriber is ultimately owned by the Investment Funds which are advised by CVC. The Investment Funds are widely held among a large number of investors comprising pension funds, financial institutions, university endowment funds, funds of funds and private individuals. The Investment Funds have a total of approximately US$4.1 billion under management and were established in July and September 2007, respectively. The funds have so far acquired a 65% interest in Stella Group Limited, an integrated travel and hospitality group in Australia, New Zealand and the United Kingdom, and announced the pending acquisition of an interest in Magnum Corporation Berhad, a licensed 4-digit number forecast betting company in Malaysia.

CVC is one of the leading private equity firms in Asia. It has been one of the most active private equity investors in the region, and has completed 30 major acquisitions, covering Greater China, Southeast Asia, Korea, Japan and Australia. CVC has made a number of investments in the printing, paper and packaging sector including GS Paper and Packaging (Malaysia's largest paper and corrugated box manufacturer) and Asia Printers (a children's book printing and financial printing group in Hong Kong). Other pertinent global investments in the printing, paper and packaging sector by CVC group include Smurfit Kappa (one of the world's largest manufacturers of containerboard, corrugated containers, folding cartons and paper bags) and Flint group (an integrated supplier of printing ink in Germany).

As stated in the letter from the Board of this Circular, the Subscriber intends that following Completion, the Group will continue its existing principal business in the ordinary course. The Subscriber would assist the Group to further develop its business by, including but not limited to, providing professional management experience and strengthening its financial reporting practices. The Subscriber has no intention to make major changes to the continued employment status of the Group, save for the nomination of four new Directors and the proposed recruitment of some professional managers to supplement the existing management in certain areas.

The Directors consider that the introduction of CVC as a strategic partner will benefit the Company's long-term development and broaden the Company's equity base. With CVC's strong experience in the printing industry, the Subscription is intended to further improve the corporate governance of the Group through the appointment of new professional and experienced Directors to complement the expertise of the existing management team. The Subscription will also strengthen the Company's financial position and enhance its existing business operations. In addition, by tapping into CVC's experience in mergers and acquisitions, the Company will be in a stronger position to make investments in new acquisitions or business ventures when suitable opportunities arise in the future.

As set out in the letter from the Board, the directors to be nominated to the Board have experience in the management and supervision of business of both listed and unlisted companies across a variety of industries. In particular, Mr. Peter Martin Springford, one of the nominees, has extensive knowledge in the paper and packaging sector. He spent four years as the managing director and the chief executive officer of a major forestry, wood, paper and packaging company listed on the Australian Stock Exchange and the New Zealand Stock Exchange and is now the chairman of GS Paper and Packaging Sdn Bhd, being Malaysia's largest paper and corrugated box manufacturer. Mr. David Murray Lonie, likewise, has significant paper and packaging industry experience, having held senior operational and sales management roles in the paper industry in Australia and New Zealand over the last 30 years and is now the deputy chairman of GS Paper and Packaging Sdn Bhd.

We concur with the Directors' view that the support from CVC is encouraging given the background of CVC in the printing industry.

5. The Subscription Price and Share price performance

Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe in cash and the Company agreed to allot and issue 323,500,445 Subscription Shares at the Subscription Price of HK$2.70 per Subscription Share, subject to the terms and conditions of the Subscription Agreement. The Subscription Shares represent approximately 53.8% of the existing issued share capital of the Company and approximately 35.0% of the issued share capital of the Company as enlarged by the allotment and issue of such Subscription Shares.

The Subscription Price of HK$2.70 per Subscription Share represents:

(i) a premium of approximately 11.57% to the closing price of HK$2.42 per Share as quoted on the Stock Exchange on 23 April 2008, being the last full trading day immediately prior to the date of entering into of the Subscription Agreement;

(ii) a premium of approximately 9.76% to the closing price of HK$2.46 per Share as quoted on the Stock Exchange on 24 April 2008, being the last trading day immediately prior to the entering into of the Subscription Agreement;

(iii) a premium of approximately 10.47% to the average closing price of approximately HK$2.44 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the entering into of the Subscription Agreement;

(iv) a premium of approximately 9.00% to the average closing price of approximately HK$2.48 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the entering into of the Subscription Agreement;

(v) a premium of approximately 23.85% to the closing price of approximately HK$2.18 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

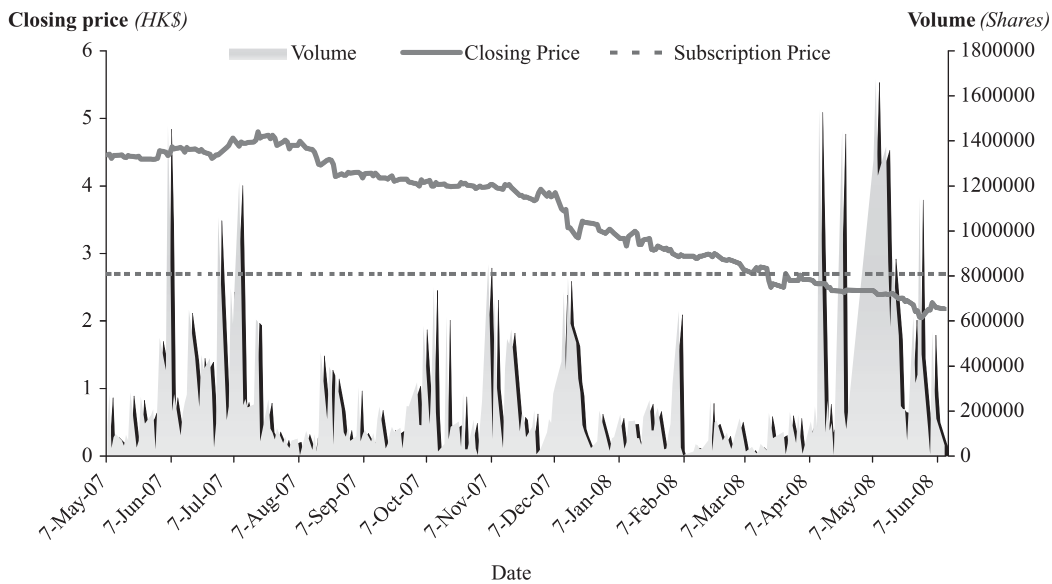
(vi) a discount of approximately 26.09% to the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK$3.65 per Share as at 30 September 2007, being the date of the latest interim results, without taking into account the Subscription; and

(vii) a discount of approximately 18.44% to the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK$3.31 per Share as at 30 September 2007, being the date of the latest interim results, had the Subscription Shares been allotted and issued on 30 September 2007.

As set out in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares after taking into consideration various factors, including but not limited to the latest financial position and business prospects of the Company. The Board (excluding the Independent Board Committee) considers that, taking into account the Financial Information, the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The chart below illustrates the daily closing prices of the Shares and trading volume during the period from 7 May 2007 (being the date 12 months preceding the date of the Announcement) up to and including the Latest Practicable Date.

Daily closing prices and trading volume of the Shares



During the period from 7 May 2007 up to and including the Latest Practicable Date (the "**Review Period**"), the closing prices ranged from HK$2.05 to HK$4.80 per Share. The Share price peaked at HK$4.80 on 18 July 2007 during the Review Period and has demonstrated a general downward trend since then, from HK$4.80 on 18 July 2007 to HK$2.42 on 23 April 2008, being the last full trading day immediately prior to the date of entering into of the Subscription Agreement. The Shares have traded at/below the Subscription Price of HK$2.70 since 18 March 2008.

As shown in the chart, the trading volume of the Shares during the Review Period was relatively thin. The average daily trading volume was less than 300,000 Shares, which is approximately 0.10% of the Shares held by the public during the Review Period.

We have also compared the closing price of the Shares during the Review Period against the then latest published consolidated net asset value per Share, which was generally available to the market from the date of the relevant annual or interim results announcements of the Company.

Period	Published consolidated net asset value per Share attributable to the Shareholders	Closing price per Share		Premium/(discount) of closing share price over/(to) consolidated net asset value per Share attributable to the Shareholders	
		High	Low	Lowest	Highest
	HK$	*HK$*	*HK$*	*%*	*%*
11 December 2006* – 8 July 2007	3.59	4.76	4.27	18.94	32.59
9 July 2007* – 9 December 2007	3.61	4.80	3.78	4.71	32.96
10 December 2007* – the Latest Practicable Date	3.65	3.66	2.05	(43.84)	0.27
Subscription Price		2.7		(26.09)	

**Note:* Being dates on which the Company announced its annual or interim results.

Based on the analysis set out above, the Shares traded at price levels ranging from a premium of approximately 32.96% to a discount of approximately 43.84% over/to the then consolidated net asset value per Share attributable to the Shareholders in the period from 11 December 2006 to the Latest Practicable Date. Immediately after the publication of the Company's interim results for the six months period ended 30 September 2007 on 10 December 2007 and since 11 December 2007, the Shares have been traded at prices below the net asset value per Share attributable to the Shareholders and traded at discounts of up to approximately 43.84% to net asset value per Share attributable to the Shareholders. The discount of the Subscription Price of 26.09% to the net asset value per Share attributable to the Shareholders as at 30 September 2007 is generally in line with the trend of the Share price during the past six months.

6. Peer comparison

For the purpose of our assessment of the Subscription Price, we have identified all the companies listed on the Main Board of the Stock Exchange which are principally engaged in businesses similar to those of the Group as at the Latest Practicable Date. For this purpose, we consider that there are five comparable companies (the "**Comparable Companies**") as described below:

	Market capitalisation as at the Latest Practicable Date *HK$' million* *(Note)*
Chung Tai Printing Holdings Limited ("**Chung Tai**") (Stock Code: 0055)	2,038.71
New Island Printing Holdings Limited ("**New Island**") (Stock Code: 0377)	133.52
Starlite Holdings Limited ("**Starlite**") (Stock Code: 0403)	163.51
Midas International Holdings Limited ("**Midas**") (Stock Code: 1172)	176.69
Cheong Ming Investments Limited ("**Cheong Ming**") (Stock Code: 1196)	292.40
The Company	1,309.70

Note: The market capitalisations of the Comparable Companies and the Company are based on the closing share price of the Comparable Companies and the Company as at the Latest Practicable Date sourced from website of the Stock Exchange.

(i) Comparison of closing share price to consolidated net asset value per share

	Closing price per share as at the Latest Practicable Date *HK$* *Note (a)*	Consolidated net asset value per share *HK$* *Note (b)*	As at	Premium/(Discount) of closing share price over/(to) consolidated net asset per share *(%)*
Chung Tai	0.20	0.065	30 September 2007	207.69 *Note (c)*
New Island	0.60	1.240	30 September 2007	(51.61)
Starlite	0.38	0.940	30 September 2007	(59.57)
Midas	0.29	0.883	31 December 2007	(67.16)
Cheong Ming	0.48	0.754	30 September 2007	(36.34)
Mean – for all Comparable Companies excluding Chung Tai				(53.67)
The Company – based on the Subscription Price	2.70	3.653	30 September 2007	(26.09)%

Notes:

(a) The closing share prices of the Comparable Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange.

(b) The consolidated net asset value attributable to the shareholders of the company per share of the Comparable Companies are calculated based on the consolidated net asset value attributable to shareholders as reported in the respective latest published annual or interim reports of the Comparable Companies available and the respective number of total issued shares of the Comparable Companies as at the Latest Practicable Date.

(c) The shares of Chung Tai were subdivided by a ratio of 1 to 20 around the end of 2007 but this did not result in a significant drop in the share price followed such subdivision, which results in, in our opinion, an abnormally high premium of closing share price to net asset value per share.

Except for Chung Tai, all the Comparable Companies were traded at discounts to their underlying consolidated net asset value per share in the range of approximately 36.34% to 67.16%. We consider that the market price of Chung Tai exhibits a rather unusual pattern as the market price of Chung Tai did not drop significantly following the subdivision around the end of 2007, which in turn results in an abnormally high premium of closing share price over net asset value per share. We therefore consider Chung Tai an outlier which should be excluded in our analysis.

The Subscription Price of HK$2.70 represents a discount of approximately 26.09% to the consolidated net asset value per Share of approximately HK$3.65 as at 30 September 2007, which compares favourably with the mean for the Comparable Companies (excluding Chung Tai).

(ii) Comparison of price earnings multiples

	Closing price per share as at the Latest Practicable Date	**Earnings /(losses) per share**	**For the year ended**	**Price earnings multiple**
	HK$	*HK$*		*times*
	Note (a)	*Note (b)*		
Chung Tai	0.20	0.003	31 March 2007	66.67
New Island	0.60	0.028	31 March 2007	21.43
Starlite	0.38	0.076	31 March 2007	5.00
Midas	0.29	(0.047)	31 December 2007	Not applicable
Cheong Ming	0.48	0.043	31 March 2007	11.16
Mean – for all Comparable Companies excluding Chung Tai				12.53
The Company – based on the Subscription Price	2.70	0.461	31 March 2007	5.86

Notes:

(a) The closing share prices of the Comparable Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange.

(b) The audited earnings per share of the Comparable Companies are calculated based on the net profit attributable to shareholders as reported in the respective latest published annual reports of the Comparable Companies available and the respective number of total issued shares of the Comparable Companies as at the Latest Practicable Date.

Excluding Chung Tai, the price earnings multiples of the Comparable Companies ranged from approximately 5.00 times to 21.43 times, with a mean of approximately 12.53 times. The price earnings multiple of the Company based on the Subscription Price and the audited net profit attributable to Shareholders for the year ended 31 March 2007 (the "**Implied PER**") of approximately 5.86 times is lower than the mean but falls within the range of the price-earnings multiples of the Comparable Companies.

We consider that the Implied PER based on the Subscription Price of HK$2.70 would be relatively low given the recent Share price performance. Since the Group has reported in the Circular an estimated loss attributable to the equity holders of the

Company of not more than HK$18 million for the year ended 31 March 2008, no price earnings multiple can be determined on such basis. We therefore consider that the Implied PER based on the now outdated historical earnings of the Company for the financial year 2007 should carry a low weighting in our analysis.

7. Use of proceeds

The gross proceeds of the Subscription amount to approximately HK$873.45 million and the net proceeds, after deduction of relevant expenses, are estimated to be approximately HK$865 million. As stated in the letter from the Board, 58% of the net proceeds will be used for the reduction of bank debts; 5% will be used (as and when appropriate) for the termination of certain derivative contracts as determined by a special committee of the Board to be formed after Completion; and the remaining 37% will be used for the expansion of the Group's business. The Board has identified certain expansion plans which mainly relate to (i) expansion and enhancement of existing production plants in Heshan and Zhongshan, the PRC; and (ii) investment in a joint venture together with GPI, a subsidiary of one of the largest paperboard packaging manufacturers in the United States of America. Details of the use of proceeds are set out in the letter from the Board to this Circular.

We consider that the size of the Subscription is substantial. The existing controlling shareholder, who owns approximately 50.53% of the issued share capital of the Company as at the Latest Practicable Date, will cease to be the single largest Shareholder following Completion. Upon Completion, the Board expects that the existing management will continue to manage the day-to-day operations of the Group. The Subscriber has no intention to make major changes to the continued employment status of the Group, save for the nomination of four new Directors and the proposed recruitment of some professional managers to supplement the existing management and assist the Group to further develop its business by providing professional management experience, and strengthening its financial reporting practices. We have discussed with the Directors the reasons for entering into of the Subscription Agreement with one substantial investor. In arriving at the terms (including the Subscription Price and the size) of the Subscription, the Directors informed us that they have taken into account the following factors:

(i) placement of new equity to a single investor and allowing it to become the controlling Shareholder enable the Company to build in a control premium into the Subscription Price. The Subscription Price of HK$2.70 represents premiums of approximately 11.57% and 23.85% respectively over the closing prices of the Shares as at the last full trading day immediately before the date of the Subscription Agreement and as at the Latest Practicable Date;

(ii) the size of the Subscription is mainly driven by the intended use of proceeds. A substantial portion of the proceeds will be used to improve the Group's working capital position (with repayment of bank debts as and when appropriate) and to fund the Group's expansion plans; and

(iii) the background and experience of CVC in the printing industry as earlier discussed.

8. Alternative fund raising methods

We have discussed with the Directors other equity fund raising methods such as a rights issue and placement.

Although a rights issue is technically viable and (if taken up by the Shareholders) can avoid dilution of Shareholders' percentage shareholdings in the Company, right issues might not be well received by existing Shareholders given the negative sentiment surrounding the Company at this stage and the recent Share price performance, in particular after the issue of the profit warning statement.

A placement might also be difficult at this stage given the negative market sentiment surrounding the industry as a result of rising material costs. A relatively deep discount to the prevailing market price of the Shares might be unavoidable in such a situation and would result in a deeper degree of dilution for Shareholders for the same amount of funds to be raised.

9. Effects of the Subscription

(i) Earnings

Given that the Group has reported in the Circular the estimated unaudited loss attributable to the equity holders of the Company of not more than HK$18 million for the year ended 31 March 2008, we consider that the immediate dilution effect on earnings of the Group cannot be determined.

(ii) Net assets

According to the Interim Report, the net asset value attributable to Shareholders as at 30 September 2007 was approximately HK$2,194.8 million. Based on the number of outstanding Shares as at the Latest Practicable Date of 600,780,529 Shares, the net asset value per Share was approximately HK$3.65. Based on the net asset value attributable to Shareholders as at 30 September 2007, the net proceeds from the Subscription and the issue of the Subscription Shares, it is expected that net asset value per Share will be diluted by approximately 9.32% to approximately HK$3.31 following Completion.

(iii) Gearing and working capital

Based on the total debt of the Group of approximately HK$1,311 million as extracted from the section headed "Management discussion and analysis" in the Interim Report, the Group has a debt-to-equity ratio of approximately 51% (based on total equity of approximately HK$2,572.4 million as reported in the Interim Report).

Based on the total debt and total equity of the Group as at 30 September 2007 and on the basis that 58% of the estimated net proceeds of the Subscription will be applied to the repayment of existing indebtedness, it is expected that the debt-to-equity ratio of the Group will decrease significantly to approximately 24% following Completion. In addition and as discussed earlier, given the unaudited cash and bank balances of the Group as at 31 March 2008 of approximately HK$1,134 million and the outstanding borrowings of the Group as at 31 March 2008 of approximately HK$1,744 million, together with the net proceeds of Subscription of approximately HK$865 million, it is expected that the Group will be in a net cash position immediately after Completion.

(iv) Effect on shareholding

Set out below is a table summarising the shareholding structure of the Company as at the Latest Practicable Date and upon Completion:

	Shareholding as at the Latest Practicable Date		**Shareholding after completion of the Subscription**	
	No. of Shares	**%[(2)]**	**No. of Shares**	**%[(2)]**
Yam Cheong Hung and entities owned or controlled by him and his family and parties acting in concert with any of them[(1)]	303,596,452	50.53	303,596,452	32.85
The Subscriber and its concert parties	–	–	323,500,445	35.00
Other Shareholders:	297,184,077	49.47	297,184,077	32.15
Total:	600,780,529	100.00	924,280,974	100.00

Notes:

(1) The entities owned or controlled by Yam Cheong Hung and his family are C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited. 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. The remaining 3.4% of Hing Tai Industrial Company Limited is owned by Independent Third Parties. Further, under the SFO, Yam Cheong Hung is deemed to be interested in the 1,650,207 Shares (0.27% of the Company's issued share capital) owned by his spouse.

(2) Percentage of the Company's issued share capital.

All existing Shareholders will be diluted by approximately 35% following Completion.

10. The Whitewash Waiver

Immediately upon Completion, the Subscriber and its concert parties will be interested in 323,500,445 Shares, which represent approximately 35.0% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber would incur an obligation to make a mandatory general offer to acquire all the Shares other than those already held by the Subscriber and its ultimate beneficial owners. Accordingly, the Subscriber has made an application to the Executive under the Takeovers Code for the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to, among other things, (i) approval of the Independent Shareholders of the Whitewash Waiver at the EGM by way of poll; (ii) the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them not having acquired any voting rights in the Company in the six months period prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Subscription, and (iii) the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them not having made any acquisitions or disposals of the voting rights in the Company between the date of the Announcement and Completion.

Completion of the Subscription Agreement is conditional on, among other things, the granting of the Whitewash Waiver by the Executive. The approval by the Independent Shareholders of the Whitewash Waiver therefore forms an integral part of the Subscription.

Independent Shareholders are reminded that the obtaining of the Whitewash Waiver is a condition precedent to the Subscription Agreement which can be waived by the Subscriber. Should the resolution in relation to the Whitewash Waiver be voted down and the Subscriber opts to waive such condition, the Subscriber would be obliged to launch a mandatory general offer to acquire all the Shares other than those already owned by the Subscriber and its concert parties. However, should the resolution in relation to the Whitewash Waiver be voted down and the Subscriber decides not to waive such condition, the Subscription will not proceed. The Subscriber has not expressed any intention to waive such condition up to the Latest Practicable Date. As such, it is not possible to say whether a mandatory general offer would be forthcoming if the Independent Shareholders do not approve the Whitewash Waiver, or whether the Subscription would fail.

DISCUSSION AND ANALYSIS

The Group's business has enjoyed steady growth in recent financial years. The estimated loss attributable to the equity holders of the Company of not more than approximately HK$18 million is mainly due to (i) interest charges on early redemption of the CBs; and (ii) the loss on net changes in fair value of derivative financial instruments and structured borrowings. The financial position of the Group remains sound.

We understand from the Directors that the entering into of the Subscription Agreement was mainly driven by the management's intention to bring in a new investor to the Group who has significant industry experience. In the Directors' opinion, investment by CVC would benefit the Company's long-term development and broaden the Company's equity base. CVC's experience in mergers and acquisitions will also help the Company to make investments in new acquisitions or business ventures when suitable opportunities arise. The strengthened capital base of the Group following Completion will also enable the Group to counter any potential adverse change in liquidity position.

Traditional family-owned enterprises in Hong Kong, like the Company, have rarely been prepared to introduce a new controlling shareholder with a professional management background. Here, however, they are doing so and the existing controlling Shareholder bears the same degree of dilution as the Independent Shareholders.

The Subscription Price reflects a premium of approximately 11.57% over the closing price of HK$2.42 per Share on 23 April 2008 being the last full trading day immediately prior to the entering into of the Subscription Agreement. Based on the peer group comparison, the Subscription Price compares favourably with the Comparable Companies in terms of a discount to net asset value of approximately 26.09%, which is lower than the average of the Comparable Companies. In the circumstances, we consider that the Company has achieved reasonable pricing terms for the Subscription.

The remaining point to be addressed is whether it is necessary to conduct such a large fund raising. As earlier discussed, the estimated net proceeds of the Subscription would significantly strengthen the capital base of the Group, allow the Group to deploy more resources for its expansion plans and other printing-related investments and enable the Group to achieve a net cash position, hence guarding against any potential adverse change in liquidity position. In addition, a placement to a single investor who will become the controlling shareholder of the Company, can allow the Company to build in a control premium and achieve a higher subscription price. The Subscription Price represents a premium of 23.85% over the market price of the Shares as at the Latest Practicable Date. Although there will be significant dilution immediately after Completion, we concur with the Directors' view that the Subscription can enable the Group and the Shareholders to benefit in the long-run from a larger capital base and a strengthened management team.

The Directors have explored other equity fund raising methods but none of them provide a better alternative to the Subscription, as explained earlier.

We concur with the Directors' view that the Subscription is an important move to enhance the capital base of the Group and to pave the way for the Group's future expansion. The Subscription can also safeguard the interests of the Independent Shareholders in light of the current financial position of the Group. In addition, the Subscription will bring to the Group an international strategic investor who has significant experience in the printing industry both in Asia and worldwide. The Subscriber has also stated that it has no intention to introduce major changes to the business of the Group.

Although the condition precedent in relation to the obtaining of the Whitewash Waiver pursuant to the Subscription Agreement can be waived by the Subscriber, Independent Shareholders are reminded that voting against the Whitewash Waiver will not necessarily result in a mandatory general offer, but may cause the Subscription to fail.

RECOMMENDATION

Based on the above reasons and factors, we consider that the entering into of the Subscription Agreement is in the interest of the Company and the Independent Shareholders. Further, we consider that the terms of the Subscription and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Whitewash Waiver.

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

A. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Results

	Year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	3,141,985	2,956,885	2,327,393
PROFIT FROM OPERATING ACTIVITES	363,872	351,678	314,595
Fair value gain/(loss) on derivative component of convertible bonds	55,275	(1,800)	–
Finance costs	(61,493)	(28,247)	(12,203)
Share of profits and losses of associates	–	–	4,756
PROFIT BEFORE TAX	357,654	321,631	307,148
Tax	(50,123)	(45,540)	(44,096)
PROFIT FOR THE YEAR	307,531	276,091	263,052
Attributable to:			
Equity holders of the parent	277,139	248,891	240,281
Minority interests	30,392	27,200	22,771
	307,531	276,091	263,052
DIVIDENDS	177,230	176,421	169,900
EARNINGS PER SHARE			
Basic	HK46.1 cents	HK42.5 cents	HK41.9 cents
DIVIDENDS PER ORDINARY SHARE	HK29.5 cents	HK29.5 cents	HK29.5 cents

Assets, Liabilities and Minority Interests

	2007	2006	2005
TOTAL ASSETS	4,111,758	3,985,394	3,120,384
TOTAL LIABILITIES	1,590,456	1,631,164	978,870
MINORITY INTERESTS	354,094	317,017	298,854
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	2,167,208	2,037,213	1,842,660

B. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement
Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	3,141,985	2,956,885
Cost of sales		(2,523,810)	(2,337,515)
Gross profit		618,175	619,370
Other income and gains	5	69,553	36,309
Distribution costs		(75,541)	(70,942)
Administrative and selling expenses		(242,832)	(225,979)
Other expenses		(5,483)	(7,080)
		363,872	351,678
Fair value gain/(loss) on derivative component of convertible bonds	29	55,275	(1,800)
Finance costs	7	(61,493)	(28,247)
PROFIT BEFORE TAX	6	357,654	321,631
Tax	10	(50,123)	(45,540)
PROFIT FOR THE YEAR		307,531	276,091
Attributable to:			
Equity holders of the parent	11	277,139	248,891
Minority interests		30,392	27,200
		307,531	276,091
DIVIDENDS	12		
Interim		57,074	56,265
Proposed final		120,156	120,156
		177,230	176,421
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic		HK46.1 cents	HK42.5 cents

Consolidated Balance Sheet
31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,493,144	1,373,577
Prepaid land lease payments	15	147,700	145,531
Goodwill	16	3,041	3,041
Available-for-sale investments	17	11,554	10,766
Properties under construction	18	50,090	46,058
Deferred tax assets	30	4,731	5,869
Total non-current assets		1,710,260	1,584,842
CURRENT ASSETS			
Inventories	20	596,372	500,714
Accounts and bills receivable	21	757,120	542,132
Prepayments, deposits and other receivables		40,741	45,444
Derivative financial instruments	22	4,768	1,231
Structured deposits	23	375,818	–
Short-term note	24	23,095	–
Cash and cash equivalents	25	603,584	1,311,031
Total current assets		2,401,498	2,400,552
CURRENT LIABILITIES			
Accounts payable	26	181,246	113,838
Tax payable		17,048	25,574
Other payables and accrued liabilities		120,367	142,750
Derivative component of convertible bonds	29	32,775	88,050
Derivative financial instruments	22	7,517	–
Structured borrowings	28	17,042	–
Interest-bearing bank and other borrowings	27	330,592	427,246
Total current liabilities		706,587	797,458
NET CURRENT ASSETS		1,694,911	1,603,094

	Notes	2007 HK$'000	2006 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		3,405,171	3,187,936
NON-CURRENT LIABILITIES			
Convertible bonds	29	679,590	641,185
Interest-bearing bank and other borrowings	27	110,833	169,167
Structured borrowings	28	56,896	–
Deferred tax liabilities	30	36,550	23,354
Total non-current liabilities		883,869	833,706
Net assets		2,521,302	2,354,230
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	60,078	60,078
Reserves		1,986,974	1,856,979
Proposed final dividend	12	120,156	120,156
		2,167,208	2,037,213
Minority interests		354,094	317,017
Total equity		2,521,302	2,354,230

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

		Attributable to equity holders of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserves (note 16) HK$'000	Hedging reserve HK$'000	Available for-sale investment revaluation reserve HK$'000	Legal reserve (note 32(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005		57,779	621,373	966	(814)	–	–	59,887	–	988,565	115,559	1,843,315	298,854	2,142,169
Exchange realignment		–	–	–	–	–	–	–	11,783	–	–	11,783	5,812	17,595
Changes in fair value of available-for-sale investments	17	–	–	–	–	–	328	–	–	–	–	328	–	328
Net losses on cash flow hedge	25	–	–	–	–	(1,051)	–	–	–	–	–	(1,051)	–	(1,051)
Total income and expense recognised directly in equity		–	–	–	–	(1,051)	328	–	11,783	–	–	11,060	5,812	16,872
Profit for the year		–	–	–	–	–	–	–	–	248,891	–	248,891	27,200	276,091
Total income and expense for the year		–	–	–	–	(1,051)	328	–	11,783	248,891	–	259,951	33,012	292,963
Final 2005 dividend declared		–	–	–	–	–	–	–	–	–	(115,559)	(115,559)	–	(115,559)
Issue of shares pursuant to scrip dividend schemes		2,299	103,472	–	–	–	–	–	–	–	–	105,771	–	105,771
Transfer from retained profits		–	–	–	–	–	–	14,751	–	(14,751)	–	–	–	–
Interim 2006 dividend	12	–	–	–	–	–	–	–	–	(56,265)	–	(56,265)	–	(56,265)
Proposed final 2006 dividend	12	–	–	–	–	–	–	–	–	(120,156)	120,156	–	–	–
Contribution from minority shareholders		–	–	–	–	–	–	–	–	–	–	–	13,200	13,200
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	(28,049)	(28,049)
At 31 March 2006		60,078	724,845*	966*	(814)*	(1,051)*	328*	74,638*	11,783*	1,046,284*	120,156	2,037,213	317,017	2,354,230
At 1 April 2006		60,078	724,845	966	(814)	(1,051)	328	74,638	11,783	1,046,284	120,156	2,037,213	317,017	2,354,230
Exchange realignment		–	–	–	–	–	–	–	28,247	–	–	28,247	15,758	44,005
Changes in fair value of available-for-sale investments	17	–	–	–	–	–	788	–	–	–	–	788	–	788
Net gain on cash flow hedge	25	–	–	–	–	702	–	–	–	–	–	702	–	702
Total income and expense recognised directly in equity		–	–	–	–	702	788	–	28,247	–	–	29,737	15,758	45,495
Profit for the year		–	–	–	–	–	–	–	–	277,139	–	277,139	30,392	307,531
Total income and expense for the year		–	–	–	–	702	788	–	28,247	277,139	–	306,876	46,150	353,026
Transfer to property, plant and equipment		–	–	–	–	349	–	–	–	–	–	349	–	349
Final 2006 dividend declared		–	–	–	–	–	–	–	–	–	(120,156)	(120,156)	–	(120,156)
Transfer from retained profits		–	–	–	–	–	–	14,603	–	(14,603)	–	–	–	–
Interim 2007 dividend	12	–	–	–	–	–	–	–	–	(57,074)	–	(57,074)	–	(57,074)
Proposed final 2007 dividend	12	–	–	–	–	–	–	–	–	(120,156)	120,156	–	–	–
Contribution from minority shareholders		–	–	–	–	–	–	–	–	–	–	–	17,096	17,096
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	(26,169)	(26,169)
At 31 March 2007		60,078	724,845*	966*	(814)*	–*	1,116*	89,241*	40,030*	1,131,590*	120,156	2,167,208	354,094	2,521,302

* These reserve accounts comprise the consolidated reserves of HK$1,986,974,000 (2006: HK$1,856,979,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement
Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		357,654	321,631
Adjustments for:			
Bank interest income	5	(23,004)	(8,405)
Finance costs	7	61,493	28,247
Depreciation	6	122,307	111,267
Recognition of prepaid land lease payments	15	3,270	4,393
Loss on disposal of items of property, plant and equipment	6	236	974
Impairment on accounts receivable	6	3,801	3,174
Dividend income from available-for-sale investments	5	(361)	(361)
Fair value (gain)/loss on derivative component of convertible bonds		(55,275)	1,800
Transaction cost related to derivative component of convertible bonds	6	–	2,932
Fair value (gain)/loss on derivative financial instruments	6	1,090	(2,726)
Fair value loss on short-term note	6	275	–
Fair value gain on structured deposits	5	(8,734)	–
Fair value gain on structured borrowings	5	(257)	–
		462,495	462,926
Decrease/(increase) in inventories		(95,658)	52,897
Decrease/(increase) in accounts and bills receivable		(218,475)	99,203
Decrease in prepayments, deposits and other receivables		8,877	26,117
Increase/(decrease) in accounts payable		67,349	(10,178)
Decrease in other payables and accrued liabilities		(21,507)	(10,319)
Cash generated from operations		203,081	620,646
Hong Kong profits tax paid		(24,339)	(15,274)
Mainland China tax paid		(20,509)	(29,579)
Net cash inflow from operating activities		158,233	575,793

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in a short-term note		(23,370)	–
Receipt from derivative financial instruments		2,890	2,289
Receipt from structured deposits		9,525	–
Interest received		21,504	8,405
Dividend received from available-for-sale investments		361	361
Purchases of items of property, plant and equipment	*14*	(146,651)	(120,738)
Additions to prepaid land lease payments	*15*	(2,483)	(242)
Additions to properties under construction	*18*	(67,504)	(50,037)
Acquisition of subsidiaries	*33*	(136)	–
Proceeds from disposal of items of property, plant and equipment		3,631	3,228
Increase in time deposits with original maturity of over three months		(142,120)	(38,385)
Fair value adjustment on time deposits designated as hedging instruments		702	(1,051)
Increase in structured deposits		(379,340)	–
Net cash outflow from investing activities		(722,991)	(196,170)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of convertible bonds	*29*	–	750,000
Issue cost of convertible bonds		–	(25,497)
Dividends paid		(177,230)	(66,053)
Dividends paid to minority shareholders		(26,169)	(28,049)
New bank loans		150,710	131,050
Repayment of bank loans		(312,145)	(177,397)
New/(repayment) of trust receipt loans		6,252	(10,999)
Contributions from minority shareholders		17,096	13,200
Interest paid		(24,248)	(28,247)
New structured borrowings		78,100	–
Repayment of structured borrowings		(3,905)	–
Net cash inflow/(outflow) from financing activities		(291,539)	558,008

	Notes	2007 HK$'000	2006 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(856,297)	937,631
Cash and cash equivalents at beginning of year		1,272,400	334,416
Effect of foreign exchange rate changes, net		6,535	353
CASH AND CASH EQUIVALENTS AT END OF YEAR		422,638	1,272,400
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	184,710	196,285
Time deposits with original maturity of less than three months when acquired		238,369	1,076,361
Bank overdraft, unsecured	27	(441)	(246)
		422,638	1,272,400

Balance Sheet
31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	272	388
Prepaid land lease payments	15	10,996	11,555
Available-for-sale investments	17	378	378
Interests in subsidiaries	19	1,231,537	800,910
Deferred tax assets	30	26	5
Total non-current assets		1,243,209	813,236
CURRENT ASSETS			
Prepayments, deposits and other receivables		3,704	2,256
Derivative financial instruments	22	4,768	1,231
Structured deposits	23	375,818	–
Short-term note	24	23,095	–
Cash and cash equivalents	25	218,803	981,355
Total current assets		626,188	984,842
CURRENT LIABILITIES			
Other payables and accrued liabilities		3,867	4,153
Tax payable		18	–
Derivative financial instruments	22	7,393	–
Structured borrowings	28	17,042	–
Total current liabilities		28,320	4,153
NET CURRENT ASSETS		597,868	980,689
TOTAL ASSETS LESS CURRENT LIABILITIES		1,841,077	1,793,925
NON-CURRENT LIABILITIES			
Structured borrowings	28	56,896	–
Due to subsidiaries	19	806,114	818,086
Total non-current liabilities		863,010	818,086
Net assets		978,067	975,839
EQUITY			
Issued capital	31	60,078	60,078
Reserves	32(b)	797,833	795,605
Proposed final dividend	12	120,156	120,156
Total equity		978,067	975,839

Notes to the Financial Statements

31 March 2007

1. CORPORATE INFORMATION

The registered office of Hung Hing Printing Group Limited is located at Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong.

During the year, the Group was involved in the following principal activities:

- Printing and manufacturing of paper and carton boxes
- Trading of paper
- Manufacturing of corrugated cartons
- Manufacturing of paper

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for short-term note, structured deposits, structured borrowings, derivative financial instruments and available-for-sale investments, which have been measured at fair value, as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"

This principal changes in accounting policies are as follows:

(a) HKAS 21 Amendment – The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 27 Amendment – Consolidated and Separate Financial Statements

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements as described in note 2.4 "Summary of significant accounting policy" below.

(c) HKAS 39 – Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(iii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the consolidated income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(d) HK(IFRIC) – Int 4 – Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 "Leases". However, the adoption of this interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 "Segment Reporting".

HK(IFRIC) – Int 8, HK(IFRIC) – Int 9, HK(IFRIC) – Int 10, HK(IFRIC) – Int 11 and HK(IFRIC) – Int 12 shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's share of the fair values of the identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 April 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves 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.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than properties under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is provided so as to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates and bases used are as follows:

Buildings situated in Hong Kong	Over the lease terms
Buildings situated in Mainland China	Over the shorter of the lease terms and useful lives which is 2.5-10% on the straight-line basis
Plant and machinery	10-20% on the reducing balance basis
Motor vehicles	30% on the reducing balance basis
Furniture, fixtures and equipment	20-30% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under construction

Properties under construction represent buildings under construction on sites in Mainland China whose land use rights have been acquired by the Group, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction. Properties under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) 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 less any impairment losses.

Fair value

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 at 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; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, cross currency swaps, callable currency swaps, foreign currency options and structured forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of certain forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of other derivatives are determined with reference to the fair value quoted by investment bankers.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows 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.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

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 immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials includes the cost of purchased materials determined using the weighted average basis. The cost of finished goods and work in progress includes direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Staff retirement schemes

The Group operates a defined contribution staff retirement scheme (the "Scheme") for certain of its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates another defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 were only eligible to join the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Presentation of convertible bonds and fair value of derivative component of convertible bonds

Convertible bonds of the Group are presented into the derivative component and the liability component of the convertible bonds upon the adoption of HKAS 39 in the current year. This requires an initial recognition of the derivative component and the liability component at fair value.

The derivative component initially recognised and subsequently measured at fair value is determined by an option pricing model.

The amount of liability component initially recognised is determined with reference to the net proceeds from the issuance of the convertible bonds and the fair value of derivative component at initial recognition. The liability component is subsequently measured at amortised cost using the effective interest rate method until it is extinguished on conversion or redemption.

The fair value of the derivative component and the carrying amount of the liability component of convertible bonds at 31 March 2007 were HK$32,775,000 and HK$679,590,000 (2006: HK$88,050,000 and HK$641,185,000), respectively (note 29).

Fair value of derivative instruments

The fair value of structured derivative instruments is the estimated amount that the Group would receive or pay to terminate these derivative instruments at the balance sheet date, taking into account current market conditions.

Provision for obsolete inventories

Management of the Group reviews an aged analysis at each balance sheet date, and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences arising from impairment on receivables to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to deductible temporary differences on impairment on receivables as at 31 March 2007 were HK$6,312,000 (2006: HK$7,479,000). The Group has not recognised tax losses at 31 March 2007 and 2006. The amount of unrecognised tax losses at 31 March 2007 was HK$68,113,000 (2006: HK$56,322,000). Further details are contained in note 30 to the financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Impairment allowances on accounts receivables

The Group regularly reviews its portfolio of accounts receivables to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Group considers whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of accounts receivables before the decrease can be identified with an individual receivable balance in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs from previous calculation, the provision estimated would be changed.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the paper and carton box printing and manufacturing segment;

(b) the paper trading segment;

(c) the corrugated carton manufacturing segment; and

(d) the paper manufacturing segment.

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

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.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

	Paper and carton box printing and manufacturing		Paper trading		Corrugated carton manufacturing		Paper manufacturing		Eliminations		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:												
Sales to external customers	1,572,656	1,556,040	281,025	269,544	538,487	493,269	749,817	638,032	–	–	3,141,985	2,956,885
Intersegment sales	34,702	32,916	342,673	322,682	108,696	103,866	139,596	189,645	(625,667)	(649,109)	–	–
Total	1,607,358	1,588,956	623,698	592,226	647,183	597,135	889,413	827,677	(625,667)	(649,109)	3,141,985	2,956,885
Segment results	210,580	255,247	35,454	27,266	24,697	25,721	79,814	55,839	(610)	208	349,935	364,281
Interest, dividend income and other gains											36,918	11,492
Corporate and unallocated expenses											(22,981)	(24,095)
											363,872	351,678
Fair value gain/(loss) on derivative component of convertible bonds											55,275	(1,800)
Finance costs											(61,493)	(28,247)
Profit before tax											357,654	321,631
Tax											(50,123)	(45,540)
Profit for the year											307,531	276,091

	Paper and carton box printing and manufacturing		Paper trading		Corrugated carton manufacturing		Paper manufacturing		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities												
Segment assets	1,560,400	1,273,659	438,376	300,350	718,219	703,792	681,057	625,856	(139,408)	(75,018)	3,258,644	2,828,639
Unallocated assets	–	–	–	–	–	–	–	–	–	–	853,114	1,156,755
Total assets	1,560,400	1,273,659	438,376	300,350	718,219	703,792	681,057	625,856	(139,408)	(75,018)	4,111,758	3,985,394
Segment liabilities	234,127	156,766	28,493	28,345	81,697	62,547	82,253	71,947	(139,408)	(75,018)	287,162	244,587
Unallocated liabilities	–	–	–	–	–	–	–	–	–	–	1,303,294	1,386,577
Total liabilities	234,127	156,766	28,493	28,345	81,697	62,547	82,253	71,947	(139,408)	(75,018)	1,590,456	1,631,164
Other segment information:												
Depreciation	59,394	51,490	3,312	3,210	33,094	30,059	26,397	26,362	–	–	122,197	111,121
Unallocated depreciation	–	–	–	–	–	–	–	–	–	–	110	146
	59,394	51,490	3,312	3,210	33,094	30,059	26,397	26,362	–	–	122,307	111,267
Capital expenditure	188,291	108,568	509	5,641	11,761	31,217	16,077	25,512	–	–	216,638	170,938
Unallocated capital expenditure	–	–	–	–	–	–	–	–	–	–	–	79
	188,291	108,568	509	5,641	11,761	31,217	16,077	25,512	–	–	216,638	171,017
Impairment/(write-back of impairment) on accounts receivable	2,523	3,296	–	(1,910)	115	235	1,163	1,553	–	–	3,801	3,174

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

	Hong Kong		Mainland China		United States of America		Europe		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:												
Sales to external customers	1,204,090	1,322,743	1,141,811	959,084	268,412	282,804	383,256	290,314	144,416	101,940	3,141,985	2,956,885
Other segment information:												
Segment assets	1,067,007	1,343,513	2,826,349	2,471,237	59,130	53,423	97,120	67,573	62,152	49,648	4,111,758	3,985,394
Capital expenditure	38,595	18,676	178,043	152,341	–	–	–	–	–	–	216,638	171,017

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced sales, net of allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

		Group	
		2007	**2006**
	Note	*HK$'000*	*HK$'000*
Revenue – Sale of goods		3,141,985	2,956,885
Other income and gains:			
Dividend income from available-for-sale investments		361	361
Bank interest income		23,004	8,405
Fair value gains, net:			
Derivative instruments not qualified as hedges		–	2,726
Structured deposits	*23*	8,734	–
Structured borrowings	*28*	257	–
Exchange differences, net		25,507	4,787
Sundry income		11,690	20,030
		69,553	36,309

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Group	
		2007	**2006**
	Note	*HK$'000*	*HK$'000*
Depreciation	*14*	122,307	111,267
Auditors' remuneration		2,463	2,137
Employee benefits expense (including directors' remuneration – *note 8*):			
Wages, salaries and other allowances		445,312	402,879
Retirement scheme contributions		22,422	15,347
Less: Forfeited contributions*		(62)	(58)
Net retirement scheme contributions		22,360	15,289
Total employee benefits expense		467,672	418,168
Minimum lease payments under operating leases in respect of land and buildings		7,233	7,251
Impairment on accounts receivable		3,801	3,174
Loss on disposal of items of property, plant and equipment		236	974
Fair value losses, net:			
Derivative instruments not qualified as hedges	*22*	1,090	–
Short-term note	*24*	275	–
Transaction cost related to derivative component of convertible bonds		–	2,932

* At 31 March 2007, the Group had no forfeited contributions available to reduce its contributions to the retirement schemes in future years (2006: Nil).

7. FINANCE COSTS

	Group 2007	Group 2006
	HK$'000	*HK$'000*
Interest on convertible bonds *(note 29)*	38,405	–
Interest on bank loans	23,088	28,247
	61,493	28,247

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Fees:		
Executive directors	–	–
Non-executive directors	420	420
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	12,826	14,101
Retirement scheme contributions	396	395
Discretionary bonuses	11,131	12,285
	24,773	27,201

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
Yip Yu Bun	100	100
Wong Siu Ping	100	100
Yap, Alfred Donald	120	120
	320	320

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Executive directors:					
Yam Cheong Hung	–	5,984	215	3,424	9,623
Yum Chak Ming, Matthew	–	3,334	122	4,673	8,129
Yam Ho Ming, Michael	–	1,136	–	1,667	2,803
Yam Hon Ming, Tommy	–	2,372	59	1,367	3,798
	–	12,826	396	11,131	24,353
Non-executive directors:					
Chu Shu Ho, David	50	–	–	–	50
Yum Pui Ming, Anna	50	–	–	–	50
	100	–	–	–	100
	100	12,826	396	11,131	24,453
2006					
Executive directors:					
Yam Cheong Hung	–	6,867	215	4,543	11,625
Yum Chak Ming, Matthew	–	3,752	121	4,889	8,762
Yam Ho Ming, Michael	–	1,199	–	1,555	2,754
Yam Hon Ming, Tommy	–	2,283	59	1,298	3,640
	–	14,101	395	12,285	26,781
Non-executive directors:					
Chu Shu Ho, David	50	–	–	–	50
Yum Pui Ming, Anna	50	–	–	–	50
	100	–	–	–	100
	100	14,101	395	12,285	26,881

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2006: four) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining one (2006: one) non-director, highest paid employee for the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,155	1,284
Retirement scheme contributions	46	46
Discretionary bonuses paid and payable	1,881	2,242
	3,082	3,572

The remuneration of the non-director, highest paid employee fell within the following band:

	Number of employees	
	2007	2006
HK$3,000,001-HK$3,500,000	1	–
HK$3,500,001-HK$4,000,000	–	1

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
– Charge for the year	10,982	13,396
– Overprovision in prior years	(1,325)	(1,798)
Current – Mainland China		
– Charge for the year	33,044	36,528
– Tax refund[#]	(6,816)	(6,646)
Deferred tax *(note 30)*	14,238	4,060
Total tax charge for the year	50,123	45,540

[#] Under certain PRC local income tax laws, a company is entitled to certain tax refund concession, representing the difference between the statutory tax rate and the reduced concession tax rate, upon successful application as an "export enterprise" whereby more than 70% of its turnover is derived from export sales. During the year, a subsidiary of the Group was granted such status from relevant authorities in respect of its operations in prior years and was entitled to a tax refund.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

Group

	2007					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	135,989		221,665		357,654	
Tax at the statutory tax rate	23,798	17.5	73,149	33.0	96,947	27.1
Lower tax rate for local authority*	–	–	(30,071)	(13.6)	(30,071)	(8.4)
Profits not subject to tax, due to concessions**	–	–	(7,412)	(3.3)	(7,412)	(2.1)
Effect on deferred tax due to change in tax rates#	–	–	5,628	2.5	5,628	1.6
Adjustment in respect of current tax of previous period	(1,325)	(1.0)	–	–	(1,325)	(0.4)
Tax refund	–	–	(6,816)	(3.1)	(6,816)	(1.9)
Income not subject to tax	(15,263)	(11.2)	(1,349)	(0.6)	(16,612)	(4.6)
Expenses not deductible for tax	7,285	5.3	986	0.5	8,271	2.3
Tax losses utilised from previous period	–	–	(245)	(0.1)	(245)	(0.1)
Tax losses not recognised	786	0.6	972	0.4	1,758	0.5
Tax charge at the Group's effective rate	15,281	11.2	34,842	15.7	50,123	14.0

	2006					
	Hong Kong		**Mainland China**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	97,428		224,203		321,631	
Tax at the statutory tax rate	17,050	17.5	73,987	33.0	91,037	28.3
Lower tax rate for local authority*	–	–	(33,451)	(14.9)	(33,451)	(10.4)
Profits not subject to tax, due to concessions**	–	–	(3,944)	(1.7)	(3,944)	(1.2)
Effect on opening deferred tax of increase in rates	–	–	(315)	(0.1)	(315)	(0.1)
Adjustment in respect of current tax of previous periods	(1,798)	(1.8)	–	–	(1,798)	(0.5)
Tax refund	–	–	(6,646)	(3.0)	(6,646)	(2.1)
Income not subject to tax	(3,130)	(3.2)	(1,075)	(0.5)	(4,205)	(1.3)
Expenses not deductible for tax	1,888	1.9	1,081	0.5	2,969	0.9
Tax losses not recognised	896	0.9	997	0.4	1,893	0.6
Tax charge at the Group's effective rate	14,906	15.3	30,634	13.7	45,540	14.2

* 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%.

** In addition to preferential CIT rates granted to the Group's certain subsidiaries in Mainland China, tax holiday was also granted by the relevant authorities to these subsidiaries, where CIT is exempted for the first two profitable years of the subsidiaries and is chargeable at half of the applicable rate for the next subsequent three years.

Under the new CIT Law approved by the National People's Congress on 16 March 2007 which shall become effective on 1 January 2008, the corporate income tax rate shall unify at 25%.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent of HK$277,139,000 (2006: HK$248,891,000) for the year ended 31 March 2007 includes a profit of HK$178,407,000 (2006: HK$196,567,000) which has been dealt with in the financial statements of the Company (note 32(b)).

12. DIVIDENDS

	2007	**2006**
	HK$'000	*HK$'000*
Interim dividend of HK9.5 cents (2006: HK9.5 cents) per ordinary share	57,074	56,265
Proposed final dividend of HK20.0 cents (2006: HK20.0 cents) per ordinary share	120,156	120,156
	177,230	176,421

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per share

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$277,139,000 (2006: HK$248,891,000) and the weighted average of 600,780,529 (2006: 586,141,600) shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share amounts for the years ended 31 March 2007 and 31 March 2006 have not been presented as the convertible bonds had an anti-dilutive effect on the basic earnings per share for these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings *HK$'000*	**Plant and machinery** *HK$'000*	**Motor vehicles** *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Total** *HK$'000*
31 March 2007					
At 1 April 2006:					
Cost	542,286	1,411,036	33,528	67,307	2,054,157
Accumulated depreciation	(88,213)	(523,821)	(23,334)	(45,212)	(680,580)
Net carrying amount	454,073	887,215	10,194	22,095	1,373,577
At 1 April 2006, net of accumulated depreciation	454,073	887,215	10,194	22,095	1,373,577
Additions	2,463	131,999	4,875	7,314	146,651
Acquisition of a subsidiary *(note 33)*	57	–	–	92	149
Transfer from properties under construction *(note 18)*	53,821	4,461	–	5,761	64,043
Disposals	–	(2,852)	(853)	(162)	(3,867)
Depreciation provided during the year	(17,589)	(95,241)	(3,403)	(6,074)	(122,307)
Transfer from hedging reserve *(note 25)*	–	349	–	–	349
Exchange realignment	11,687	22,123	(142)	881	34,549
At 31 March 2007, net of accumulated depreciation	504,512	948,054	10,671	29,907	1,493,144
At 31 March 2007:					
Cost	611,629	1,570,930	34,892	81,060	2,298,511
Accumulated depreciation	(107,117)	(622,876)	(24,221)	(51,153)	(805,367)
Net carrying amount	504,512	948,054	10,671	29,907	1,493,144

Certain buildings and plant and machinery of the Group with a total net book value of HK$266,834,000 (2006: HK$283,637,000) have been pledged to secure banking facilities granted to the Group (note 27).

	Buildings *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 March 2006					
At 1 April 2005:					
Cost	472,251	1,298,291	32,208	64,003	1,866,753
Accumulated depreciation	(71,277)	(443,458)	(21,173)	(41,161)	(577,069)
Net carrying amount	400,974	854,833	11,035	22,842	1,289,684
At 1 April 2005, net of accumulated depreciation	400,974	854,833	11,035	22,842	1,289,684
Additions	1,497	113,068	2,359	3,814	120,738
Transfer from properties under construction *(note 18)*	62,627	–	–	–	62,627
Disposals	–	(3,898)	(147)	(157)	(4,202)
Depreciation provided during the year	(16,417)	(86,971)	(3,177)	(4,702)	(111,267)
Exchange realignment	5,392	10,183	124	298	15,997
At 31 March 2006, net of accumulated depreciation	454,073	887,215	10,194	22,095	1,373,577
At 31 March 2006:					
Cost	542,286	1,411,036	33,528	67,307	2,054,157
Accumulated depreciation	(88,213)	(523,821)	(23,334)	(45,212)	(680,580)
Net carrying amount	454,073	887,215	10,194	22,095	1,373,577

Company

	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 March 2007			
At 1 April 2006:			
Cost	3,321	827	4,148
Accumulated depreciation	(3,063)	(697)	(3,760)
Net carrying amount	258	130	388
At 1 April 2006, net of accumulated depreciation	258	130	388
Additions	–	–	–
Disposals	(6)	–	(6)
Depreciation provided during the year	(76)	(34)	(110)
At 31 March 2007, net of accumulated depreciation	176	96	272
At 31 March 2007:			
Cost	3,002	827	3,829
Accumulated depreciation	(2,826)	(731)	(3,557)
Net carrying amount	176	96	272
31 March 2006			
At 1 April 2005:			
Cost	4,080	748	4,828
Accumulated depreciation	(3,701)	(663)	(4,364)
Net carrying amount	379	85	464
At 1 April 2005, net of accumulated depreciation	379	85	464
Additions	–	79	79
Disposals	(9)	–	(9)
Depreciation provided during the year	(112)	(34)	(146)
At 31 March 2006, net of accumulated depreciation	258	130	388
At 31 March 2006:			
Cost	3,321	827	4,148
Accumulated depreciation	(3,063)	(697)	(3,760)
Net carrying amount	258	130	388

15. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at beginning of year	145,531	149,682	11,555	12,115
Additions	2,483	242	–	–
Recognised during the year	(3,270)	(4,393)	(559)	(560)
Exchange realignment	2,956	–	–	–
Carrying amount at 31 March	147,700	145,531	10,996	11,555

The Group's leasehold lands are situated in Hong Kong and Mainland China and are held under the following lease terms:

	Group		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong:				
Medium term leases	21,047	21,587	–	–
Mainland China:				
Medium term land use rights	126,653	123,944	10,996	11,555
Carrying amount at 31 March	147,700	145,531	10,996	11,555

Certain leasehold lands of the Group with total net book value of HK$47,478,000 (2006: HK$46,584,000) have been pledged to banks to secure banking facilities granted to the Group (note 27).

16. GOODWILL

	Group	
	2007	2006
	HK$'000	*HK$'000*
At beginning of year and at 31 March:		
Cost and carrying amount	3,041	3,041

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against the consolidated retained profits.

The amounts of goodwill remaining in consolidated capital reserve, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, were HK$814,000 as at 31 March 2006 and 31 March 2007. The amount of goodwill is stated at its cost.

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity investments, at fair value	80	60	–	–
Club debentures, at fair value	3,128	1,948	378	378
	3,208	2,008	378	378
Hong Kong listed equity investments, at market value	8,346	8,758	–	–
	11,554	10,766	378	378

During the year, the net gains on fair values of the Group's available-for-sale investments of HK$788,000 (2006: HK$328,000) were recognised in the available-for-sale investment revaluation reserve.

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

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated by directors having regard to, inter alia, the prices of most recent reported sales or purchases of the securities. The directors believe that the estimated fair values resulting, which are recorded in the consolidated balance sheet, and the related changes in fair values, which are recorded in the consolidated reserves, are reasonable, and that they are the most appropriate values at the balance sheet date.

18. PROPERTIES UNDER CONSTRUCTION

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
At beginning of year	46,058	57,382
Additions	67,504	50,037
Transfer to property, plant and equipment *(note 14)*	(64,043)	(62,627)
Exchange realignment	571	1,266
At 31 March	50,090	46,058

The properties under construction are located in Mainland China.

19. INTERESTS IN SUBSIDIARIES

	Company 2007	Company 2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	407,961	407,744
Due from subsidiaries	824,929	394,519
	1,232,890	802,263
Impairment	(1,353)	(1,353)
	1,231,537	800,910
Due to subsidiaries	(806,114)	(818,086)

The balances with subsidiaries are unsecured, interest-free and not repayable within one year. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK$100	100	–	Production and trading of paper products and carton box
Sun Hing Paper Company, Limited	Hong Kong	HK$100	100	–	Paper trading
Hung Hing Printing (China) Company Limited§§	People's Republic of China (the "PRC")/ Mainland China	HK$180,000,000	–	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/Mainland China	US$15,000,000	–	56	Printing and manufacturing of paper cartons
Zhongshan Hung Hing Off-Set Printing Company Limited§§	the PRC/Mainland China	US$5,000,000	–	56	Production and colour printing of paper products
Hung Hing International Limited	British Virgin Islands ("BVI")/ Mainland China	US$100	100	–	Investment holding
South Gain Enterprises Limited	Hong Kong	HK$1,200,000	–	56	Selling and purchasing agent

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Po Hing Packaging (Shenzhen) Company Limited§§	the PRC/Mainland China	US$11,200,000	–	100	Printing and manufacturing of paper cartons
South Gain Paper Products Company Limited§§	the PRC/Mainland China	US$15,000,000	–	56	Printing and manufacturing of paper cartons
Sun Hing Paper (Shenzhen) Company Limited§§	the PRC/Mainland China	HK$30,000,000	–	100	Paper trading
Hung Hing Packaging (Wuxi) Company Limited§§	the PRC/Mainland China	US$24,000,000	100	–	Production and colour printing of paper products
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited ("Rengo")§	the PRC/Mainland China	US$28,830,000	51	8	Paper manufacturing
Zhongshan Ren Hing Paper Manufacturing Company Limited ("Ren Hing")§	the PRC/Mainland China	US$14,710,000	51	8	Paper manufacturing
Hung Hing Printing (Heshan) Company Limited§§#	the PRC/Mainland China	HK$80,000,000	–	100	Production and colour printing of paper products
Greatest Joy Investments Limited	BVI/Hong Kong	US$1	100	–	Issue of convertible bonds
Sinope Design Group Limited*	Hong Kong	HK$2	100	–	Provision of graphic design services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

§ Sino-foreign equity joint venture

§§ Wholly foreign-owned enterprise

* Acquired during the year

\# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms or Nexia Charles Mar Fan & Co.

20. INVENTORIES

	Group 2007	2006
	HK$'000	*HK$'000*
Raw materials	423,859	332,951
Work in progress	60,157	46,699
Finished goods	112,356	121,064
	596,372	500,714

21. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 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. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivable are non-interest-bearing.

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Accounts receivable	688,437	506,900
Bills receivable	68,683	35,232
	757,120	542,132

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within 30 days	268,849	204,676
31 to 60 days	176,874	126,579
61 to 90 days	122,232	88,783
Over 90 days	120,482	86,862
	688,437	506,900

The carrying amounts of the accounts and bills receivable approximate to their fair values.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Forward currency contracts	218	1,231	218	1,231
Structured forward currency contracts	4,550	–	4,550	–
	4,768	1,231	4,768	1,231
Liabilities				
Forward currency contracts	1,127	–	1,003	–
Structured forward currency contracts	6,390	–	6,390	–
	7,517	–	7,393	–

The Group has entered into these derivatives financial instruments to manage its exchange rate exposures which did not meet the criteria for hedge accounting. The net fair value losses of non-hedging currency derivatives amounting to HK$1,090,000 were charged to the consolidated income statement during the year (2006: gains of HK$2,726,000) (note 6).

23. STRUCTURED DEPOSITS

The Group's and Company's structured deposits at 31 March 2007 were held for trading. These structured deposits were classified as financial assets at fair value through profit or loss and carried at fair value. Changes in the fair value are recognised in the consolidated income statement. The yields from structured deposits are linked to certain market interest rates, currencies exchange rates and bond index rate. The fair values of the structured deposits are determined based on the quoted prices from investment banks. The net fair value gains amounting to HK$8,734,000 were credited to the consolidated income statement during the year (2006: Nil) (note 5).

24. SHORT-TERM NOTE

The Group's and Company's short-term note at 31 March 2007 was held for trading. This short-term note was classified as a financial asset at fair value through profit or loss and carried at fair value. Changes in the fair value are recognised in the consolidated income statement. The fair value of the short-term note is determined based on the quoted prices from an investment bank. The note will mature in 2008 and the principal amount is US$3,000,000. 95% of the principal and yield which are linked to paper stock indices are receivable at maturity date. The net fair value losses amounting to HK$275,000 were charged to the consolidated income statement during the year (2006: Nil) (note 6).

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	184,710	196,285	2,449	2,174
Time deposits	418,874	1,114,746	216,354	979,181
Cash and cash equivalents	603,584	1,311,031	218,803	981,355

At the balance sheet date, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$357,747,000 (2006: HK$285,875,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Forward currency time deposits – cash flow hedges

At 31 March 2006, the Group had several foreign currency time deposits of HK$26,643,000 designated as hedges of expected future purchase of property, plant and equipment from a supplier in Germany for which the Group has firm commitments. The cash flow hedges of the expected future purchase were assessed to be highly effective and the net gain on cash flow hedges of HK$702,000 (2006: net loss of HK$1,051,000) was included in the hedging reserve during the year.

During the year, the hedged purchase was completed and an amount of HK$349,000 (2006: Nil) was transferred from the hedging reserve to the cost of the property, plant and equipment (note 14).

26. ACCOUNTS PAYABLE

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within 30 days	147,540	87,052
31 to 60 days	30,419	24,980
61 to 90 days	421	341
Over 90 days	2,866	1,465
	181,246	113,838

The accounts payables are non-interest-bearing and are normally settled on 30-day terms.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)		**Maturity**		**Group**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
					HK$'000	*HK$'000*
Current						
Bank overdrafts – unsecured	8	8	On demand	On demand	441	246
Bank loans – unsecured	5	5	2007	2006	194,211	273,154
Bank loans – secured	5-6	6	2007	2006	125,702	149,860
Trust receipt loans	5	6	2007	2006	10,238	3,986
					330,592	427,246
Non-current						
Bank loans – unsecured	3-5	3-5	2008-2010	2007-2009	110,833	169,167
Convertible bonds *(note 29)*	6	6	2011	2011	679,590	641,185
					790,423	810,352
					1,121,015	1,237,598

	Group 2007 HK$'000	Group 2006 HK$'000
Analysed into:		
Bank loans, bank overdrafts and trust receipt loans repayable:		
Within one year or on demand	330,592	427,246
In the second year	51,667	81,667
In the third to fifth years, inclusive	59,166	87,500
	441,425	596,413
Convertible bonds repayable:		
In the third to fifth years, inclusive	679,590	641,185
	1,121,015	1,237,598

Notes:

(a) The Group's banking facilities amounting to HK$161,050,000 (2006: HK$169,082,000), of which HK$125,702,000 (2006: HK$149,860,000) had been utilised as at the balance sheet date, are secured by the pledge of certain of the Group's prepaid land lease payments, buildings and plant and machinery, which had an aggregate carrying value at the balance sheet date of approximately HK$314,312,000 (2006: HK$330,221,000) (notes 14 and 15).

(b) Except for the secured bank loans of HK$70,702,000 and unsecured bank loan of HK$5,050,000, which are denominated in Renminbi, all other borrowings are in Hong Kong dollars.

Other interest rate information:

	Group			
	2007		2006	
	Fixed rate	Floating rate	Fixed rate	Floating rate
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts – unsecured	–	441	–	246
Bank loans – unsecured	80,000	225,044	160,000	282,321
Bank loans – secured	120,651	5,051	130,435	19,425
Trust receipt loans	–	10,238	–	3,986

The carrying amounts of the Group's borrowings approximate to their fair values. The fair values of borrowings have been calculated by discounting their expected future cash flows at prevailing interest rates at 31 March 2007.

The fair value of the liability portion of the convertible bonds is calculated with reference to the market value of the convertible bonds and the fair value of the derivative component of the convertible bonds. The fair value of other borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

28. STRUCTURED BORROWINGS

During the year, the Group entered into two contracts of structured borrowings with a bank for a period of five years. The entire contracts were designated as financial liabilities at fair value through profit or loss.

	Group and Company	
	2007	2006
	HK$'000	*HK$'000*
Structured borrowings, classified as:		
Current[#]	17,042	–
Non-current	56,896	–
	73,938	–

The structured borrowings, which contain embedded derivatives, are managed in accordance with documented risk management and are evaluated on fair value basis. The embedded derivatives are closely related to the host contracts, and hence the entire combined contracts were designated as financial liabilities at fair value through profit or loss upon initial recognition. The net fair value gain amounting to HK$257,000 was credited to the income statement during the year (2006: Nil) (note 5).

[#] The current portion represents the minimum amount repayable to the bank within one year.

Major terms of the structured borrowings are set out below:

Notional amount	Upfront payment	Maturity date	Payment Terms
US$50,000,000	US$5,000,000	8 September 2011	First half year: 2%; Remaining 4 and half years: 7.95%-(6.00% x N/M)
US$50,000,000	US$5,000,000	18 January 2012	Payment:10%; Receipt: 8%, if Knock-In Condition is not met; or 8% x n/m, once Knock-In Condition is met.

Interest was calculated on notional amount and on semi-annual, 30/360 day count basis.

Where:

"N"	=	number of business days that CMS10y-CMS2y >-0.05% in the period
"M"	=	total number of business days in the period
"n"	=	number of business days that CMS10y-CMS2y > 0.20% in the period
"m"	=	total number of business days in the period
"CMS10y"	=	mid-market semi-annual swap rate expressed as a percentage for a USD interest rate swap transaction with a term equal to 10 years which appears on the Reuters screen ISDAFIX1 Page at 11:00 a.m. New York time on each day in the accrual period.
"CMS2y"	=	mid-market semi-annual swap rate expressed as a percentage for a USD interest rate swap transaction with a term equal to 2 years which appears on the Reuters screen ISDAFIX1 Page at 11:00 a.m. New York time on each day in the accrual period.
"Knock-In Condition"	=	when 3-month LIBOR is less than 4.80%.

29. CONVERTIBLE BONDS

On 29 March 2006, Greatest Joy Investments Limited, a subsidiary of the Company, issued 5-years zero coupon guaranteed convertible bonds with a nominal value of HK$750,000,000 and there was no movement in the number of these convertible bonds as at the balance sheet date. The bonds are listed on the Stock Exchange of Hong Kong Limited. The bonds are convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK$0.10 each of the Company on or after 13 April 2006 up to and including 22 March 2011 at an initial conversion price of HK$6.76 per share. The conversion price was subsequently changed to HK$6.46 and then to HK$6.32 on 28 August 2006 and 29 December 2006, respectively. The Group has an option to settle the conversion requested by bondholders in cash. The bonds are redeemable at the option of the bondholders at 105.51% of their principal amount two years after issue date on 29 March 2008. Any convertible bonds not converted will be redeemed on 29 March 2011 at 114.35% of their principal amount. When the bonds were issued, the prevailing market interest rate for similar bonds without the conversion option was higher than the interest rate at which the bonds were issued.

The fair value of the derivative component was estimated at the issuance date using an option pricing model and the change in fair value of that component is recognised in the consolidated income statement. The residual amount is assigned as the liability component.

The convertible bonds issued in prior year had been split as to the derivative and liability components, and the movement in derivative and liability components was as follows:

	HK$'000
Nominal value of convertible bonds issued on 29 March 2006	750,000
Transaction cost related to liability component	(22,565)
Derivative component	(86,250)
Liability component at 31 March 2006	641,185
Interest expenses *(note 7)*	38,405
Liability component at 31 March 2007 *(note 27)*	679,590
Derivative component at the issuance date	86,250
Fair value loss recognised during the year	1,800
Derivative component at 31 March 2006	88,050
Fair value gain recognised during the year	(55,275)
Derivative component at 31 March 2007	32,775

30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation *HK$'000*	**Provision for impairment of accounts receivable** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 April 2005	23,186	(3,115)	(746)	19,325
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	4,134	(432)	187	3,889
Exchange realignment	165	(22)	(3)	140
At 31 March 2006 and 1 April 2006	27,485	(3,569)	(562)	23,354
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	13,387	(156)	(336)	12,895
Exchange realignment	360	(43)	(16)	301
At 31 March 2007	41,232	(3,768)	(914)	36,550

Deferred tax assets

Group

	Accelerated tax depreciation *HK$'000*	Provision for impairment of accounts receivable *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2005	(1,786)	(3,755)	(519)	(6,060)
Opening adjustment on derivative instruments not qualified as hedges	–	–	139	139
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	99	(81)	153	171
Exchange realignment	(45)	(74)	–	(119)
At 31 March 2006 and 1 April 2006	(1,732)	(3,910)	(227)	(5,869)
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	(157)	1,483	17	1,343
Exchange realignment	(88)	(117)	–	(205)
At 31 March 2007	(1,977)	(2,544)	(210)	(4,731)

The Group has tax losses arising in Hong Kong of HK$17,201,000 (2006: HK$12,709,000) and in Mainland China of HK$50,912,000 (2006: HK$43,613,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, those arising in Mainland China being due to expire within a maximum period of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2007, there was no unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax liabilities/(assets)

Company

	Accelerated tax depreciation *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 April 2005	65	(233)	(168)
Opening adjustment on derivative instruments not qualified as hedges	–	139	139
Deferred tax charged/(credited) to the income statement during the year	(12)	36	24
At 31 March 2006 and at 1 April 2006	53	(58)	(5)
Deferred tax credit to the income statement during the year	(12)	(9)	(21)
At 31 March 2007	41	(67)	(26)

31. SHARE CAPITAL

	2007 *Number of shares*	**2006** *Number of shares*	**2007** *HK$'000*	**2006** *HK$'000*
Authorised ordinary shares of HK$0.10 each	800,000,000	800,000,000	80,000	80,000
Issued and fully paid ordinary shares of HK$0.10 each	600,780,529	600,780,529	60,078	60,078

32. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(ii) The Group's legal reserves are statutory reserves for foreign investment enterprises operating in Mainland China. The transfers to these reserves are determined by the boards of directors of the relevant subsidiaries and the use thereof is governed by the relevant laws and regulations of Mainland China.

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Hedging reserve HK$'000	Available for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2005		621,373	966	–	–	51,123	673,462
Changes in fair values of available-for-sale investments		–	–	–	(424)	–	(424)
Losses on cash flow hedges		–	–	(1,051)	–	–	(1,051)
Profit for the year	11	–	–	–	–	196,567	196,567
Issue of shares pursuant to a scrip dividend scheme		103,472	–	–	–	–	103,472
Interim 2006 dividend	12	–	–	–	–	(56,265)	(56,265)
Proposed final 2006 dividend	12	–	–	–	–	(120,156)	(120,156)
At 31 March 2006 and 1 April 2006		724,845	966	(1,051)	(424)	71,269	795,605
Gains on cash flow hedges		–	–	1,051	–	–	1,051
Profit for the year	11	–	–	–	–	178,407	178,407
Interim 2007 dividend	12	–	–	–	–	(57,074)	(57,074)
Proposed final 2007 dividend	12	–	–	–	–	(120,156)	(120,156)
At 31 March 2007		724,845	966	–	(424)	72,446	797,833

33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

On 13 June 2006, the Group acquired a 100% interest in Sinope Design Group Limited from its existing shareholders. Sinope Design Group Limited is engaged in the provision of graphic design service. The purchase consideration for the acquisition was in the form of cash with HK$217,000 being paid on 13 June 2006.

	Notes	2007 HK$'000	2006 HK$'000
Property, plant and equipment	14	149	–
Cash and bank balances		81	–
Accounts receivable		314	–
Prepayments and other receivables		16	–
Accounts payable		(59)	–
Accruals and other payables		(284)	–
		217	–
Satisfied by cash		217	–

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(217)
Cash and bank balances acquired	81
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(136)

Since its acquisition, Sinope Design Group Limited contributed HK$1,507,000 to the Group's turnover and a loss of HK$203,000 to the consolidated profit for the year ended 31 March 2007.

34. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		2007	**2006**
	Note	*HK$'000*	*HK$'000*
Rentals paid to companies in which directors of the Company are controlling shareholders	*(i)*	840	1,200

(i) During the year, the rental paid to a company of which a director of the Company is a controlling shareholder was in connection with the housing benefits provided to Mr. Yam Hon Ming, Tommy, a director of the Company and was based on estimated open market rental. It has been included in the directors' remuneration in note 8 to the financial statements.

In the prior year, the rentals paid to two companies of which certain directors of the Companies 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, and were based on estimated open market rentals.

(b) Outstanding balances with related parties

There were no outstanding balances with related parties as at 31 March 2007 (2006: Nil).

(c) Compensation of key management personnel of the Group

	2007	**2006**
	HK$'000	*HK$'000*
Short term employment benefits	40,754	45,285
Post-employment benefits	668	1,120
	41,422	46,405

35. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to banks for banking and trading facilities granted to subsidiaries	–	–	1,088,056	922,184
Amount of banking facilities with the Company's guarantees utilised by subsidiaries	–	–	241,224	353,301
Guarantee given to a subsidiary for the settlement of convertible bonds issued	–	–	770,387	750,000

36. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and staff quarters under operating lease arrangements. 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 March 2007, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,843	3,885	360	–
In the second to fifth years, inclusive	7,369	6,751	300	–
After five years	65,176	64,161	–	–
	76,388	74,797	660	–

37. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the balance sheet date:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for:				
Land and buildings	17,409	38,486	–	–
Plant and machinery	19,559	99,762	–	–
	36,968	138,248	–	–

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, convertible bonds and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps, forward currency contracts and structured forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, market risk, credit risk and liquidity risk. The policies to mitigate each of these risks are summarised below. The board manages and monitors these risks to ensure appropriate measures are implemented on a timely and effective manner. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's main interest rate risk exposure relates to its Renminbi and Hong Kong dollar bank borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses interest rate swaps to manage its long term borrowings which bear floating interest rates. At 31 March 2007, the Group had approximately 45% (2006: 49%) of bank borrowings which bear fixed interest rates.

In respect of the structured borrowings, the repayment amounts are mainly based on the spread rates between CMS10y Swap Rate and CMS2y Swap Rate, the entire borrowings are designated as financial liabilities at fair value through profit or loss as disclosed in note 28. Management closely monitors the potential interest risk related to the structured borrowings on a continuing basis. Based on the historical data of the spread rates, the level of interest rate exposure so far is acceptable to the Group.

Foreign currency risk

The Group is subject to foreign currency risk arising from future commercial transactions, recognised assets and liabilities and net investments in PRC subsidiaries. Majority of the Group's transactions, balances and investments are denominated in Hong Kong dollars, Renminbi and U.S. dollars. When there are significant foreign currency transactions other than the above currencies arise, the Group will use forward currency contracts and structured forward currency contracts to manage the foreign currency exposure. The forward currency contracts and structured forward currency contracts must be in the same currency as the hedged item.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit approval procedures. In addition, receivable balances are monitored on an ongoing basis and follow-up action is taken to recover overdue debts. The Group reviews regularly the recoverable amount of individual trade receivable to ensure adequate provision for impairment is made for irrecoverable amounts.

Market risk

Market risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates, foreign exchange rates and equity prices. The Group is exposed to market risk through its holding of derivative financial instruments and other investments.

The Group has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control various trading transactions in a timely and accurate manner.

Liquidity risk

The Group's objective is to maintain sufficient cash and to ensure the availability of funding through an adequate amount of committed banking facilities. The Group aims to maintain flexibility in funding by keeping committed banking facilities available.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 July 2007.

C. INTERIM RESULTS

The information set out below is extracted from the interim results of the Company for the six months ended 30 September 2007 published on 10 December 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*
REVENUE	2	1,934,840	1,705,338
Cost of sales		(1,593,070)	(1,349,616)
Gross profit		341,770	355,722
Other income and gains		33,065	45,173
Distribution costs		(46,072)	(42,476)
Administrative and selling expenses		(131,434)	(120,938)
Other expenses		(7,360)	(1,385)
		189,969	236,096
Fair value gain on derivative component of convertible bonds	3	10,200	64,050
Finance costs	4	(31,090)	(31,211)
PROFIT BEFORE TAX	5	169,079	268,935
Tax	6	(30,899)	(27,974)
PROFIT FOR THE PERIOD		138,180	240,961
ATTRIBUTABLE TO:			
Equity holders of the parent		124,795	226,649
Minority interests		13,385	14,312
		138,180	240,961
INTERIM DIVIDEND	7	45,059	57,074
INTERIM DIVIDEND PER ORDINARY SHARE		7.5 cents	9.5 cents
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	8	20.8 cents	37.7 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2007 (Unaudited) HK$'000	31 March 2007 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,542,921	1,493,144
Prepaid land lease payments	10	147,874	147,700
Goodwill		3,041	3,041
Available-for-sale investments	11	13,504	11,554
Properties under construction	12	27,953	50,090
Deferred tax assets		4,910	4,731
Total non-current assets		1,740,203	1,710,260
CURRENT ASSETS			
Inventories		705,934	596,372
Accounts and bills receivable	13	1,084,676	757,120
Prepayments, deposits and other receivables		48,857	40,741
Derivative financial instruments	14	10,723	4,768
Structured deposits		249,097	375,818
Short-term note		22,116	23,095
Cash and cash equivalents	15	544,939	603,584
Total current assets		2,666,342	2,401,498
CURRENT LIABILITIES			
Accounts payable	16	252,982	181,246
Tax payable		17,442	17,048
Other payables and accrued liabilities		158,030	120,367
Derivative component of convertible bonds		22,575	32,775
Derivative financial instruments	14	28,124	7,517
Structured borrowings		17,770	17,042
Interest-bearing bank and other borrowings		421,864	330,592
Total current liabilities		918,787	706,587
NET CURRENT ASSETS		1,747,555	1,694,911

	Notes	30 September 2007 (Unaudited) HK$'000	31 March 2007 (Audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		3,487,758	3,405,171
NON-CURRENT LIABILITIES			
Convertible bonds		699,646	679,590
Interest-bearing bank and other borrowings		125,346	110,833
Structured borrowings		46,494	56,896
Deferred tax liabilities		43,832	36,550
Total non-current liabilities		915,318	883,869
Net assets		2,572,440	2,521,302
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		60,078	60,078
Reserves		2,089,674	1,986,974
Proposed dividend		45,059	120,156
		2,194,811	2,167,208
Minority interests		377,629	354,094
Total equity		2,572,440	2,521,302

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007 (Unaudited)

	Attributable to equity holders of the parent												
	Issued capital	**Share premium account**	**Capital redemption reserve**	**Capital reserve**	**Hedging reserve**	**Available for-sale investment revaluation reserve**	**Legal reserves**	**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 2007	60,078	724,845	966	(814)	–	1,116	89,241	40,030	1,131,590	120,156	2,167,208	354,094	2,521,302
Exchange realignment	–	–	–	–	–	–	–	20,103	–	–	20,103	11,143	31,246
Change in fair value of available-for-sale investments	–	–	–	–	–	2,793	–	–	–	–	2,793	–	2,793
Realisation of change in fair value of available-for-sale investments on disposal	–	–	–	–	–	68	–	–	–	–	68	–	68
Total income and expense recognised directly in equity	–	–	–	–	–	2,861	–	20,103	–	–	22,964	11,143	34,107
Profit for the period	–	–	–	–	–	–	–	–	124,795	–	124,795	13,385	138,180
Total income and expense for the period	–	–	–	–	–	2,861	–	20,103	124,795	–	147,759	24,528	172,287
Final 2007 dividend declared	–	–	–	–	–	–	–	–	–	(120,156)	(120,156)	–	(120,156)
Interim 2008 dividend	–	–	–	–	–	–	–	–	(45,059)	45,059	–	–	–
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	15,160	15,160
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(16,153)	(16,153)
At 30 September 2007	60,078	724,845	966	(814)	–	3,977	89,241	60,133	1,211,326	45,059	2,194,811	377,629	2,572,440

For the six months ended 30 September 2006 (Unaudited)

	Attributable to equity holders of the parent												
	Issued capital	**Share premium account**	**Capital redemption reserve**	**Capital reserve**	**Hedging reserve**	**Available for-sale investment revaluation reserve**	**Legal reserves**	**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 2006	60,078	724,845	966	(814)	(1,051)	328	74,638	11,783	1,046,284	120,156	2,037,213	317,017	2,354,230
Exchange realignment	–	–	–	–	–	–	–	14,538	–	–	14,538	8,964	23,502
Change in fair value of available-for-sale investments	–	–	–	–	–	(1,097)	–	–	–	–	(1,097)	–	(1,097)
Total income and expense recognised directly in equity	–	–	–	–	–	(1,097)	–	14,538	–	–	13,441	8,964	22,405
Profit for the period	–	–	–	–	–	–	–	–	226,649	–	226,649	14,312	240,961
Total income and expense for the period	–	–	–	–	–	(1,097)	–	14,538	226,649	–	240,090	23,276	263,366
Final 2006 dividend declared	–	–	–	–	–	–	–	–	–	(120,156)	(120,156)	–	(120,156)
Interim 2007 dividend	–	–	–	–	–	–	–	–	(57,074)	57,074	–	–	–
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	6,800	6,800
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(16,025)	(16,025)
Transfer to property, plant and equipment	–	–	–	–	1,051	–	–	–	–	–	1,051	–	1,051
At 30 September 2006	60,078	724,845	966	(814)	–	(769)	74,638	26,321	1,215,859	57,074	2,158,198	331,068	2,489,266

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2007	**2006**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	(115,804)	(45,449)
INVESTING ACTIVITIES	208,456	(546,346)
FINANCING ACTIVITIES	(34,017)	(156,762)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	58,635	(748,557)
Cash and cash equivalents at beginning of period	422,638	1,272,400
Effect of foreign exchange rate changes, net	4,426	2,523
CASH AND CASH EQUIVALENTS AT END OF PERIOD	485,699	526,366
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	302,958	206,348
Time deposits with original maturity of less than three months when acquired	183,127	320,018
Bank overdraft, unsecured	(386)	–
	485,699	526,366

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the annual financial statements for the year ended 31 March 2007.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) that are effective for accounting periods beginning on or after 1 January 2007. The adoption of these new and revised HKFRSs have no significant impact on this unaudited condensed consolidated interim financial statements.

2. Segment Information

Business segments

The principal activities of the Group consisted of the printing and manufacturing of paper and carton boxes, the manufacturing of paper, the manufacturing of corrugated cartons and the trading 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 2007			
	SEGMENT REVENUE			SEGMENT RESULTS
	Sales to external customers (Unaudited) *HK$'000*	Intersegment sales (Unaudited) *HK$'000*	Total sales (Unaudited) *HK$'000*	(Unaudited) *HK$'000*
Paper and carton box printing and manufacturing	970,796	20,728	991,524	98,872
Paper manufacturing	394,197	92,168	486,365	26,487
Corrugated carton manufacturing	320,766	69,355	390,121	27,549
Paper trading	249,081	204,767	453,848	35,792
Eliminations	–	(387,018)	(387,018)	(1,662)
	1,934,840	–	1,934,840	187,038
Interest, dividend income and other gains				17,590
Corporate and unallocated expenses				(14,659)
				189,969
Fair value gain on derivative component of convertible bonds				10,200
Finance costs				(31,090)
Profit before tax				169,079
Tax				(30,899)
Profit for the period				138,180

	For the six months ended 30 September 2006			
	SEGMENT REVENUE			SEGMENT RESULTS
	Sales to external customers (Unaudited) *HK$'000*	Intersegment sales (Unaudited) *HK$'000*	Total sales (Unaudited) *HK$'000*	(Unaudited) *HK$'000*
Paper and carton box printing and manufacturing	892,131	19,341	911,472	142,290
Paper manufacturing	370,712	71,544	442,256	34,469
Corrugated carton manufacturing	283,138	59,797	342,935	20,299
Paper trading	159,357	266,916	426,273	21,392
Eliminations	–	(417,598)	(417,598)	948
	1,705,338	–	1,705,338	219,398
Interest, dividend income and other gains				24,189
Corporate and unallocated expenses				(7,491)
				236,096
Fair value gain on derivative component of convertible bonds				64,050
Finance costs				(31,211)
Profit before tax				268,935
Tax				(27,974)
Profit for the period				240,961

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 follows:

	For the six months ended 30 September	
	2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*
Sales to external customers:		
Hong Kong	771,532	687,050
Mainland China	676,768	568,612
Europe	279,378	215,251
United States of America	139,513	157,547
Others	67,649	76,878
	1,934,840	1,705,338

3. Fair Value Gain on Derivative Component of Convertible Bonds

On 29 March 2006, Greatest Joy Investments Limited, a subsidiary of the Company, issued five-year zero coupon guaranteed convertible bonds with a nominal value of HK$750,000,000. There was no movement in the number of these convertible bonds during the period.

The net proceeds received from the issue of the convertible bonds have been split between the derivative and liability components. The derivative component is measured at fair value using an option pricing model and the change in fair value of that component is recognised in the income statement.

During the period, the share price of the Company decreased, the fair value of the derivative component of the convertible bonds decreased accordingly, resulting in a fair value gain of HK$10,200,000 (2006: HK$64,050,000).

4. Finance Costs

	For the six months ended 30 September	
	2007	**2006**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Interest on convertible bonds	20,056	18,923
Interest on bank loans	11,034	12,288
	31,090	31,211

5. Profit Before Tax

The Group's profit before tax is arrived at after charging or crediting the following items:

	For the six months ended 30 September	
	2007	**2006**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
After charging –		
Depreciation	66,225	60,075
Recognition of prepaid land lease payments	1,915	1,601
Employee benefits expense (including directors' remuneration)	279,224	247,061
Fair value losses, net:		
Derivative instruments not qualified as hedges	3,982	–
Short-term note	979	–
After crediting –		
Dividend income from available-for-sale investments	232	206
Gain on disposal of available-for-sale investments	225	–
Bank interest income	9,715	15,193
Fair value gains, net:		
Derivative instruments not qualified as hedges	–	3,510
Structured deposits	5,356	5,280
Structured borrowings	1,494	–

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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 locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 September	
	2007	**2006**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Current – Hong Kong	7,252	7,335
– Mainland China	16,627	14,448
Deferred tax	7,020	6,191
Total tax charge for the period	30,899	27,974

7. Interim Dividend

	For the six months ended 30 September	
	2007	**2006**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Interim dividend of HK7.5 cents (2006: HK9.5 cents) per ordinary share	45,059	57,074

8. Earnings per Share attributable to Equity Holders of the Parent

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity holders of the parent of HK$124,795,000 (2006: HK$226,649,000) and the weighted average of 600,780,529 (2006: 600,780,529) shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30 September 2007 and 30 September 2006 have not been presented as the convertible bonds had an anti-dilutive effect on the basic earnings per share for these periods.

9. Property, Plant and Equipment

	30 September 2007
	(Unaudited)
	HK$'000
Net carrying amount at 1 April 2007	1,493,144
Additions	46,503
Transfer from properties under construction	47,281
Disposals	(1,793)
Depreciation provided during the period	(66,225)
Exchange realignment	24,011
Net carrying amount at 30 September 2007	1,542,921

Certain buildings and plant and machinery of the Group with a total net book value of HK$261,780,000 (31 March 2007: HK$266,834,000) have been pledged to secure banking facilities granted to the Group.

10. Prepaid Land Lease Payments

	30 September 2007 (Unaudited) *HK$'000*
Carrying amount at beginning of period	147,700
Recognised during the period	(1,915)
Exchange realignment	2,089
Carrying amount at 30 September 2007	147,874

Certain leasehold lands of the Group with a total net book value of HK$48,331,000 (31 March 2007: HK$47,478,000) have been pledged to banks to secure banking facilities granted to the Group.

11. Available-for-sale Investments

	30 September 2007 (Unaudited) *HK$'000*	**31 March 2007 (Audited)** *HK$'000*
Unlisted equity investments, at fair value	80	80
Club debentures, at fair value	3,628	3,128
	3,708	3,208
Hong Kong listed equity investments, at market value	9,796	8,346
	13,504	11,554

12. Properties Under Construction

	30 September 2007 (Unaudited) *HK$'000*
At beginning of period	50,090
Additions	24,425
Transfer to property, plant and equipment	(47,281)
Exchange realignment	719
At 30 September 2007	27,953

The properties under construction are located in Mainland China.

13. Accounts and Bills Receivable

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 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. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivable are non-interest-bearing.

	30 September 2007 (Unaudited) *HK$'000*	**31 March 2007 (Audited)** *HK$'000*
Accounts receivable	997,487	688,437
Bills receivable	87,189	68,683
	1,084,676	757,120

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

	30 September 2007 (Unaudited) *HK$'000*	**31 March 2007 (Audited)** *HK$'000*
Within 30 days	373,955	268,849
31 to 60 days	283,635	176,874
61 to 90 days	190,154	122,232
Over 90 days	149,743	120,482
	997,487	688,437

The carrying amounts of the accounts and bills receivable approximate to their fair values.

14. Derivative Financial Instruments

	30 September 2007 (Unaudited) *HK$'000*	**31 March 2007 (Audited)** *HK$'000*
Assets:		
Forward currency contracts	4,123	218
Structured forward currency contracts	6,600	4,550
	10,723	4,768
Liabilities:		
Forward currency contracts	1,815	1,127
Structured forward currency contracts	26,309	6,390
	28,124	7,517

15. Cash and Cash Equivalents

	30 September 2007 (Unaudited) *HK$'000*	31 March 2007 (Audited) *HK$'000*
Cash and bank balances	302,958	184,710
Time deposits	241,981	418,874
Cash and cash equivalents	544,939	603,584

16. Accounts Payable

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

	30 September 2007 (Unaudited) *HK$'000*	31 March 2007 (Audited) *HK$'000*
Within 30 days	149,883	147,540
31 to 60 days	80,836	30,419
61 to 90 days	13,323	421
Over 90 days	8,940	2,866
	252,982	181,246

The accounts payables are non-interest-bearing and are normally settled on 30-day terms.

17. Related Party Transactions

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

		For the six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	Note	*HK$'000*	*HK$'000*
Rental paid to a company in which a director of the Company is the controlling shareholder	*(i)*	420	420

Note:

(i) The rental paid to a company of which a director of the Company is the controlling shareholder was in connection with the housing benefits provided to Mr. Yam Hon Ming, Tommy, a director of the Company and was based on estimated open market rental. It has been included in the directors' remuneration in note 5 to the financial statements.

(b) Outstanding balances with related parties

There were no outstanding balances with related parties as at 30 September 2007 (31 March 2007: Nil).

(c) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2007	**2006**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Short term employment benefits	10,613	11,259
Post-employment benefits	336	335
	10,949	11,594

18. Contingent Liabilities and Commitments

	30 September 2007	**31 March 2007**
	(Unaudited)	**(Audited)**
	HK$'000	*HK$'000*
(a) Total future minimum lease payments under non-cancellable operating leases falling due as follows:		
Within one year	6,146	3,843
In the second to fifth years, inclusive	7,541	7,369
After five years	66,276	65,176
	79,963	76,388

	30 September 2007	**31 March 2007**
	(Unaudited)	**(Audited)**
	HK$'000	*HK$'000*
(b) In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the balance sheet date:		
Contracted for:		
Buildings	7,543	17,409
Plant and machinery	105,585	19,559
	113,128	36,968

(c) As at 30 September 2007, the Company has provided corporate guarantees to the extent of HK$1,087,176,000 (31 March 2007: HK$1,088,056,000) to secure the banking and trading facilities of subsidiaries. The amount drawn against the banking and trading facilities was HK$340,549,000 as at 30 September 2007 (31 March 2007: HK$241,224,000).

The Company has also given a guarantee to the extent of HK$780,787,000 as at 30 September 2007 (31 March 2007: HK$770,387,000) to a subsidiary for the settlement of convertible bonds issued.

19. Comparative Amounts

Certain comparative amounts have been reclassified and restated to confirm with the current period's presentation. The reclassifications and restatements had no impact on the Group's earnings for the six months ended 30 September 2006.

20. 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 10 December 2007.

D. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2008, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had outstanding borrowings of approximately HK$1,744 million comprising unsecured bank loans of approximately HK$1,245 million, secured bank loans of approximately HK$413 million, trust receipt loans of approximately HK$21 million, structured borrowings of approximately HK$65 million and an outstanding amount of approximately HK$11,000 under the unsecured convertible bond of the Group. The Group's bank loans of HK$413 million are secured by pledged time deposits of approximately HK$312 million and prepaid land lease payments, buildings and plant and machinery having an aggregate net book value of approximately HK$356 million as at 31 March 2008. All banking facilities were guaranteed either by the Company or its subsidiaries.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 March 2008, the Group did not have any other outstanding bank borrowings, bank overdrafts or loans or other similar indebtedness, mortgage, charge or any other borrowings, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantee or other material contingent liabilities.

The Directors have confirmed that there have been no other material changes in the indebtedness and contingent liabilities of the Group since 31 March 2008. For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange ruling at the close of business on the latest practicable date.

E. OTHER FINANCIAL INFORMATION

There were no exceptional or extraordinary items recorded in the financial statements of the Group for each of the three financial years ended 31 March 2005, 2006 and 2007, and for the six months ended 30 September 2007.

Unqualified opinions were given by the independent auditors for the financial statements of the Group for each of the three financial years ended 31 March 2005, 2006 and 2007.

The estimated consolidated loss attributable to equity holders of the Company for the year ended March 31, 2008 is set out in the section headed "Loss Estimate" in this circular.

(A) BASES

The Directors have prepared the estimate of the consolidated loss attributable to equity holders of the Company for the year ended March 31, 2008 based on the unaudited management accounts for the year ended March 31, 2008.

The loss estimate has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by the Group as summarized in the audited financial statements of the Group for the year ended March 31, 2007, the text of which is set forth in Appendix I to this circular.

(B) COMFORT LETTERS

Set out below are the text of the letters received by the Directors from Ernst & Young, Certified Public Accountants, Hong Kong and Nexia Charles Mar Fan & Co., Certified Public Accountants, Hong Kong and from the BNP Paribas Capital (Asia Pacific) Limited in connection with the loss estimate of the Group for the year ended March 31, 2008 and prepared for the purpose of inclusion in this circular.

ERNST & YOUNG

NEXIA INTERNATIONAL

13 June 2008

The Directors
Hung Hing Printing Group Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the estimate of the consolidated loss attributable to equity holders of Hung Hing Printing Group Limited (the "**Company**") in respect of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 March 2008 (the "**Estimation**"), for which you as directors of the Company (the "**Directors**") are solely responsible, as set out in the section headed "Loss Estimate" in the circular of the Company dated 13 June 2008 (the "**Circular**"). The Estimation has been prepared by the Directors based on the unaudited management accounts of the Group for the year ended 31 March 2008.

In our opinion, the Estimation, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases adopted by the Directors as set out on page 118 of the Circular, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in its audited consolidated financial statements for the year ended 31 March 2007, the text of which is set out in Appendix I to the Circular.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

Yours faithfully,
Nexia Charles Mar Fan & Co.
Certified Public Accountants
Hong Kong

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

June 13, 2008

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

Dear Sirs,

We refer to the estimate of the consolidated loss attributable to equity holders of Hung Hing Printing Group Limited (the "**Company**") and its subsidiaries (the "**Group**") for the year ended March 31, 2008 (the "**Estimation**") as set out in the circular issued by the Company dated June 13, 2008.

The Estimation, for which the directors of the Company (the "**Directors**") are solely responsible, has been prepared by them based on the unaudited management account of the Group for the year ended March 31, 2008.

We have discussed with you the bases upon which the Estimation has been made. We have also considered the letter dated June 13, 2008 addressed to you from Ernst & Young ("**EY**") and Nexia Charles Mar Fan & Co. ("**CMF**") regarding the accounting policies and calculations upon which the Estimation has been made.

On the basis of the foregoing and on the bases made by you and the accounting policies and calculations adopted by you and reviewed by EY and CMF, we have formed the opinion that the Estimation, for which you as Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
BNP Paribas Capital (Asia Pacific) Limited
Isadora Li
Head of Investment Banking – North Asia

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular, other than that relating to the Subscriber and CVC, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Subscriber), have been arrived at after due and careful consideration, and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Subscriber and the directors of Asia Packaging Group Holdings Limited (the ultimate holding company of the Subscriber which is directly owned by the Investment Funds) jointly and severally accept full responsibility for the accuracy of the information contained in this circular, other than that relating to the Group, and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in this circular, have been arrived at after due and careful consideration, and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorized and issued share capital of the Company were as follows:

		HK$
Authorized share capital(1):		
800,000,000	Shares	80,000,000
Issued and fully paid-up share capital:		
600,780,529	Shares as at the Latest Practicable Date	60,078,053
323,500,445	new Subscription Shares to be issued upon Completion	32,350,045
924,280,974	Shares	92,428,098

Note:

(1) Subject to the Shareholder's approval, the authorized share capital will be increased to 1,200,000,000 Shares.

All the Shares in issue rank *pari passu* in all respects, including the rights in particular as to dividend, voting rights and return on capital. The Shares in issue are listed on the Stock Exchange.

No Share has been issued or repurchased since March 31, 2007, the date to which the latest audited financial statements of the Group were made up.

As at the Latest Practicable Date, no Share has been put under option or agreed conditionally or unconditionally to be put under option, and no warrants, conversion rights or derivatives affecting the Shares have been issued or granted or agreed conditionally or unconditionally to be issued or granted.

3. DISCLOSURE OF INTERESTS

(i) Interests in the Company

(a) Directors' Interests in the Shares

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

	Number of Shares held, capacity and nature of interest				
Name of Director	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation(1)**	**Total**	**Percentage of the Company's issued share capital**
Yam Cheong Hung	2,284,000	1,650,207	284,592,379	288,526,586	48.03
Yum Chak Ming, Matthew	9,374,537	–	–	9,374,537	1.56
Yum Pui Ming, Anna	1,246,135	951,134	–	2,197,269	0.37
Yap, Alfred Donald	27,504	–	–	27,504	–

Note:

(1) Yam Cheong Hung and his family own C.H. Yam International Limited, which directly holds 89,329,189 Shares and indirectly holds 195,263,190 Shares through its subsidiary, Hung Tai Industrial Company Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had registered an interest or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Directors' rights to acquire Shares

At no time during the Relevant 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, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

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

Name	**Capacity and nature of interest**	**Shareholding as at the Latest Practicable Date and immediately before the Completion**	
		Number of Shares held	*%*[(2)]
Yam Cheong Hung and entities owned or controlled by him and his family and parties in concert with any of them[(1)]	Directly beneficially owned and through controlled corporation and his spouse	303,596,452	50.53
Subscriber, its ultimate beneficial owners and parties acting in concert with any of them	Directly beneficially owned	323,500,445[(3)]	35.00[(4)]
Commonwealth Bank of Australia	Through controlled corporation	54,244,491	9.03
Capital Research and Management Company	Directly beneficially owned	46,223,000	7.69
Franklin Templeton Investments Corp.	Through controlled corporation	30,857,747	5.14

Notes:

(1) The entities owned or controlled by Yam Cheong Hung and his family are C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited. C.H. Yam International Limited is a company owned by Yam Cheong Hung and his family. C.H. Yam International Limited in turn owns Hung Tai Industrial Company

Limited as to 96.6% through its wholly-owned subsidiary, C.H. Yam Holding Limited. Further, under the SFO, Yam Cheong Hung is deemed to be interested in the 1,650,207 Shares (0.27% of the Company's issued share capital) owned by his spouse.

(2) Percentage of the Company's issued share capital.

(3) The Subscriber, its ultimate beneficial owners and parties acting in concert with any of them are deemed to be interested in the Shares (within the meaning of part XV of the SFO) as a result of entering into the Subscription Agreement.

(4) Percentage of the Company's enlarged share capital.

Save as disclosed above, the Directors were not aware of any persons, as at the Latest Practicable Date, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(d) The Subscriber, its ultimate beneficial owners and parties acting in concert with any of them

Save for the entering into of the Subscription Agreement, none of the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares during the Relevant Period. As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them do not hold any Shares or securities of the Company.

(e) Others

During the Relevant Period,

i. none of the subsidiaries of the Company, nor any pension funds of the Company or of any of its subsidiaries, nor BNP Paribas nor Somerley nor any other advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled or dealt with any securities, convertible securities, warrants, options or derivatives of the Company;

ii. no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of clauses (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and with the Subscriber, its ultimate beneficial owners or any party acting in concert with any of them; and

iii. no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company.

(ii) Dealings in securities

(a) Directors

None of the Directors or parties acting in concert with any of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(b) The Subscriber and parties acting in concert with it

During the Relevant Period, save for entering into the Subscription Agreement, neither the Subscriber, its ultimate beneficial owners, nor any person acting in concert with any of them had dealt in any securities, convertible securities, warrants, options or derivatives of the Company.

(c) Others

During the Relevant Period, none of the subsidiaries of the Company, nor any pension fund of the Company or any of its subsidiaries, nor BNP Paribas, nor Somerley or any other advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had dealt for value in any securities, convertible securities, warrants, options or derivatives of the Company.

During the Relevant Period, no fund managers (other than exempted fund managers) who managed funds on a discretionary basis or connected with the Company had dealt for value in any securities, convertible securities, warrants, options and derivatives of the Company.

(iii) Interests and dealings in the Subscriber

None of the Directors or the Company had any interest in the securities, convertible securities, options, warrants or derivatives of the Subscriber or any of them dealt for value in any securities, convertible securities, options, warrants or derivatives of the Subscriber during the Relevant Period.

4. MATERIAL CONTRACTS

Other than the Subscription Agreement and the relevant memorandum of understanding dated March 20, 2008, as of the Latest Practicable Date, the Company or its subsidiaries had not entered into any material contracts (not being contracts in the ordinary course of business) after the date two years immediately preceding the date of the Announcement.

5. LITIGATION AND CLAIMS

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

6. COMPETING BUSINESSES OR INTERESTS

As at the Latest Practicable Date, the Directors were not aware of any business or interest of the Directors or any management shareholder (as defined under the Listing Rules) of the Company and their respective associates (as defined under the Listing Rules) that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

7. MARKET PRICES OF SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the period commencing the six months immediately preceding May 6, 2008, being the date of the Announcement and ending on the Latest Practicable Date, (ii) on the last trading day immediately before the publication of the Announcement (the "**Last Trading Day**"), and (iii) on the Latest Practicable Date were as follows:

Date	**Closing Price of the Share** *(HK$)*
October 31, 2007	3.98
November 30, 2007	3.95
December 31, 2007	3.30
January 31, 2008	3.06
February 29, 2008	2.90
March 31, 2008	2.60
April 24, 2008 (being the Last Trading Day)	2.46
May 30, 2008	2.05
Latest Practicable Date	2.18

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$4.02 on November 15, 2007, and HK$2.05 on May 30, 2008, respectively.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date:

(i) none of the Directors had any existing or proposed service contract between any of the Directors and any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation); and

(ii) none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed terms contracts) were entered into or amended within six months before the date of the Announcement, (b) were continuous contracts with a notice period of 12 months or more, or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

9. MATERIAL CHANGE

The Directors confirm that save as (i) the information disclosed under the section headed "Management discussion and analysis" in the interim report of the Group for the six months ended September 30, 2007; (ii) the information disclosed under the section headed "Profit warning" in the announcement dated May 6, 2008; (iii) the information disclosed under the sections headed "The Subscription Agreement", "Reasons for the Subscription", "Whitewash Waiver", "Loss Estimate" and "Additional Financial Information" to this circular, they were not aware of any material changes in the financial or trading position or outlook of the Group since March 31, 2007, the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

10. QUALIFICATIONS OF EXPERTS AND CONSENTS

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

Name	Qualification
BNP Paribas	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company in respect of the Subscription Agreement and the Whitewash Waiver
Ernst & Young	Certified Public Accountants
Nexia Charles Mar Fan & Co.	Certified Public Accountants

Somerley	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, having CE registration number AAJ067 and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the Whitewash Waiver

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

As at the Latest Practicable Date, each of the above experts did not have (i) any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or (ii) any interest, direct or indirect, in any assets which had been, since March 31, 2007, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

(i) The secretary and qualified accountant of the Company is Tung Yu Biu, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(ii) The registered office of the Company is Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong.

(iii) The registered office of the Subscriber is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

(iv) The registered office of Asia Packaging Group Holdings Limited is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(v) The registered office of the Investment Funds is c/o Walkers SPV Limited, Walker House, 87 May Street, George Town, Grand Cayman KY1-9002, Cayman Islands.

(vi) The registered office of CVC is Suites 901-903, ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

(vii) The share registrar and transfer office of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(viii) The correspondence address of BNP Paribas is 59/F-63/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(ix) The correspondence address of Ernst & Young is 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(x) The correspondence address of Nexia Charles Mar Fan & Co. is 11th Floor, Fortis Bank Tower, 77-79 Gloucester Road, Hong Kong.

(xi) The correspondence address of Somerley is 10/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.

(xii) As at the Latest Practicable Date, the Directors comprise of Mr. Yam Cheong Hung, Mr. Yum Chak Ming, Matthew, Mr. Yam Ho Ming, Michael and Mr. Yam Hon Ming, Tommy, who are executive Directors; Dr. Chu Shu Ho, David and Miss Yum Pui Ming, Anna, who are non-executive Directors; Mr. Yip Yu Bun, Mr. Wong Siu Ping and Mr. Yap, Alfred Donald who are independent non-executive Directors.

(xiii) As at the Latest Practicable Date, the directors of the Subscriber and the directors of Asia Packaging Group Holdings Limited (the ultimate holding company of the Subscriber which is directly owned by the Investment Funds) are Roy Kuan, Alvin Tsz-Wang Lam and Ho Chi Kit and that they do not hold any Shares.

(xiv) The directors of CVC are Maarten Ruijs, Roy Kuan, Ho Chi Kit, and Ku Wai Kuen.

(xv) The directors of CVC Capital Partners Asia III Limited, the general partner of the Investment Funds, are Julia Anne Jennifer Chapman, Mark Grizzelle, Rolly van Rappard, Michael David Cook Smith, Carl John Hansen and William Brian Scholfield.

(xvi) As at the Latest Practicable Date, none of the Independent Shareholders had irrevocably committed themselves to vote for or against the Subscription Agreement and/or the Whitewash Waiver.

(xvii) There is no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any person acting in concert with it and any of the Directors, recent Directors, Shareholders and recent Shareholders having any connection with or dependence upon the outcome of the Subscription Agreement and/or the Whitewash Waiver. There is no benefits to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription Agreement and the Whitewash Waiver.

(xviii) There is no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement and the Whitewash Waiver or otherwise connected therewith.

(xix) There is no material contract entered into by the Subscriber in which any Director has a material personal interest.

(xx) None of the Directors has any interest, direct or indirect, in any assets which had been, since March 31, 2007, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(xxi) The Directors (including the Directors on the Independent Board Committee) have indicated their intention, in respect of their own beneficial shareholdings, if any, to vote for the Subscription Agreement.

(xxii) The Directors on the Independent Board Committee have indicated their intention, in respect of their own beneficial shareholdings, if any, to vote for the Whitewash Waiver.

(xxiii) As at the Latest Practicable Date, there is no agreement, arrangement or understanding to transfer, charge or pledge any voting rights over the Subscription Shares.

(xxiv) The English text of this circular and form of proxy shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:30 a.m. to 5:30 p.m. (other than Saturday, Sunday and public holidays) at the principal place of business of the Company in Hong Kong, (ii) on the website of the Company at www.hhop.com.hk, and (iii) on the website of the SFC at www.sfc.hk from the date of this circular up to and including June 30, 2008, being the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the memorandum and articles of association of the Subscriber;

(iii) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(iv) the annual reports of the Company for the two years ended March 31, 2007;

(v) the interim report of the Company for the six-month period ended September 30, 2007;

(vi) the letters from Ernst & Young, Nexia Charles Mar Fan & Co., and BNP Paribas in relation to the loss estimate, the text of which is set out in Appendix II of this circular;

(vii) the letters of consent referred to in the section headed "Qualifications of Experts and Consents" in this appendix;

(viii) the letter from the Independent Board Committee, the text of which is set out on page 25 of this circular;

(ix) the letter from Somerley, the text of which is set out on pages 26 to 49 of this circular; and

(x) a copy of this circular.

HUNG HING

HUNG HING PRINTING GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 450)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Hung Hing Printing Group Limited (the "**Company**") will be held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, June 30, 2008 at 2:30 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   a) the subscription agreement (the "**Subscription Agreement**") dated April 24, 2008 entered into between the Company and Asia Packaging Company Limited (the "**Subscriber**"), details of the Subscription Agreement are set out in the circular of the Company dated June 13, 2008 (a copy of the Subscription Agreement and the circular have been produced to the EGM marked "A" and initialled by the chairman of the EGM for the purpose of identification) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and

   b) the directors of the Company (the "**Directors**") be and are hereby authorized to do all acts and execute all documents they consider necessary or expedient to give effect to the transactions contemplated under the Subscription Agreement."

2. "**THAT** subject to and conditional on the passing of ordinary resolution no. 1, the increase of the authorized share capital of the Company from HK$80,000,000 divided into 800,000,000 shares of HK$0.10 each (the "**Share(s)**") to HK$120,000,000 divided into 1,200,000,000 Shares by the creation of an additional 400,000,000 Shares ranking pari passu in all respects with existing issued and unissued Shares of the Company be and is hereby approved."

3. "**THAT** subject to and conditional on the passing of ordinary resolutions no. 1 and no 2, the issue and allotment of 323,500,445 Shares constituting approximately 35.0% of the enlarged share capital of the Company to the Subscriber (the "**Subscription Shares**") be and are hereby approved."

4. "**THAT** subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr. Peter Martin Springford to serve as a Director be and is hereby approved."

5. "**THAT** subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr. David Murray Lonie to serve as a Director be and is hereby approved."

6. "**THAT** subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr. Ho Chi Kit to serve as a Director be and is hereby approved."

7. "**THAT** subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr. Alvin Tsz-Wang Lam to serve as a Director be and is hereby approved."

8. "**THAT** subject to and conditional on the passing of ordinary resolution no. 1, the waiver (the "**Whitewash Waiver**") granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and any delegate of such Executive Director pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the obligation on the part of the Subscriber to make a mandatory general offer to the shareholders of the Company for all issued Shares not already owned by them or parties acting in concert with any of them under Rule 26 of the Hong Kong Code on Takeovers and Mergers as a result of the allotment and issue of the Subscription Shares be and is hereby approved."

By Order of the Board
Tung Yu Biu
Company Secretary

Hong Kong, June 13, 2008

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

Notes:

(1) Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and on a poll vote on his behalf. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member. A proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(2) Where there are joint holders of any Share any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall

be determined by the order in which the names stand in the register of members in respect of the joint holding. Several executors or administrators of a deceased member in whose name any Share stands shall be deemed joint holders thereof.

(3) A form of proxy for use at the EGM is enclosed herewith.

(4) To be effective, the form of a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited with the Company's share registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai Hong Kong not later than 48 hours before the time appointed for the holding of the EGM or adjournment thereof. Completion and return of the proxy form will not prevent members from attending and voting at the EGM if they so wish.