
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION

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

If you have sold or transferred all your shares in Shanghai Industrial Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Shanghai Industrial Holdings Limited or The Wing Fat Printing Company, Limited in any jurisdiction, including the United States, and any securities described in this circular may not be offered or sold in the United States absent registration under the United States Securities Act of 1933, as amended, or an exemption therefrom. No action has been taken or will be taken to permit a public offering of shares in The Wing Fat Printing Company, Limited in any jurisdiction other than Hong Kong.



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

**POSSIBLE DISCLOSEABLE TRANSACTION AND MATERIAL DILUTION OF
INTEREST IN A MAJOR SUBSIDIARY IN RELATION
TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
THE WING FAT PRINTING COMPANY, LIMITED
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
CONTINUING CONNECTED TRANSACTIONS
AND
ADOPTION OF SHARE OPTION SCHEME OF
THE WING FAT PRINTING COMPANY, LIMITED**

**Independent financial adviser to the Independent Board Committee and Shareholders
in respect of the Proposed Spin-off and the Continuing Connected Transactions**

COMMERZBANK 
Commerzbank AG Hong Kong Branch

A letter from the Independent Board Committee to the Shareholders is set out on page 31 of this circular.

A letter from Commerzbank AG Hong Kong Branch, the independent financial adviser to the Independent Board Committee and the Shareholders, containing its advice in relation to the Proposed Spin-off is set out on pages 32 to 46 of this circular.

A notice convening the Extraordinary General Meeting of Shanghai Industrial Holdings Limited (the "Company") to be held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on 26th November 2007 at 3:00 p.m. is set out on pages 68 to 69 of this circular.

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same to the registered office of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the Extraordinary General Meeting or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournments thereof should you so wish.

9th November 2007

EXPECTED TIMETABLE

2007

Last day for dealing in Shares cum-entitlement
to the Preferential Offer Tuesday, 20th November

First day for dealing in Shares ex-entitlement
to the Preferential Offer Wednesday, 21st November 2007

Latest time for lodging transfers of Shares to
qualify for the Preferential Offer 4:30 p.m. on Thursday, 22nd November

Register of Members of the Company closes
(both days inclusive) from 9:00 a.m. on Friday, 23rd November to
4:30 p.m. on Monday, 26th November

Latest time for return of proxy forms
in respect of the Extraordinary General Meeting . 3:00 p.m. on Saturday, 24th November

Record Date for determining the entitlement to
the Preferential Offer Monday, 26th November

Extraordinary General Meeting 3:00 p.m. on Monday, 26th November

Register of Members of the Company re-opens 9:00 a.m. on Tuesday,
27th November

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DEFINITIONS

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

“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Assured Entitlement”	the entitlement of Qualifying Shareholders to apply for Reserved Shares under the Preferential Offer
“Auditors”	the auditors for the time being of WF Printing
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“Capitalisation Issue”	the issue of WF Shares to WF Shareholders on a record date to be determined by the WF Board by way of capitalisation of certain sums standing to the credit of the share premium account of WF Printing being credited as a result of the Global Offering
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Chengdu Wing Fat”	成都永發印務有限公司 (Chengdu Wing Fat Printing Co., Ltd.), a sino-foreign equity joint venture enterprise established in the PRC which is owned as to 51% by WF Printing and a subsidiary of the Company
“chief executive”	has the meaning ascribed to it under the Listing Rules
“Cigarette Packaging Transactions”	the printing and sale of cigarette packaging materials by Xuchang Yongchang to Xuchang Cigarette Factory, particulars of which are set out in the section titled “Continuing Connected Transactions” in the “Letter from the Board” set out in this circular
“Commerzbank”	Commerzbank AG Hong Kong Branch, a licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off and the Continuing Connected Transactions

DEFINITIONS

“Company”	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the Cigarette Packaging Transactions, Wine Packaging Transactions and Recovered Paper Purchase Transactions
“Court”	any court of Hong Kong of competent jurisdiction
“day”	calendar day
“Directors”	directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Monday, 26th November 2007 at 3:00 p.m. at which ordinary resolutions will be proposed to approve, if thought fit, the Proposed Spin-off and the WF Scheme
“Global Coordinator”	BNP Paribas Capital (Asia Pacific) Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Global Offering”	the Public Offer and the Placing (including the Preferential Offer)
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the WF Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hebei Yongxin”	河北永新紙業有限公司 (Hebei Yongxin Paper Co., Ltd.), a sino-foreign equity joint venture enterprise established in the PRC with limited liability which is owned as to 66% by WF Printing and a subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis, all independent non-executive Directors, appointed to advise the Shareholders in respect of the Proposed Spin-off and the Continuing Connected Transactions
“Latest Practicable Date”	7th November 2007, being the latest practicable date for ascertaining certain information in this circular
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Non-Qualifying Shareholder(s)”	Shareholder(s) whose names appear on the Register of Members of the Company on the Record Date with the addresses as shown in the Register of Members of the Company on that day outside Hong Kong whom the Board, after making enquiries, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges in those places not to offer the Reserved Shares to them

DEFINITIONS

“Offer”	the offer of the grant of an Option made by the WF Board in accordance with the WF Scheme
“Offer Date”	the date on which an Option is offered to a Participant in accordance with the WF Scheme, such date must be a Business Day
“Offer Price”	the final price per WF Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which the WF Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering, to be determined as further described in the Prospectus
“Options”	a right to subscribe for WF Shares pursuant to the terms of the WF Scheme
“Option Period”	a period to be determined by the WF Board at its absolute discretion and notified by the WF Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the WF Scheme
“Over-allotment Option”	the option to be granted by WF Printing to the Global Coordinator on behalf of the placing underwriters to require WF Printing to allot and issue up to an aggregate of 15% of the WF Shares to be initially offered for subscription under the Global Offering at the Offer Price to cover, among other things, over-allocations in the Placing
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown in the register of members of the Company on that date is/are outside Hong Kong

DEFINITIONS

“Participant”	means (i) any directors, officers or employees (whether full-time or part-time) of each member of the WF Group and of WF Printing’s jointly-controlled entities and associated companies; (ii) any discretionary objects of a discretionary trust established by any employees, or directors of each member of the WF Group and of WF Printing’s jointly-controlled entities and associated companies; (iii) any consultants, professional and other advisers to each member of the WF Group and of WF Printing’s jointly-controlled entities and associated companies (including their employees or executives or any persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives or substantial shareholders of WF Printing; (v) any Associates of directors, chief executives or substantial shareholders of WF Printing; (vi) any directors, chief executives, officers or employees (whether full-time or part-time) of the Company, SIIC or other holding companies of WF Printing; and (vii) any Associates of directors, chief executives, officers or employees of the Company, SIIC or other holding companies of WF Printing, provided that the WF Board may have absolute discretion to determine, whether or not one falls within the above categories
“Placing”	the offer and sale of the WF Shares by WF Printing (a) to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act and (b) to certain persons outside the United States (including to professional investors in Hong Kong, other than to retail investors in Hong Kong) in reliance on Regulation S under the Securities Act, as described in this circular and to be further described in the Prospectus
“PN15”	Practice Note 15 of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Preferential Offer”	the proposed preferential offer to the Qualifying Shareholders for subscription of the Reserved Shares on an assured basis at the Offer Price, on and subject to the terms and conditions as will be described in the Prospectus, details of which are set out in the paragraph headed “Preferential Offer” in the section titled “Letter from the Board” in this circular
“Proposed Spin-off”	the proposed separate listing of the WF Shares on the Main Board of the Stock Exchange pursuant to the Global Offering
“Prospectus”	the prospectus proposed to be issued by WF Printing in relation to the Global Offering
“Public Offer”	the offer of WF Shares by WF Printing for subscription by the public in Hong Kong for cash at the Offer Price as described in this circular and to be further described in the Prospectus
“Qualifying Shareholder(s)”	holder(s) of not less than 100 Shares whose name(s) appear on the register of members of the Company at 4:30 p.m. on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	26th November 2007, being the date for ascertaining the Assured Entitlement
“Recovered Paper Purchase Transactions”	the purchase of recovered paper by Hebei Yongxin from Xinnan Paper, particulars of which are set out in the section titled “Continuing Connected Transactions” in the “Letter from the Board” set out in this circular
“Relevant Company”	means any of WF Printing, its subsidiaries, its jointly-controlled entities, its associated companies, the Company, SIIC or other holding companies of WF Printing
“Remaining Group”	the Group, excluding the WF Group
“Reserved Shares”	10,712,610 WF Shares, representing approximately 7.1% of the WF Shares initially available under the Global Offering, being offered to the Qualifying Shareholders pursuant to the Preferential Offer and which are to be allocated out of the WF Shares offered under the Placing
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“S.I. Printing”	S.I. Printing Holdings Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Securities Act”	the U.S. Securities Act of 1933, as amended
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sichuan Swellfun”	四川水井坊股份有限公司 (Sichuan Swellfun Co., Ltd) (formerly known as 四川全興股份有限公司 (Sichuan Quan Xing Joint-Stock Co., Ltd.), a connected person of the Company by virtue of its being a substantial shareholder of Chengdu Wing Fat, a subsidiary of the Company
“SIIC”	Shanghai Industrial Investment (Holdings) Co. Ltd., a company incorporated under the laws of Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per WF Share at which a Grantee may subscribe for WF Shares on the exercise of an Option pursuant to the terms of the WF Scheme
“Underwriters”	the underwriters of the Global Offering
“Underwriting Agreements”	the underwriting agreements to be entered into between, inter alia, WF Printing and the Underwriters in connection with the Global Offering
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“WF Board”	board of directors of WF Printing
“WF Directors”	directors of WF Printing
“WF Group”	WF Printing and its subsidiaries

DEFINITIONS

“WF Printing”	The Wing Fat Printing Company, Limited, a public company incorporated under the laws of Hong Kong with limited liability whose issued ordinary share capital is indirectly owned as to approximately 93.44% by S.I. Printing and a subsidiary of the Company
“WF Scheme”	the proposed share option scheme to be conditionally adopted by WF Printing, a summary of the principal terms of which is set out in Appendix I to this circular
“WF Shareholders”	holders of WF Shares
“WF Shares”	ordinary shares of WF Printing
“Wine Packaging Transactions”	the printing and sale of wine packaging materials by Chengdu Wing Fat to Sichuan Swellfun, particulars of which are set out in the section titled “Continuing Connected Transactions” in the “Letter from the Board” set out in this circular
“Xinnan Paper”	新南(天津)紙業有限公司 (Xinnan (Tianjin) Paper Co., Ltd.), a connected person of the Company by virtue of its being a substantial shareholder of Hebei Yongxin, a subsidiary of the Company
“Xuchang Cigarette Factory”	許昌捲煙總廠 (Xuchang Cigarette Factory), a connected person of the Company by virtue of its being a substantial shareholder of Xuchang Yongchang, a subsidiary of the Company
“Xuchang Yongchang”	許昌永昌印務有限責任公司 (Xuchang Yongchang Printing Co., Ltd.), a sino-foreign equity joint venture enterprise established in the PRC with limited liability which is owned as to 51% by WF Printing and a subsidiary of the Company

For the purposes of this circular, the exchange rate of HK\$1.00 = RMB0.96 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

LETTER FROM THE BOARD



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

Executive Directors:

Mr. Cai Lai Xing (*Chairman*)
Mr. Cai Yu Tian (*Vice Chairman and
Chief Executive Officer*)
Mr. Qu Ding (*Vice Chairman and
Executive Deputy CEO*)
Mr. Lu Ming Fang
Mr. Ding Zhong De
Mr. Qian Shi Zheng (*Deputy CEO*)
Mr. Yao Fang
Mr. Tang Jun

Registered office:

26th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Independent Non-Executive Directors:

Dr. Lo Ka Shui
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

9th November 2007

To the Shareholders

Dear Sir or Madam,

**POSSIBLE DISCLOSEABLE TRANSACTION AND MATERIAL DILUTION OF
INTEREST IN A MAJOR SUBSIDIARY IN RELATION
TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
THE WING FAT PRINTING COMPANY, LIMITED
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
CONTINUING CONNECTED TRANSACTION
AND
ADOPTION OF SHARE OPTION SCHEME OF
THE WING FAT PRINTING COMPANY, LIMITED**

INTRODUCTION

The Board announced that WF Printing had on 29th August 2007 submitted an advance booking form to the Stock Exchange in relation to the Proposed Spin-off and had on 7th November 2007 submitted a formal application to the Stock Exchange for the separate listing of, and permission to deal in, the WF Shares in issue and to be issued pursuant to the Global Offering, the Capitalisation Issue and the WF Scheme on the Main Board of the

LETTER FROM THE BOARD

Stock Exchange. No action has been taken or will be taken to permit a public offering of the WF Shares in any jurisdiction other than Hong Kong. The Proposed Spin-off, if proceeded, will be effected in compliance with PN15 of the Listing Rules.

WF Printing is a public company incorporated in Hong Kong in 1920 and its issued ordinary share capital is indirectly owned as to approximately 93.44% by the Company through its wholly-owned subsidiary S.I. Printing. According to Rule 13.36 of the Listing Rules, WF Printing is a major subsidiary of the Company. The Proposed Spin-off may constitute a material dilution of the Company's interest in WF Printing (as defined under Rule 13.36 of the Listing Rules) since after completion of the Proposed Spin-off and assuming the exercise of the Over-allotment Option in full, the Company's interest in WF Printing will be diluted to the extent of 5% or more as determined under the revenue tests pursuant to Rule 14.07 of the Listing Rules. As such, the Proposed Spin-off will be made conditional upon the approval of the Shareholders pursuant to paragraph 3(e)(1)(ii) of PN15. No Shareholder is required to abstain from voting in respect of the resolution to be proposed at the Extraordinary General Meeting to approve the Proposed Spin-off. The Independent Board Committee had been appointed to advise the Shareholders in respect of, inter alia, the Proposed Spin-off and Commerzbank had been appointed to advise the Independent Board Committee and the Shareholders in respect of, inter alia, the Proposed Spin-off.

The Proposed Spin-off will also constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules in the event that the Over-allotment Option is exercised.

Assuming that the Over-allotment Option is not exercised, S.I. Printing will be interested in approximately 65.41% of the enlarged total issued share capital of WF Printing immediately following completion of the Proposed Spin-off.

In connection with the Proposed Spin-off, the Preferential Offer will be made to the Qualifying Shareholders and WF Printing will adopt the WF Scheme. Since WF Printing is a subsidiary of the Company, Shareholders' approval is also required for the adoption of the WF Scheme.

The Continuing Connected Transactions had in the past been entered into by members of the WF Group with substantial shareholders of WF Printing's PRC subsidiaries which are of a continuing nature. These Continuing Connected Transactions are continuing connected transactions of the Group under the Listing Rules and had previously been disclosed by the Company in accordance with the Listing Rules. It is envisaged that these transactions will continue after completion of the Proposed Spin-off and will therefore continue to be subject to, among other things, the connected transactions requirements under Chapter 14A of the Listing Rules. The Independent Board Committee had been appointed to advise the Shareholders in respect of, inter alia, the Continuing Connected Transactions and Commerzbank had been appointed to advise the Independent Board Committee and the Shareholders in respect of, inter alia, the Continuing Connected Transactions.

The purposes of this circular are (1) to provide the Shareholders with information on the reasons for and benefits of the Proposed Spin-off, the Preferential Offer and such other information relating to the Proposed Spin-off; (2) to provide the Shareholders with

LETTER FROM THE BOARD

information on the Continuing Connected Transactions; (3) to set out the recommendation of the Independent Board Committee to the Shareholders in respect of the Proposed Spin-off and the Continuing Connected Transactions; (4) to set out the letter of advice from Commerzbank which contains its recommendation to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off and the Continuing Connected Transactions; (5) to provide Shareholders with details on the WF Scheme; and (6) to give notice to Shareholders of the Extraordinary General Meeting at which ordinary resolutions will be proposed to approve the Proposed Spin-off and the WF Scheme.

Shareholders and potential investors should note that the Proposed Spin-off is subject to, among others, the conditions referred to in this circular, the decision of the Board as well as market conditions prevailing at the time immediately before the Proposed Spin-off. In particular, there is no assurance that approval from the Stock Exchange will be granted. As the Proposed Spin-off and the Preferential Offer may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE PROPOSED SPIN-OFF

(1) The Proposed Spin-off

The final structure (including the price range) of the Proposed Spin-off has not yet been concluded and will be determined by the Directors, the WF Directors and the Global Coordinator in due course. However, the Proposed Spin-off is proposed to be effected by way of the Global Offering, which will comprise the Public Offer and the Placing (including the Preferential Offer), and will be accompanied by a separate listing of the WF Shares on the Main Board of the Stock Exchange. The Proposed Spin-off will also include an Over-allotment Option to be granted to the Global Coordinator on behalf of the placing underwriters to require WF Printing to allot and issue up to an aggregate of 15% of the WF Shares initially to be offered for subscription under the Global Offering. It is intended that the Qualifying Shareholders will be provided with an Assured Entitlement to WF Shares by way of preferred application in the Global Offering, particulars of which are set out in the section titled “Preferential Offer” below.

The new WF Shares to be issued pursuant to the Global Offering will rank *pari passu* in all respects with the other WF Shares then in issue and there is no restriction on the subsequent sale of such WF Shares on the Stock Exchange.

The Proposed Spin-off will be subject to, among others, the following conditions:

- (a) the Listing Committee granting listing of, and permission to deal in, the WF Shares in issue and to be issued pursuant to the Proposed Spin-off;
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise, on or before the date and time to be specified therein; and

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- (c) the passing of a resolution at the Extraordinary General Meeting by the Shareholders approving the Proposed Spin-off.

If any of these and other applicable conditions are not fulfilled or waived prior to the dates and times to be specified, the Global Offering and the Proposed Spin-off will lapse, the Stock Exchange will be notified immediately and an announcement will be published by the Company and/or WF Printing as soon as practicable following such lapse.

The Proposed Spin-off will not proceed if such conditions are not satisfied.

(2) Separate Listing of WF Shares

The Shares will continue to be listed on the Stock Exchange after the implementation of the Proposed Spin-off. The listing of the WF Shares on the Stock Exchange is conditional upon, among others, the conditions stated in paragraph (1) above.

An application has been made to the Stock Exchange for the listing of and permission to deal in WF Shares in issue and any new WF Shares to be issued pursuant to the Global Offering including any WF Shares that may be issued pursuant to the exercise of the Over-allotment Option, any WF Shares that may be issued pursuant to the Capitalisation Issue and any new WF Shares that may be issued pursuant to the exercise of options under the WF Scheme. The Directors confirm that the Company complies with all the requirements under PN15 with respect to the Proposed Spin-off.

Subject to the granting of the listing of, and permission to deal in, the WF Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the WF Shares will be accepted as eligible securities by HKSCC, for deposit, clearance and settlement in CCASS with effect from the date of listing of the WF Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

(3) Businesses of the Remaining Group and of the WF Group

The Remaining Group is principally engaged in the business of real estate investment, infrastructure facilities (including water services and toll roads), medicine (including Chinese medicine and health food, biomedicine, chemical medicine and medical equipment) and consumer products (other than the printing of packaging materials, containerboard production and paper trading business).

WF Printing is a public company incorporated in Hong Kong in 1920 and its issued ordinary share capital is indirectly owned as to approximately 93.44% by the Company. The business of the WF Group focuses on (1) quality printing of packaging materials in Hong Kong and various provinces in the PRC principally for cigarettes, alcohol, pharmaceuticals, cosmetics and a range of other consumer products, and (2) production of containerboard in Hebei Province, the PRC for manufacture of corrugated boxes and other packaging boxes by its customers. In addition, the WF Group engages in paper trading, which involves sales of

LETTER FROM THE BOARD

printing and recovered paper, among others. The WF Group's printing business is headquartered in Hong Kong with 7 production bases in Hong Kong and a number of major provinces in the PRC, namely, Guangdong Province, Henan Province, Zhejiang Province and Sichuan Province. All of the Group's printing, containerboard production and paper trading businesses are conducted through the WF Group.

Upon completion of the Proposed Spin-off, the Company will remain an indirect controlling shareholder of WF Printing, holding approximately 65.41% of its enlarged issued share capital (assuming that the Over-allotment Option is not exercised) through S.I. Printing.

Upon completion of the Proposed Spin-off, WF Printing will remain as a subsidiary of the Company and its financial results will continue to be consolidated into the Group's results.

Set out below is a brief summary of the audited consolidated results of the WF Group for each of the three years ended 31st December 2006 and the unaudited consolidated results of the WF Group for the six months ended 30th June 2006 and 2007 respectively:

	Year ended 31st December			Six months ended	
	2004	2005	2006	2006	2007
	HK\$	HK\$	HK\$	HK\$	HK\$
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
				<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	530.58	945.27	1,400.44	697.85	775.94
Share of results of associates	38.13	33.61	43.31	20.00	17.33
Share of (losses) profits of jointly controlled entities	(9.41)	5.75	–	–	–
Profits before taxation	145.29	146.67	181.11	93.75	117.39
Income tax expense	(19.31)	(10.70)	(7.67)	(3.98)	(10.86)
Minority interests	(9.95)	(10.46)	(24.89)	(17.77)	(20.57)
Profits attributable to WF Shareholders	116.03	125.51	148.55	72.00	85.96

(4) Reasons for and benefits of the Proposed Spin-off

The Company considers that the spin-off and separate listing of WF Printing on the Main Board of the Stock Exchange could better reflect the value of the WF Group on its own merits and increase its operational and financial transparency through which investors would be able to appraise and assess the performance and potential of the WF Group separately and distinctly from those of the Company.

LETTER FROM THE BOARD

The business of the WF Group has also grown to a size sufficient to command a separate listing status and the Directors consider that such listing will be beneficial to the Company for the following reasons:

- (a) it enables the Company to focus on and further develop its remaining business and deploy its capital more efficiently by providing the Company with the flexibility to raise funds from the capital markets in future to support its growth through continuing organic expansion as well as acquisitions and enabling the WF Group to take advantage of its growth potential by attracting new investors who are seeking investments in the industries of printing of packaging materials, containerboard production and paper trading businesses; and
- (b) the value of the WF Group is expected to be enhanced through the Proposed Spin-off given that:
 - (i) a listing on the Stock Exchange will enhance WF Printing's profile amongst its customers, suppliers and other business partners, as well as its ability to recruit good talents available;
 - (ii) a listing on the Stock Exchange will enable WF Printing to directly and independently access both equity and debt capital markets, as well as facilitate it to secure bank credit facilities;
 - (iii) following the Proposed Spin-off, WF Printing, as a listed company, would be able to offer an equity based incentive program (such as a share option scheme) that correlates directly to the performance of its own business to its employees and would therefore be in a better position to motivate its employees with incentive programs that closely align with the objective of shareholder value creation;
 - (iv) the independent listing of WF Printing will lead to a more direct alignment of its management's responsibilities and accountability with its operating and financial performance. This is expected to result in enhanced management focus, which should in turn lead to improved decision-making processes, faster response-time to market changes and increased operational efficiency. The top management of WF Printing will be under heightened scrutiny from the investor community and it will be possible to measure their performance against the stock market performance of WF Printing relative to its industry peers listed on the Stock Exchange. It will also be possible to link management incentives to such performance, thereby increasing management motivation and commitment; and
 - (v) a listing on the Stock Exchange will also provide clarity of the credit profile of the WF Group for rating agencies and financial institutions that wish to analyse and lend against the credit of a service provider and material supplier in the packaging printing and containerboard production industry.

S.I. Printing is expected to remain as a controlling shareholder of WF Printing after completion of the Proposed Spin-off, and the Group is expected to benefit from any enhanced value of the WF Group through the Proposed Spin-off.

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(5) Intended use of proceeds

It is currently intended that the net proceeds from the Global Offering be used to implement future plans of the WF Group, to improve its overall financial position and to provide additional working capital for the WF Group. Based on the current proposed offer size and structure of the Global Offering and assuming that the Over-allotment Option is not exercised, it is currently expected that the estimated gross proceeds and net proceeds from the Global Offering to be no less than approximately HK\$756 million and approximately HK\$708 million respectively. The actual amount of the net proceeds from the Global Offering may, however, differ from such estimated figures depending on, among others, the actual pricing and actual listing expenses incurred.

WF Printing currently intends to apply the net proceeds from the Global Offering as follows:

- to finance the capital expenditure for new production facilities of its printing business;
- to fund the acquisition of equity interests in other printing companies;
- to fund the capital expenditure of the sixth containerboard production line of Hebei Yongxin;
- to establish new channels for sourcing of recovered paper in the Beijing-Tianjin-Hebei region;
- to repay the bank borrowings; and
- the remaining amount to provide funding for the WF Group's working capital and other general corporate purposes.

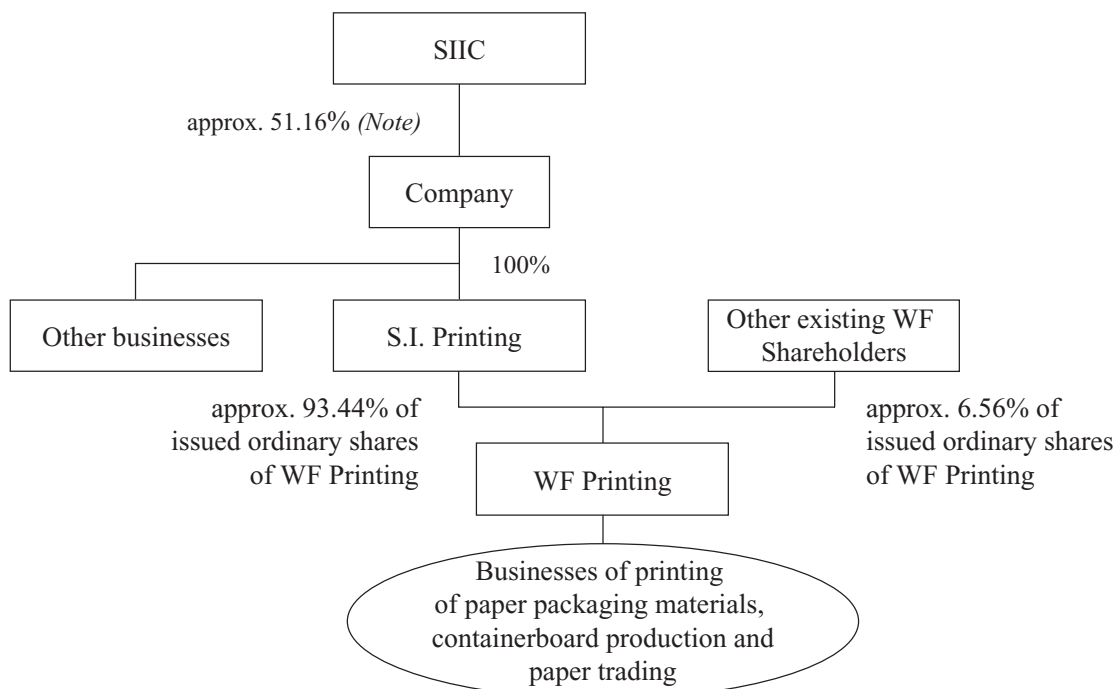
To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if the WF Group is unable to effect any part of its future development plans as intended, the WF Group may hold such funds in short-term deposits with licensed banks and authorized financial institutions in Hong Kong for so long as it is in the best interests of the WF Group and the WF Shareholders.

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(6) Effects of the Proposed Spin-off

(i) Shareholding structure prior to the Proposed Spin-off

The simplified shareholding structure of WF Printing as at the Latest Practicable Date is set out as follows:

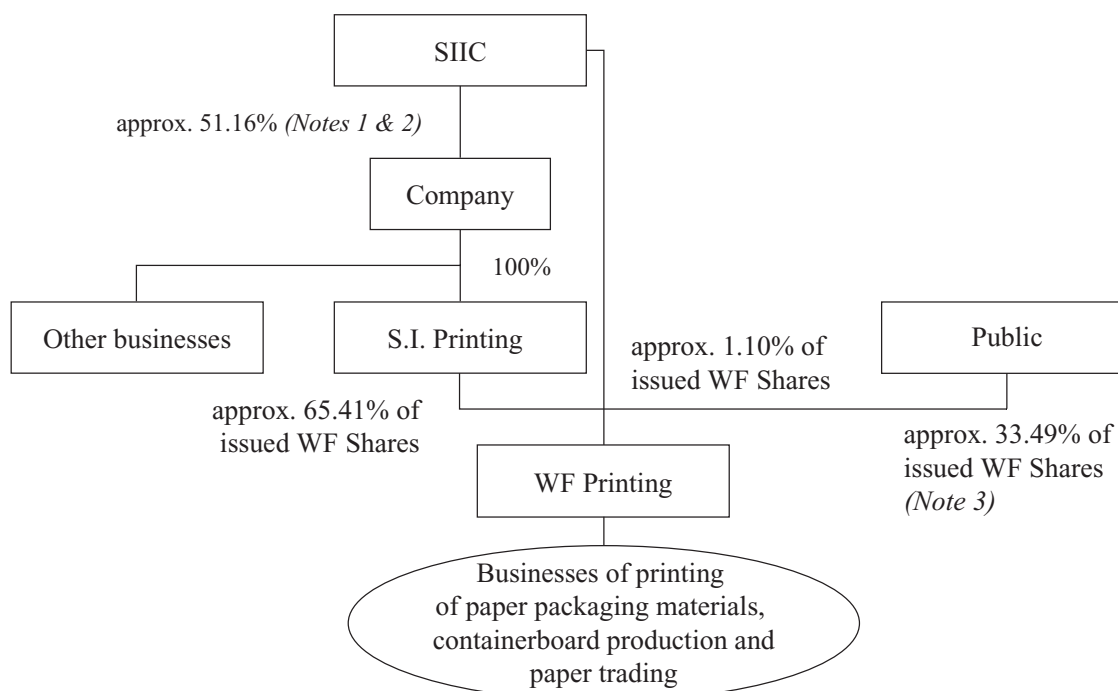


Note: The Shares are held through three wholly-owned subsidiaries of SIIC.

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(ii) *Shareholding structure after the completion of the Proposed Spin-off and the Capitalisation Issue*

The simplified shareholding structure of WF Printing immediately after completion of the Proposed Spin-off and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and SIIC, through its wholly-owned subsidiaries, takes up all Reserved Shares allocated to its wholly-owned subsidiaries under the Preferential Offer) is set out as follows:



Notes:

1. The Shares are held through three wholly-owned subsidiaries of SIIC.
2. Assuming no further Shares are issued by the Company and no acquisition or disposal of Shares by SIIC from the Latest Practicable Date up to the date of completion of the Proposed Spin-off.
3. The 33.49% public shareholding in WF Printing includes the aggregate of 4.59% shareholdings of the current shareholders of WF Printing (other than S.I. Printing).

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(iii) Effects on net asset value

It is expected that there will be a gain on the deemed disposal of interests in WF Printing upon completion of the Proposed Spin-off irrespective of whether the Over-allotment Option is exercised and as a result, the net asset value of the Group is expected to increase.

(iv) Effects on earnings

Upon completion of the Proposed Spin-off, the Group is expected to recognize a gain. Based on the unaudited consolidated net assets (after deducting minority interests) of WF Printing as at 30th June 2007, the estimated market value of WF Printing, a pre-listing dividend of HK\$200 million declared by WF Printing and the estimated listing expenses, the amount of gain is estimated to be in the range of approximately HK\$234 million and HK\$338 million (if the Over-allotment Option is not exercised) or in the range of approximately HK\$260 million and HK\$374 million (if the Over-allotment Option is exercised in full). The gain represents the difference between the estimated amounts of net assets of WF Printing to be diluted immediately following the completion of the Global Offering. However, the actual amount of such gain may differ from the estimated figure as mentioned above depending on the actual pricing, actual listing expenses incurred and actual consolidated net assets of WF Printing following the completion of the Global Offering. Upon completion of the Global Offering, the consolidated net profit of the Group will be decreased by the portion of the results contributed by the reduced effective shareholding in WF Printing held by the Group.

(7) Relationship with the Remaining Group

S.I. Printing, the immediate holding company of WF Printing is interested in approximately 93.44% of the issued ordinary share capital of WF Printing as at the Latest Practicable Date and the Company is interested in the entire issued share capital of S.I. Printing as at the Latest Practicable Date.

WF Printing is managed by six executive WF Directors. Out of the six executive WF Director, Mr. Ding Zhong De, an executive WF Director, is also an executive director of the Company and SIIC and also a director of Nanyang Brothers Tobacco Company, Limited, an indirect wholly-owned subsidiary of the Company; and Mr. Zhou Jie, an executive WF Director is also a deputy chief-executive officer of the Company and a vice-president of SIIC. Mr. Ding Zhong De and Mr. Zhou Jie do not actively participate in the day-to-day management and operations of the WF Group. The day-to-day management and operations of the WF Group are overseen by Mr. Wen Song Quan, Mr. Jin Guo Ming, Mr. Chen Nai Lang, and Mr. Wang Qi Cong. None of Mr. Wen, Mr. Jin, Mr. Chen, nor Mr. Wang holds any directorship or other management position in the Company or SIIC. As such, the majority of the executive WF Directors do not have any directorships or management roles in the Company and/or SIIC.

The WF Board will also include 3 independent non-executive WF Directors who will provide checks and balances over the WF Board's decision-making on significant transactions, connected transactions and other transactions involving a potential conflict of

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interests. WF Printing has a separate management team and separate functional departments including accounting, administration and human resources and company secretarial departments. All essential administration and daily operations of the WF Group will continue to be independently carried out by the WF Group without any support from the Company and/or S.I. Printing after the Proposed Spin-off.

The WF Group has a clear business focus, distinct from that of the Remaining Group. The WF Group is principally engaged in the business of packaging materials, production of containerboard and paper making. After completion of the Global Offering, the Remaining Group will continue to carry out their existing businesses, namely, real estate investment, infrastructure facilities, medicine, consumer products (other than the manufacture and sale of printed products and packaging materials, paper making and paper trading). As at the Latest Practicable Date, the Remaining Group does not carry on any business that competes with those of the WF Group.

(8) No Competition

The Company confirms that at any time during which the shares of WF Printing are listed on the Stock Exchange or any other stock exchange and for so long as the Company and S.I. Printing remains as a controlling shareholder (as defined under the Listing Rules) of WF Printing:

- (i) it and any companies (other than members of the WF Group) which it can, either directly or indirectly, exercise or control the exercise of more than 50% of the voting power at general meetings or control the majority of the board of directors (the “Remaining Companies”) will not carry on any business that competes or may compete with the WF Group’s businesses as described in the Prospectus;
- (ii) it shall, in its best endeavours, prevent and procure the Remaining Companies to prevent from developing any business in the future that would constitute actual or potential competition with the WF Group’s businesses as described in the Prospectus;
- (iii) in the event that its business and/or the business of the Remaining Companies competes or may compete with the WF Group’s business as described in the Prospectus, it shall put the WF Group’s interests as the first priority, and use its best endeavours to eliminate or avoid such competition;
- (iv) it will make an annual declaration on the compliance of the no-competition confirmations set out in paragraphs (i) to (iii) above in the annual report of WF Printing; and
- (v) it will provide all information necessary for the annual review by the independent non-executive WF Directors on the compliance with the no-competition confirmations set out in paragraphs (i) to (iii) above as well as the enforcement of such confirmations.

The Directors are of the view that there is no actual or potential competition between the business of the Remaining Group and the business of the WF Group.

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(9) Listing Rules Implications

According to Rule 13.36 of the Listing Rules, WF Printing is a major subsidiary of the Company. The Proposed Spin-off may constitute a material dilution of the Company's interest in WF Printing (as defined under Rule 13.36 of the Listing Rules) since after completion of the Proposed Spin-off and assuming the exercise of the Over-allotment Option in full, the Company's interest in WF Printing will be diluted to the extent of 5% or more as determined under the revenue tests calculated pursuant to Rule 14.07 of the Listing Rules. As such, the Proposed Spin-off will require the approval of the Shareholders pursuant to paragraph 3(e)(1)(ii) of PN15. No Shareholder is required to abstain from voting in respect of the resolution to be proposed at the Extraordinary General Meeting to approve the Proposed Spin-off. An Independent Board Committee comprising the independent non-executive Directors had been formed to advise the Shareholders and Commerzbank had been appointed to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off.

The Proposed Spin-off may also constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules in the event that the Over-allotment Option is exercised.

THE PREFERENTIAL OFFER

In order to enable the Shareholders to participate in the Global Offering on a preferential basis as to allocation only and subject to the Stock Exchange granting listing of, and permission to deal in, the WF Shares on the Stock Exchange, it is expected that 10,712,610 Reserved Shares (representing approximately 7.1% of the WF Shares initially offered under the Global Offering and taking no account of any WF Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) will be available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer. The Reserved Shares will be allocated out of the WF Shares to be offered under the Placing. It is expected that the Qualifying Shareholders will be entitled to subscribe such number of Reserved Shares on an assured basis at the Offer Price for one Reserved Share for every whole multiple of 100 Shares held by them at 4:30 p.m. on the Record Date, provided that any Qualifying Shareholder holding less than 100 Shares at 4:30 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. However, the aforesaid is only an estimated and the final Assured Entitlement will depend on the number of Shares held by Qualifying Shareholders at 4:30 p.m. on the Record Date. It is currently expected that the three wholly-owned subsidiaries of SIIC, which together hold approximately 51.16% of the issued share capital of the Company, will take up their respective entitlements of the Reserved Shares under the preferential Offer.

In the event that the Proposed Spin-off does proceed, a blue application form for the Reserved Shares, together with a copy of the Prospectus, will be despatched to each Qualifying Shareholder who is entitled to apply for the Reserved Shares.

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Shareholders should note that Assured Entitlements to Reserved Shares may not represent a multiple of a full board lot of 500 WF Shares and will be rounded down to the closest whole number if required, and that dealings in odd lots of the WF Shares may be at a price below their prevailing market price.

Assured Entitlements of Qualifying Shareholders to the Reserved Shares will not be transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Any WF Shares issued pursuant to the Preferential Offer will be deemed fully paid, ranking pari passu in all respects with other WF Shares then in issue. The Global Coordinator has the authority to reallocate all or any of the Reserved Shares not taken up by the Qualifying Shareholders to the Placing.

The number of WF Shares initially available under the Preferential Offer is expected to represent approximately 7.1% of the WF Shares initially offered under the Global Offering and approximately 2.1% of the enlarged issued share capital of WF Printing upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9:00 a.m. on Friday, 23rd November 2007 to 4:30 p.m. on Monday, 26th November 2007 for the purpose of determining the entitlement of the Qualifying Shareholders to the Preferential Offer. No transfer of Shares may be registered during that period. In order to qualify for the Preferential Offer, all transfers of Shares must be lodged with the share registrar of the Company by no later than 4:30 p.m. on Thursday, 22nd November 2007.

As the Proposed Spin-Off and the Preferential Offer may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions had in the past been entered into by members of the WF Group with substantial shareholders of WF Printing's PRC subsidiaries which are of a continuing nature. These Continuing Connected Transactions are continuing connected transactions of the Group under the Listing Rules and had previously been disclosed by the Company in accordance with the Listing Rules. It is envisaged that these transactions will continue after completion of the Proposed Spin-off and will continue to be subject to, among other things, the connected transactions requirements under Chapter 14A of the Listing Rules.

Particulars of the Continuing Connected Transactions

(1) Cigarette Packaging Transactions

Xuchang Yongchang, a subsidiary of the Company which carries on the business of printing and manufacturing of paper packaging materials, currently prints and sells cigarette packaging materials to Xuchang Cigarette Factory, a substantial shareholder of Xuchang

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Yongchang holding 20.6% interests in Xuchang Yongchang, at prices negotiated on a fair basis with reference to the prevailing market prices. According to the WF Directors, as far as they are aware, it is a normal practice within the tobacco industry for cigarette manufacturers to engage a limited number of printing companies to undertake the printing of their respective cigarette packages and to form strategic relationships with such printing companies. For this reason, Xuchang Cigarette Factory, which is a substantial shareholder of Xuchang Yongchang, had been the sole customer^{Note} for the cigarette packaging business of Xuchang Yongchang from 2005 to 2007.

Note Which included 南陽捲煙廠 which has been merged into Xuchang Cigarette Factory in year 2005.

It is envisaged that Xuchang Yongchang may continue to print and sell cigarette packaging materials to Xuchang Cigarette Factory from time to time after the Proposed Spin-off at fees charged on similar basis. Xuchang Yongchang has therefore on 7th November 2007 entered into an agreement with Xuchang Cigarette Factory with respect to the Cigarette Packaging Transactions containing, inter alia, the following terms:

Date	:	7th November 2007
Parties	:	(i) Xuchang Cigarette Factory (ii) Xuchang Yongchang
Term	:	From 7th November 2007 to 31st December 2009
Nature of Transaction	:	Xuchang Cigarette Factory will purchase cigarette paper materials and cigarette box packaging materials from Xuchang Yongchang in priority to other suppliers.
Pricing	:	The goods shall be supplied at prices negotiated on a fair basis with reference to the prevailing market prices, and at prices no less than those paid by Xuchang Cigarette Factory to other independent suppliers with respect to similar products

It is currently expected that the income to be derived from the Cigarette Packaging Transactions for the three years ending 31st December 2007, 2008 and 2009 will not exceed RMB200,000,000 (approximately HK\$208,333,000), RMB260,000,000 (approximately HK\$270,833,000) and RMB338,000,000 (approximately HK\$352,083,000) respectively. Such annual cap amounts are arrived at after taking into account the following:

- (i) historical figures including the transaction volume for the first half of 2007 as set out below:

Year ended	Approximate amount
Year ended 31st December 2004	HK\$22,198,000
Year ended 31st December 2005	HK\$113,491,000
Year ended 31st December 2006	HK\$122,694,000
Six months ended 30th June 2007	HK\$94,268,000

- (ii) prediction on business growth, general industry growth and inflation; and

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- (iii) the expected growth in Xuchang Yongchang's production capacity in 2008 and 2009 with the purchase and installation of new machines which are expected to be in operation in 2008, thereby enabling Xuchang Yongchang to accommodate the growing demands of Xuchang Cigarette Factory.

The Directors consider that the Cigarette Packaging Transactions have been and will continue to be entered into on normal commercial terms and in the ordinary course of business of the Group and the terms of the Cigarette Packaging Transactions as set out in the agreement are fair and reasonable to the Company and its Shareholders taken as a whole.

(2) Wine Packaging Transactions

Chengdu Wing Fat, a subsidiary of the Company which carries on the business of printing and manufacturing of paper packaging materials, currently prints and sells wine packaging materials to Sichuan Swellfun, a substantial shareholder of Chengdu Wing Fat holding 20% interests in Chengdu Wing Fat, at fees negotiated on arm's length basis. According to the WF Directors, as far as they are aware, wine manufacturers often prefer to engage only a limited number of printing companies to undertake the printing of their respective wine packages in order to prevent counterfeit products, ensure a steady and reliable supply, consistency in the quality of printing and timely delivery. Sichuan Swellfun, being a substantial shareholder of Chengdu Wing Fat, had therefore engaged the printing services of Chengdu Wing Fat.

It is envisaged that Chengdu Wing Fat may continue to print and sell wine packaging materials to Sichuan Swellfun from time to time after the Proposed Spin-off at fees charged on similar basis. Chengdu Wing Fat has therefore on 7th November 2007 entered into an agreement with Sichuan Swellfun containing, inter alia, the following terms:

Date	:	7th November 2007
Parties	:	(i) Sichuan Swellfun (ii) Chengdu Wing Fat
Term	:	From 7th November 2007 to 31st December 2009
Nature of Transaction	:	Chengdu Wing Fat will use its best efforts to supply wine packaging materials to Sichuan Swellfun to satisfy its needs and Chengdu Wing Fat will be the specified printer of packaging materials for Sichuan Swellfun's products
Pricing	:	The goods shall be supplied at prices negotiated on a fair basis with reference to the prevailing market prices and the prices of raw materials.

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It is currently expected that the income to be derived from the Wine Packaging Transactions for the three years ending 31st December 2007, 2008 and 2009 will not exceed RMB32,000,000 (approximately HK\$33,333,000), RMB38,000,000 (approximately HK\$39,583,000) and RMB45,000,000 (approximately HK\$46,875,000) respectively. Such annual cap amounts are arrived at after taking into account the following:

- (i) historical figures including the transaction volume for the first half of 2007 as set out below:

Year ended	Approximate amount
Year ended 31st December 2005	HK\$28,688,000
Year ended 31st December 2006	HK\$26,268,000
Six months ended 30th June 2007	HK\$13,767,000

- (ii) prediction on business growth, general industry growth and inflation; and
- (iii) the expected growth in Chengdu Wing Fat's production capacity in 2008 and 2009 with the purchase and installation of new machines which are expected to be in operation in 2008.

The Directors consider that the Wine Packaging Transactions have been and will continue to be entered into on normal commercial terms and in the ordinary course of business of the Group and the terms of the Wine Packaging Transactions as set out in the agreement are fair and reasonable to the Company and its Shareholders taken as a whole.

(3) Recovered Paper Purchase Transactions

Hebei Yongxin, a subsidiary of the Company which carries on the business of paper making, currently sources recovered paper from Xinnan Paper, a substantial shareholder of Hebei Yongxin holding 29% interests in Hebei Yongxin, for the production of containerboard products at a price range similar to that charged by Xinnan Paper to its other customers. As Hebei Yongxin needs to source recovered paper materials for its paper making business and Xinnan Paper is in the business of sale of recovered paper with a reputation which Hebei Yongxin has confidence on the quality of the materials as well as the services provided by Xinnan Paper, Hebei Yongxin prefers to source its raw material from Xinnan Paper, a supplier which Hebei Yongxin is more familiar with rather than from a new supplier.

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Apart from sourcing recovered paper materials from other suppliers, it is envisaged that Hebei Yongxin may also continue to purchase such recovered paper materials from Xinnan Paper from time to time after the Proposed Spin-off at fees charged on similar basis. Hebei Yongxin has therefore on 7th November 2007 entered into an agreement with Xinnan Paper containing, inter alia, the following terms:

Date	:	7th November 2007
Parties	:	(i) Xinnan Paper (ii) Hebei Yongxin
Term	:	From 7th November 2007 to 31st December 2009
Nature of Transaction	:	Xinnan Paper will supply recovered paper materials to Hebei Yongxin in accordance with Hebei Yongxin's demands
Pricing	:	The goods shall be supplied at prices negotiated on a fair basis with reference to the prevailing market prices, and at prices no higher than those charged by Xinnan Paper on its other independent customers

It is currently expected that the amount payable to Xinnan Paper in respect of the Recovered Paper Purchase Transactions for the three years ending 31st December 2007, 2008 and 2009 will not exceed RMB190,000,000 (approximately HK\$197,917,000), RMB228,000,000 (approximately HK\$237,500,000) and RMB410,400,000 (approximately HK\$427,500,000) respectively. Such annual cap amounts are arrived at after taking into account the following:

- (i) historical figures including the transaction volume for the first half of 2007 as set out below:

Year ended	Approximate amount
Year ended 31st December 2005	HK\$131,028,000
Year ended 31st December 2006	HK\$94,514,000
Six months ended 30th June 2007	HK\$80,842,000

- (ii) prediction on business growth, general industry growth and inflation;
- (iii) expected increase in the price of recovered paper materials; and
- (iv) the completion of the new production line of Hebei Yongxin expected to be in or around 2009 which is anticipated to double the production capacity of Hebei Yongxin in 2009.

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The Directors consider that the Recovered Paper Purchase Transactions have been and will continue to be entered into on normal commercial terms and in the ordinary course of business of the Group and the terms of the Recovered Paper Purchase Transactions as set out in the agreement are fair and reasonable to the Company and its Shareholders taken as a whole.

Listing Rules Requirements

Each of Xuchang Cigarette Factory, Sichuan Swellfun and Xinnan Paper has no other relationship with the Group apart from being a substantial shareholder of a subsidiary of the Company and having entered into the relevant Continuing Connected Transactions. Save as disclosed above, each of Xuchang Cigarette Factory, Sichuan Swellfun and Xinnan Paper and their respective ultimate beneficial owners are independent of the Company and its connected persons as defined under the Listing Rules.

As each of Xuchang Cigarette Factory, Sichuan Swellfun and Xinnan Paper are substantial shareholders of a subsidiary of the Company, they are connected persons of the Company pursuant to Rule 14A.11(1) of the Listing Rules. The Continuing Connected Transactions therefore constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios for transactions under the Cigarette Packaging Transactions and the Recovered Paper Purchase Transactions on an annual basis exceed 2.5%, such transactions are subject to the disclosure and shareholders' approval requirements under the Listing Rules. As the applicable percentage ratio for transactions under the Wine Packaging Transactions on an annual basis exceed 0.1% but is less than 2.5%, such transactions are subject to the disclosure requirements but are exempted from the shareholders' approval requirements under the Listing Rules.

The Company has obtained from companies controlled by SIIC which together hold approximately 51.16% of the issued share capital of the Company written approvals of the transactions under the Cigarette Packaging Transactions and the Recovered Paper Purchase Transactions and their annual caps. These companies, namely Shanghai Investment Holdings Ltd. (holding 468,066,000 Shares), SIIC Capital (B.V.I.) Ltd. (holding 80,000,000 Shares) and SIIC CM Development Ltd. (holding 10,000 Shares) are all wholly-owned subsidiaries of SIIC. Since none of the Shareholders is materially interested in the transactions under the Cigarette Packaging Transactions and the Recovered Paper Purchase Transactions, none of them is required to abstain from voting if a general meeting of the Company is convened to approve the transactions under the Cigarette Packaging Transactions and the Recovered Paper Purchase Transactions. Pursuant to Rule 14A.43 of the Listing Rules, the Company has applied for a waiver from the requirement to hold a general meeting of the Shareholders and permission for the independent Shareholders' approval of the Cigarette Packaging Transactions and the Recovered Paper Purchase Transactions and their annual caps to be given in writing.

The Board had appointed the Independent Board Committee to consider and advise the independent Shareholders on, inter alia, the terms of the Continuing Connected Transactions and the annual caps relating thereto, and Commerzbank to advise the Independent Board

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Committee and the Shareholders on, inter alia, whether the Continuing Connected Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Termination of Port Agency Agreement

Reference is also made to the circular of the Company dated 23rd September 2005 in relation to, inter alia, the provision of cargo management services by Xinnan Paper to Hebei Yongxin at a port in Tianjin, the PRC to facilitate the taking of delivery by the Group of products purchased from Xinnan Paper pursuant to a port agency agreement dated 1st September 2005 entered into between Hebei Yongxin and Xinnan Paper (the “Port Agency Agreement”). Since 1st January 2007, Hebei Yongxin no longer engages the cargo management services of Xinnan Paper as such services has been provided by another third party unrelated to both the Group and Xinnan Paper, and such third party charges Hebei Yongxin directly for the provision of such services. As the Group does not intend to engage the cargo management services of Xinnan Paper in the meantime, the Port Agency Agreement was terminated by mutual agreement between Hebei Yongxin and Xinnan Paper on 7th November 2007.

THE WF SCHEME

The WF Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules. As WF Printing is a subsidiary of the Company, the adoption of such scheme is subject to the approval of Shareholders in accordance with the Listing Rules and a resolution will be proposed at the Extraordinary General Meeting to approve the WF Scheme. A summary of the principal terms of the WF Scheme is set out in Appendix I to this circular.

The purpose of the WF Scheme is to provide the Participants working for the interest of the WF Group and of WF Printing’s jointly-controlled entities and associated companies with an opportunity to obtain equity interest in WF Printing, thus linking their interest with the interest of the WF Group and of WF Printing’s jointly-controlled entities and associated companies and thereby providing them with incentives to work better for the interest of the WF Group and of WF Printing’s jointly-controlled entities and associated companies and/or rewards for their contribution and support to the WF Group and of WF Printing’s jointly-controlled entities and associated companies and for such other purposes as the WF Board may approve from time to time.

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The WF Scheme is conditional upon, among other things:

- (a) the passing of an ordinary resolution approving the adoption of the WF Scheme by the WF Shareholders and authorising the WF Directors to grant Options to subscribe for WF Shares thereunder and to allot and issue WF Shares pursuant to the exercise of any Options granted under the WF Scheme;
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Global Coordinator for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of the respective Underwriting Agreements or otherwise;
- (c) the Listing Committee granting listing of, and permission to deal in, (i) the WF Shares in issue and to be issued in the Global Offering as mentioned in the Prospectus (including any WF Shares which may fall to be issued upon exercise of the Over-allotment Option) and (ii) any WF Shares to be issued pursuant to the exercise of Options under the WF Scheme, whether the granting of the listing and permission is subject to conditions or not; and
- (d) the WF Scheme being approved by the Shareholders at the Extraordinary General Meeting.

Where the provisions require the WF Scheme or any related matters to be approved by the WF Shareholders/independent non-executive WF Directors, such scheme or matters must simultaneously be approved by the Shareholders/independent non-executive Directors.

The Directors consider that it is not appropriate to state the value of all options that can be granted pursuant to the WF Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the value of the Options including but not limited to the exercise price, exercise period, any lockup period, and any performance targets have not been determined. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting to be held on 26th November 2007 at 3:00 p.m. at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong is set out on pages 68 to 69 of this circular. Whether or not you are able to attend the Extraordinary General Meeting in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same to the registered office of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the Extraordinary General

LETTER FROM THE BOARD

Meeting or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should you so wish.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the view that the respective terms of the Proposed Spin-off, the Continuing Connected Transactions and the WF Scheme are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned, and accordingly recommend the Shareholders to vote in favour of the ordinary resolutions to approved the Proposed Spin-off and the WF Scheme, as set out in the notice of Extraordinary General Meeting on pages 68 to 69 of this circular. Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 31 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Proposed Spin-off and the Continuing Connected Transactions, and (b) the letter from Commerzbank containing its advice and the principal factors and reasons taken into consideration by them in arriving at its advice regarding the Proposed Spin-off and the Continuing Connected Transactions, is set out on pages 32 to 46 of this circular. The Directors agree with the recommendation of Commerzbank.

The Independent Board Committee, having taken into account the advice of Commerzbank, considers that the respective terms of the Proposed Spin-off and the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve, if thought fit, the Proposed Spin-off and the transactions contemplated thereunder.

GENERAL

The Group is principally engaged in the business of real estate investment, infrastructure facilities, medicine and consumer products.

The Global Coordinator has been appointed as the sponsor and global coordinator in respect of the Proposed Spin-off.

Xuchang Cigarette Factory is principally engaged in the business of manufacturing and sale of cigarette products. Sichuan Swellfun is principally engaged in the business of manufacturing and sale of wine products. Xinnan Paper is principally engaged in the business of trading of recovered paper.

ADDITIONAL INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

LETTER FROM THE BOARD

In connection with the Global Offering, the price of WF Shares may be stabilized in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. Details of any intended stabilization and how it will be regulated will be contained in the Prospectus.

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

Yours faithfully,
For and on behalf of the Board
CAI LAI XING
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

9th November 2007

To the Shareholders

Dear Sir or Madam,

**POSSIBLE DISCLOSERABLE TRANSACTION AND MATERIAL DILUTION OF
INTEREST IN A MAJOR SUBSIDIARY IN RELATION
TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
THE WING FAT PRINTING, COMPANY
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
AND CONTINUING CONNECTED TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Proposed Spin-off and the Continuing Connected Transactions, details of which are set out in the “Letter from the Board” in the circular dated 9th November 2007 (this “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as given to them in this Circular unless the context otherwise requires.

Your attention is also drawn to the “Letter from the Commerzbank” concerning its advice to us regarding the Proposed Spin-off and the Continuing Connected Transactions, as set out on pages 32 to 46 of this Circular. Having considered the advice given by, and the principal factors and reasons taken into consideration by Commerzbank in arriving at its advice, we are of the opinion that the terms of the Proposed Spin-off and the Continuing Connected Transactions, are fair and reasonable so far as the Shareholders are concerned and that the Proposed Spin-off and the Continuing Connected Transactions, are in the interests of the Company and the Shareholders as a whole. We, therefore, recommend the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Proposed Spin-off as set out in the notice convening such meeting on pages 68 to 69 of this Circular.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Dr. Lo Ka Shui
Independent
Non-Executive Director

Prof. Woo Chia-Wei
Independent
Non-Executive Director

Mr. Leung Pak To, Francis
Independent
Non-Executive Director

LETTER FROM COMMERZBANK

9 November 2007

*To: the Independent Board Committee and
the Shareholders of Shanghai Industrial Holdings Limited*

Dear Sirs,

**POSSIBLE DISCLOSEABLE TRANSACTION AND MATERIAL DILUTION
OF A MAJOR SUBSIDIARY IN RELATION TO
THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
THE WING FAT PRINTING COMPANY, LIMITED
ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG
LIMITED AND CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in connection with the Proposed Spin-off and the Continuing Connected Transactions. Details of the Proposed Spin-Off, including the proposed structure of the Global Offering, and the Continuing Connected Transactions are set out in the section headed “Letter from the Board” as contained in the circular to the Shareholders dated 9 November 2007 (the “Circular”), of which this letter forms a part. Unless otherwise defined herein, terms used in this letter shall have the same meanings as those defined in the Circular.

WF Printing is a public company incorporated in Hong Kong in 1920 and its issued ordinary share capital is indirectly owned as to approximately 93.44% by the Company through its wholly-owned subsidiary S.I. Printing. According to Rule 13.36 of the Listing Rules, WF Printing is a major subsidiary of the Company. WF Group has an established business in printing of packaging materials, containerboard production and paper trading in the PRC and Hong Kong. As disclosed in the Circular, the Proposed Spin-off and the Global Offering will result in the separate listing of the WF Shares on the Main Board of the Stock Exchange and the Company’s indirect interests in the enlarged issued share capital of WF Printing are expected to decrease to approximately 65.41% (assuming the Over-allotment Option is not exercised). If the Proposed Spin-off proceeds, the Company’s interests in WF Printing will be diluted to the extent of 5% or more but less than 25% as determined under the revenue test pursuant to Rule 14.07 of the Listing Rules and the Proposed Spin-off will therefore constitute a discloseable transaction under Chapter 14 of the Listing Rules. Accordingly, the Proposed Spin-off is subject to approval from the Shareholders under paragraph 3(e)(1)(ii) of Practice Note 15 of the Listing Rules. No Shareholder is required to abstain from voting on the Proposed Spin-off at the Extraordinary General Meeting.

The Continuing Connected Transactions which have in the past been entered into by members of the WF Group with substantial shareholders of WF Printing’s PRC subsidiaries will continue after completion of the Proposed Spin-off. The Continuing Connected Transactions comprise the Cigarette Packaging Transactions, the Wine Packaging Transactions and the Recovered Paper Purchase Transactions, which have previously been

LETTER FROM COMMERZBANK

disclosed by the Company in accordance with the Listing Rules. As the applicable percentage ratios for the Wine Packaging Transactions on an annual basis exceed 0.1% but are less than 2.5%, the Wine Packaging Transactions are subject to the disclosure requirements but are exempted from the shareholders' approval requirements under the Listing Rules. The applicable percentage ratios for transactions under the Cigarette Packaging Transactions and the Recovered Paper Purchase Transactions (the "Two Continuing Connected Transactions") respectively, on an annual basis exceed 2.5%, the Two Continuing Connected Transactions are subject to the disclosure and shareholders' approval requirements under the Listing Rules. The Company has obtained from companies controlled by SIIC which together hold approximately 51.16% of the issued share capital of the Company written approvals of the Two Continuing Connected Transactions and their annual caps. None of the Shareholders is materially interested in the transactions under the Two Continuing Connected Transactions and as such, none of them is required to abstain from voting if a general meeting of the Company is convened to approve the transactions under the Two Continuing Connected Transactions. Pursuant to Rule 14A.43 of the Listing Rules, the Company has applied for a waiver from the requirement to hold a general meeting of the Shareholders and permission for the independent Shareholders' approval of the Two Continuing Connected Transactions and their annual caps to be given in writing as at the Latest Practicable Date.

The Board currently comprises 11 Directors, with Messrs. Cai Lai Xing, Cai Yu Tian, Qu Ding, Lu Ming Fang, Ding Zhong De, Qian Shi Zheng, Yao Fang and Tang Jun as the executive Directors; and Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis as the independent non-executive Directors. Pursuant to Rule 13.39(6) of the Listing Rules, an Independent Board Committee comprising Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis has been formed for the purpose of making recommendation to the Shareholders as to whether the terms of the Proposed Spin-off and the Continuing Connected Transactions are fair and reasonable and whether the Proposed Spin-off and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and advising the Shareholders as how they should vote on the relevant resolution relating to the Proposed Spin-off at the Extraordinary General Meeting. We, Commerzbank AG Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders on the terms of the Proposed Spin-off and the Continuing Connected Transactions as to whether they are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have assumed that all information and facts supplied to us by the Company are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the Directors that having made all reasonable enquiries, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular misleading. In addition, we have reviewed, inter alia, the relevant financial information of WF Printing and the Company including the published annual reports of the Company. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

LETTER FROM COMMERZBANK

We consider that we have (i) taken reasonable steps as required under Rule 13.80 of the Listing Rules in obtaining all necessary information from the Company and (ii) reviewed sufficient information to enable us to reach an informed view regarding the Proposed Spin-off and the Continuing Connected Transactions to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and its respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Proposed Spin-off, we have taken into account the following principal factors:

1. Reasons for and background of the Proposed Spin-off

The Company is incorporated in January 1996 and is listed on the Main Board of the Stock Exchange in May that same year. The major shareholder of the Company is SIIC, which currently holds approximately 51.16% of the issued share capital of the Company and is the largest conglomerate of Shanghai Municipal Government outside the PRC in terms of assets. The Company is the largest investment flagship of SIIC in Hong Kong. Currently, the business activities of the Group comprise real estate investment, infrastructure facilities (including water services and toll roads), medicine (including Chinese medicine and health food, biomedicine, chemical medicine and medical equipment) and consumer products (including the manufacture and sale of cigarettes, manufacture and sale of dairy products, printing of packaging materials, containerboard production and paper trading).

WF Group is a service provider and material supplier in the packaging printing and containerboard production industry in the PRC and Hong Kong. Its business focuses on (i) quality printing of packaging materials in Hong Kong and various provinces in the PRC principally for cigarettes, alcohol, pharmaceuticals, cosmetics and a range of other consumer products, and (ii) production of containerboard in Hebei Province, the PRC for manufacture of corrugated boxes and other packaging boxes by its customers. In addition, WF Group is engaged in paper trading, which involves the sale of paper products and recovered paper. WF Group's printing business is headquartered in Hong Kong with 7 production bases in Hong Kong and a number of major provinces in the PRC, namely, Guangdong Province, Henan Province, Zhejiang Province and Sichuan Province. All of the Group's printing, containerboard production and paper trading businesses are conducted through WF Group.

As disclosed in the section headed "Letter from the Board" in the Circular, the Proposed Spin-off will be effected by way of the Global Offering, which will comprise the Public Offer and the Placing (including the Preferential Offer). As discussed with the management of the Company, the total number of new WF Shares proposed to be issued pursuant to the Global Offering is 150,000,000 WF Shares (assuming the Over-allotment Option is not exercised). Based on the proposed structure of the Global Offering, it is

LETTER FROM COMMERZBANK

expected that immediately after completion of the Proposed Spin-off, the Company would have approximately 65.41% interest in the enlarged issued share capital of WF Printing (assuming the Over-allotment Option is not exercised).

Following the Proposed Spin-off, WF Printing will become an independently listed group (whilst being remained as a subsidiary of the Remaining Group) and allows complete delineation of its printing of packaging materials, containerboard production and paper trading businesses from the spectrum of businesses engaged by the Remaining Group, thereby improving the corporate clarity of the businesses and financial status of the Company and WF Printing. As such, it will enable the Remaining Group to concentrate in development of the potential of its other core businesses, whilst at the same time, WF Group will be able to establish its identity and provide investors an opportunity to value and invest in WF Printing as a key market player in the printing of packaging materials, containerboard production and paper trading industries. To this end, we consider that the Proposed Spin-off would enable the Company to focus on and further develop its remaining businesses and would enable WF Group to take advantage of its growth potential by attracting new investors who are seeking investments in the industries of printing of packaging materials, containerboard production as well as paper trading.

As a stand-alone business entity, WF Printing can raise its own equity/debt capital directly from the market. This provides WF Group with additional financial flexibility and more diversified funding sources to finance its existing operations, capital expenditure and to support its growth in the printing of packaging materials, containerboard production and paper trading businesses through continuing organic expansion as well as acquisition. In addition, as disclosed in the section headed “Letter from the Board” in the Circular, it is proposed that WF Printing will adopt the WF Scheme, the purpose of which is to provide the Participants working for the interests of the WF Group and of WF Printing’s jointly-controlled entities and associated companies (collectively, the “WF Printing Group”) with an opportunity to obtain equity interest in WF Printing, thus aligning their interests with that of the WF Group. The WF Scheme enables WF Printing to attract and retain the good quality personnel for the development of WF Printing’s business. Although the Company also has its own share incentive plan for similar purposes, the performance of the directors, officers and the employees of the WF Printing Group may not be readily reflected in the price of the Shares. The WF Scheme will provide greater incentive to the directors, officers and employees of the WF Printing Group to develop its business by making the performance of its business more transparent through the separate bench-marking from WF Printing’s share performance and aligning part of its management’s remuneration to its stock performance through the WF Scheme.

Based on the above, we consider that the Proposed Spin-off would (i) enhance the WF Printing’s profile among its customers, suppliers and other business partners; (ii) enable WF Printing to directly and independently access both equity and debt capital markets; (iii) provide incentives to management and staff of the WF Printing Group by offering an equity based incentive program (such as share option scheme) that correlates directly to the performance of its own businesses to its employees; (iv) would directly align its management’s responsibilities and accountability with its operating and financial performance, thereby leading to improved decision-making processes, faster response time to market changes and increased operational efficiency; and (v) would provide clarity of credit

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profile of WF Printing for rating agencies and financial institutions that wish to analyse and lend against the credit of a service provider and material supplier in the packaging printing and containerboard production industry. In addition, as further analyzed in the sub-section headed “Effects of the Proposed Spin-off on the Group” below, the Proposed Spin-off is expected to enhance the net tangible assets, net assets and gearing position of the Group.

As noted in the sub-section headed “Intended use of proceeds” in the section headed “Letter from the Board” of the Circular, the net proceeds of the Global Offering will be used for, among other things, (i) financing the capital expenditure for new production facilities of printing business; (ii) funding the acquisition of equity interests in other printing companies; (iii) funding the capital expenditure of the sixth containerboard production in Hebei Yongxin and establishing new channels for sourcing of recovered paper in the Beijing-Tianjin-Hebei region and (iv) repayment of bank borrowings. As such, the Proposed Spin-off will provide WF Printing with an additional funding source to finance its planned expansion and reduce its bank borrowings and, accordingly, will reduce WF Printing’s reliance on the Company for its future funding requirements.

2. Effects of the Proposed Spin-off on the Group

As stated in the section headed “Letter from the Board” of the Circular, the exact size of the Global Offering is yet to be finalized. Based on the current structure of the Global Offering and the expected market capitalization of WF Printing, it is expected that the Group will recognize an once-off gain as a result of the Proposed Spin-off.

(i) Effect on the net assets

As stated in the sub-section headed “Effects of the Proposed Spin-off” in the section headed “Letter from the Board” of the Circular, there will be a gain on the deemed disposal of interests in WF Printing. Given that the gain on the deemed disposal will increase the net asset value of the Group upon completion of the Proposed Spin-off, irrespective of whether the Over-allotment Option is exercised, we are of the view that the Company and ultimately, the Shareholders will benefit from the improvement in the net asset value of the Group as a result of the Proposed Spin-off.

(ii) Effect on earnings

The effects of the Global Offering and the Proposed Spin-off on the future earnings of the Group will depend on, amongst other things, the return generated from the proceeds raised from the Global Offering as well as the future business development of the business operations of the Group and WF Group.

As stated in the sub-section headed “Effects of the Proposed Spin-off” in the section headed “Letter from the Board” of the Circular, the Group will recognize an once-off gain upon completion of the Proposed Spin-off, which will have a positive effect on the Company’s earnings for the year ending 31 December 2007 (assuming completion of the Global Offering on or before 31 December 2007). Based on the unaudited consolidated net assets (after deducting minority interests) of WF Printing as at 30 June 2007, the estimated market value of WF Printing, a pre-listing dividend of HK\$200 million declared by WF

LETTER FROM COMMERZBANK

Printing and the estimated listing expenses, the amount of gain is estimated to be in the range of approximately HK\$234 million and HK\$338 million (if the Over-allotment Option is not exercised) or in the range of approximately HK\$260 million and HK\$374 million (if the Over-allotment Option is exercised in full). The gain represents the difference between the estimated amounts of net assets of WF Printing before and immediately after the completion of the Global Offering. However, the said gain will largely depend on the final Offer Price, actual listing expenses incurred and actual consolidated net assets of WF Printing following completion of the Global Offering.

After the Proposed Spin-off, the enlarged issued share capital of WF Printing will be held as to approximately 65.41% (assuming the Over-allotment Option is not exercised) by the Group. Although WF Printing will remain as a subsidiary of the Company and its financial results will be consolidated into those of the Company, the percentage share of earnings of WF Printing by the Company will be reduced from approximately 93.44% to approximately 65.41% (assuming the Over-allotment Option is not exercised) in the consolidated financial results of the Company. However, the decrease has not taken into consideration any new business opportunities and benefits (as discussed above) which the Proposed Spin-off and the Global Offering may possibly bring to the Group and WF Group, particularly those which are consequential to the availability of the proceeds from the Global Offering and the separate listing status of WF Group. Having taken into account the improvement in the business structure (as discussed above), net assets, working capital and gearing position (as detailed below) of the Group after the Proposed Spin-off and Global Offering, on balance, we consider that the decrease in the profit attributable to the Shareholders as illustrated above, is acceptable to the Shareholders.

(iii) Effect on working capital of the Group

As disclosed in the sub-section headed “Intended use of proceeds” in the section headed “Letter from the Board” in the Circular, the net proceeds to be raised from the Global Offering are estimated to be no less than HK\$708.5 million (assuming the Over-allotment Option is not exercised). In view of the fact that fresh capital will be raised from the Global Offering and WF Printing shall remain a subsidiary of the Company after the Global Offering, we are of the view that the working capital position of the Group will be improved as a result of the Proposed Spin-off and the Global Offering, which is in the interests of the Company and the Shareholders as a whole.

(iv) Effect on the gearing position of the Group

Based on the audited consolidated balance sheet of the Company as at 31 December 2006, the Group had a shareholders’ equity of approximately HK\$17.51 billion and interest-bearing loans of approximately HK\$2.18 billion. The total equity (being the total of the shareholders’ equity fund and the minority interest) of the Group as at 31 December 2006 was approximately HK\$19.73 billion. The gearing ratio of the Group (calculated as a percentage of the interest-bearing loans to the aggregate of the Group’s total equity and the interest-bearing loans) as at 31 December 2006 was approximately 10.0%. On the basis of the financial position of the Group as at 31 December 2006 and taking into account minimum estimated net proceeds of approximately HK\$708.5 million raised from the Global Offering and of which, based on our discussion with the management of the Company,

LETTER FROM COMMERZBANK

approximately HK\$100 million will be used for repayment of bank borrowings of WF Group, the Group would have a net cash position after the Global Offering. We consider that the improvement in the gearing position of the Group after the Global Offering is in the interests of the Company and the Shareholders as a whole.

(v) Businesses of the Remaining Group after the Proposed Spin-off

After the Proposed Spin-off, the Remaining Group will continue to carry out its businesses, namely, real estate investment, infrastructure facilities, medicine and consumer products (other than the printing of packaging materials, containerboard production and paper trading). The business operations of WF Group represent one distinct business amongst the wide range of businesses conducted by the Group. The Proposed Spin-off is not expected to result in any overlapping or competition with the Group's remaining businesses.

As stated in the sub-section headed "Relationship with the Remaining Group" in the section headed "Letter from the Board" of the Circular, WF Printing is managed by six executive WF Directors, of whom only two have directorship or senior management position in the Company i.e. one is an executive Director and another one is a deputy chief-executive officer of the Company. However, both of these two WF Directors do not actively participate in day-to-day management and operations of WF Group. The daily management and operations of WF Group are taken up and overseen by the remaining four WF Directors who do not hold any directorship or management positions in the Company or SIIC. Accordingly, the business operations of WF Group are independently operated by a separate management team with separate functional departments from those of the Group including accounting, administration, human resources and company secretarial departments. It is expected that all essential administrations and daily operations of WF Group will continue to be independently carried out by WF Group after the Proposed Spin-off. We consider such independent operations between the Remaining Group and WF Group is in the interests of the Company and the Shareholders as a whole.

3. The Global Offering

Pursuant to the Proposed Spin-off, issue of the new WF Shares under the Global Offering will represent approximately 30% of the enlarged issued share capital of WF Printing and, based on the expected gross proceeds from the Global Offering to be no less than approximately HK\$756 million, WF Printing's market capitalization will be no less than approximately HK\$2.52 billion. Given WF Printing's profit attributable to the Group of approximately HK\$148.5 million for the year ended 31 December 2006, WF Printing will be valued at a price-to-earnings ratio ("PER") of no less than 17.0.

We have discussed with the Directors, the WF Directors, the Sponsor to the Proposed Spin-off and the Global Coordinator of the Global Offering, and have advised that the Offer Price would be determined on the basis of the following factors:

- (i) the past financial performance of WF Printing;
- (ii) the growth potential of WF Printing;

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- (iii) the performance of the securities market in Hong Kong and the general market sentiment towards the Global Offering (with reference to the offer statistics, the subscription results and the after market share price performance of the recent initial public offering in the market); and
- (iv) the current trading multiples of market comparables as described below.

We have identified a number of listed companies in Hong Kong on the Main Board of the Stock Exchange that have certain parts of their operations that are engaged in business which are similar to those of WF Group:

Company	Stock Code	Average Price (HK\$) (Note 1)	Historical earnings per share (HK\$) (Notes 2 & 4)	PER (Note 3)
Nine Dragons Paper Holdings Limited	2689	22.75	0.49	46.4
Lee & Man Paper Manufacturing Limited	2314	32.17	0.99	32.5
Hop Fung Group Holdings Limited	2320	2.91	0.17	17.1
Samson Paper Holdings Limited	731	1.75	0.12	14.6
AMVIG Holdings Limited	2300	11.10	0.35	31.7
Kith Holdings Limited	1201	2.73	0.23	11.9
Hung Hing Printing Group Limited	450	4.13	0.46	9.0
			Maximum	46.4
			Minimum	9.0
			Median	17.1
			Mean	23.3
WF Printing				17.0

Notes:

- Being the average prices of the relevant shares for the last 60 trading days up to and including the Latest Practicable Date
- Based on the latest published audited financial statements of each of the Comparables
- Price-to-earnings ratio, being the average price divided by the historical earnings per share
- On fully diluted basis, assuming the outstanding options and convertible instruments were exercised in full

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Based on our analysis above, we noted that the PER based on the latest published audited financial results of the comparable companies (the “Comparables”) for their respective year ends ranged from approximately 9.0 to 46.4, with an average of approximately 23.3 and a median of 17.1. Having taken into account the expected PER of WF Printing to be no less than approximately 17.0, which is within the range of PER of the Comparables, we consider that if the WF Shares are offered at the indicative range of the PER, it will be beneficial to the Company and its Shareholders as a whole.

4. Non-competition undertakings

In connection with the Proposed Spin-off which is aimed at achieving a clear delineation between the businesses of the Remaining Group and the WF Printing Group, the Company will confirm that (i) it and any companies (other than members of the WF Group) which it can, either directly or indirectly, exercise or control the exercise of more than 50% of the voting power at general meetings or control the majority of the board of directors (the “Remaining Companies”) will not carry on any business that competes or may compete with WF Group’s businesses as described in the Prospectus; (ii) it shall, in its best endeavours, prevent and procure the Remaining Companies to prevent from developing any business in the future that would constitute actual or potential competition with WF Group’s businesses as described in the Prospectus; (iii) in the event that its business and/or the business of the Remaining Companies competes or may compete with WF Group’s business as described in the Prospectus, it shall put WF Group’s interests as the first priority, and use its best endeavors to eliminate or avoid such competition; (iv) it will make an annual declaration on the compliance of the no-competition confirmations set out in paragraphs (i) to (iii) above in the annual report of WF Printing; and (v) it will provide all information necessary for the annual review by the independent non-executive directors of WF Printing on the compliance with the no-competition confirmations set out in paragraphs (i) to (iii) above as well as the enforcement of such confirmations.

As disclosed in the sub-section headed “Businesses of the Remaining Group and of the WF Group” in the section headed “Letter from the Board” of the Circular, turnover for WF Group for the year ended 31 December 2006 was approximately HK\$1.4 billion, representing approximately 20.4% of the Group’s total turnover for the same year. The net profit of WF Group for the year ended 31 December 2006 was approximately HK\$149 million, representing approximately 11.8% of the Group’s profit attributable to shareholders for the same year. In view of the level of turnover as well as the net profits attributable to the Remaining Group’s businesses, we consider the Remaining Group will have substantial and viable businesses with diversified mix of income flows from businesses other than printing of packaging materials, containerboard production and paper trading. To this end, taking into account that (i) WF Printing will remain a subsidiary of the Group and the financial results of WF Printing will continue to be consolidated into the accounts of the Group after the completion of the Global Offering; (ii) the Remaining Group and WF Printing Group have different and separate focus in terms of operations, markets and business plans; and (iii) the purpose of “No Competition” confirmation from the Company is to ensure that the interests of the minority shareholders in each of the Company and WF Printing are protected, we are of the view that there is no actual or potential competition

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between the businesses of the Remaining Group and the businesses of WF Group and the “No Competition” confirmation from the Company would not adversely affect the Remaining Group.

5. Preferential Offer

Under paragraph 3(f) of Practice Note 15 of the Listing Rules, the Shareholders should be offered an assured entitlement to the WF Shares, either by way of a distribution in specie of existing shares in WF Printing or by way of preferred application in any offering of existing new shares in WF Printing. In this regard, the Company has proposed that, if and when the Proposed Spin-off materializes, 10,712,610 Reserved Shares (representing approximately 7.1% of WF Shares initially offered under the Global Offering) to be made available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer. The Reserved Shares will be allocated out of WF Shares to be offered under the Placing.

In order to assess the reasonableness of the Preferential Offer, the following recent spin-off exercises (the “Spin-off Comparables”) in Hong Kong have been identified for comparison purpose:

Date of Listing	Company Name	Stock Code	Assured entitlement as a percentage of the total number of shares offered
11 March 2004	TOM Online Inc.	8282	3.9%
15 June 2004	Dah Sing Banking Group Limited	2356	15.0%
26 January 2005	Dynasty Fine Wines Group Limited	828	12.0%
18 October 2005	One Media Group Limited	426	7.0%
22 May 2006	Tianjin Port Development Holdings Limited	3382	10.6%
3 April 2007	CITIC 1616 Holdings Limited	1883	6.9%
12 July 2007	New World Department Store China Limited	825	4.99%
17 October 2007	Dah Chong Hong Holdings Limited	1828	5.7%
	<i>WF Printing</i>		<i>7.1%</i>

The assured entitlement offered to the shareholders under the Spin-off Comparables as a percentage to their respective total number of shares issued ranged from 3.9% to 15.0%. There will be approximately 7.1% of the Shares under the Global Offering available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer assuming Over-allotment Option is not exercised. Given that the relevant percentage of WF Printing is comparable with other Spin-off Comparables, we consider that the size of the Preferential Offer is reasonable.

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6. Conditions of the Offering

Details of the conditions precedent of the Proposed Spin-off are detailed in the section headed “Letter from the Board” of the Circular. However, the Global Offering and the Proposed Spin-off are conditional on, among other things, the Shareholders passing an ordinary resolution at the Extraordinary General Meeting to approve the Proposed Spin-off. As the interest of all Shareholders in respect of the Proposed Spin-off is identical to each of them, all Shareholders (including the controlling Shareholders) are entitled to vote on the Proposed Spin-off. Pursuant to paragraph 3(e) of Practice Note 15 of the Listing Rules, in any case where the controlling Shareholder votes through a Proposed Spin-off proposal in face of significant minority opposition, the Stock Exchange would expect to receive a report from us on the discussion at the Extraordinary General Meeting.

In addition to the approval by the Shareholders of the Proposed Spin-off, the Global Offering and the Proposed Spin-off are also conditional on, among other things, the Listing Committee granting approval for the listing of WF Shares, and the obligations of Underwriters becoming unconditional and the Underwriting Agreements not being terminated. Accordingly, the Proposed Spin-off and the Global Offering may not proceed if the aforesaid and other applicable conditions are not fulfilled or waived.

7. Continuing Connected Transactions

The Continuing Connected Transactions comprise the Cigarette Packaging Transactions, the Wine Packaging Transactions and the Recovered Paper Purchase Transactions, which have previously been disclosed by the Company in accordance with the Listing Rules. As the applicable percentage ratios for the Wine Packaging Transactions on an annual basis exceed 0.1% but are less than 2.5%, the Wine Packaging Transactions are subject to the disclosure requirements but are exempted from the shareholders’ approval requirements under the Listing Rules. The Two Continuing Connected Transactions, are subject to the disclosure and shareholders’ approval requirements under the Listing Rules. Since none of the Shareholders is materially interested in the transactions under the Two Continuing Connected Transactions and as such, none of them is required to abstain from voting if a general meeting of the Company is convened to approve the transactions under the Two Continuing Connected Transactions. The Company has applied for a waiver from the requirement to hold a general meeting of the Shareholders and permission for the independent Shareholders’ approval of the Two Continuing Connected Transactions and their annual caps to be given in writing as at the Latest Practicable Date.

We set out a summary of each of the Continuing Connected Transactions, further details of which are set out in the section headed “Letter from the Board” in the Circular:

(i) The Cigarette Packaging Transactions

Xuchang Yongchang, a subsidiary of the Company is currently engaged in the printing and sale of cigarette packaging materials to Xuchang Cigarette Factory, a substantial shareholder holding 20.6% interests in Xuchang Yongchang. Xuchang Yongchang will

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continue to sell cigarette paper materials and cigarette box packaging materials after completion of the Proposed Spin-off and Xuchang Cigarette Factory will continue to purchase in priority to other suppliers.

Xuchang Cigarette Factory has been a long-term customer of Xuchang Yongchang since 1999 and the relevant arrangement has been entered into after arm's length negotiations between the parties involved. The prices of the cigarette packaging materials will also be negotiated with reference to the prevailing market prices and at prices no less than those paid by Xuchang Cigarette Factory to other independent suppliers with respect to similar products. The WF Directors have confirmed that the cigarette packaging materials provided up to 30 June 2007 were on commercial terms and the prices offered to Xuchang Cigarette Factory were no less favourable than those offered by other independent third parties. We have obtained from WF Printing the sample invoices issued by Xuchang Yongchang and an independent third party to Xuchang Cigarette Factory in 2007 and noted that the selling prices of products charged by Xuchang Yongchang to Xuchang Cigarette Factory are no less favourable than those offered by such independent third party.

The annual fee caps for the Cigarette Packaging Transactions are RMB200 million (approximately HK\$208.3 million), RMB260 million (approximately HK\$270.8 million) and RMB338 million (approximately HK\$352.1 million) for the three years ending 31 December 2009, respectively. These caps have been determined after taking into account (i) the historical sales volume for the three years ended 31 December 2006 and the six months ended 30 June 2007; (ii) the predictions on business growth, general industry growth and inflation; and (iii) the expected growth in Xuchang Yongchang's production capacity in 2008 and 2009 to accommodate the growing demand of Xuchang Cigarette Factory. We note that the historical amount of sales to Xuchang Cigarette Factory recorded growth rate of approximately 4.1 times in 2005 and 8.1% in 2006. The proposed cap amount for the year ending 31 December 2007 is based on the historical sales amount of HK\$94.27 million for the six months ended 30 June 2007 and the expected sales order from Xuchang Cigarette Factory for the remaining six months ending 31 December 2007. We note that the amount of sales to Xuchang Cigarette Factory for the six months ended 30 June 2007 represents approximately 45.3% of the cap for the year ending 31 December 2007.

For each of the two years ending 31 December 2009, we note that the projected annual increment of RMB60 million and RMB78 million, respectively to the cap amount each year represent an annual growth rate of 30% for each of the two years ending 31 December 2009. We note that such annual growth rate for the two years ending 31 December 2009 has been determined with reference to the anticipated packaging industry growth rate and the overall economic growth rate of the PRC. We note from the commentary (the "Commentary") published in recent months on the relevant packaging printing industry website in the PRC (www.packchina.com) that the packaging printing industry in the PRC recorded a double-digit growth rate of approximately 10-12% in recent years. The industry practitioners of the packaging printing industry in the PRC also expected that this trend will continue and the market will grow with the overall economy of the PRC at a rate of approximately 10% in the coming years. Further, we have been advised by the Directors whom in turn have been advised by the management of Xuchang Yongchang that additional production equipment and manpower will be installed in the first half of 2008 to meet the increase in sales to Xuchang Cigarette Factory. We consider it fair and reasonable for the Directors to

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have taken into account the production capacity to meet the expected sales to Xuchang Cigarette Factory, such that the cap amount can be reasonably determined. Given the above, we consider that the basis of determining the annual increment of the cap amount for the two years ending 31 December 2009 is fair and reasonable.

(ii) The Wine Packaging Transactions

Chengdu Wing Fat, a subsidiary of the Company currently prints and sells wine packaging materials to Sichuan Swellfun, a substantial shareholder holding 20% interests in Chengdu Wing Fat. Such sales will continue after completion of the Proposed Spin-off. Chengdu Wing Fat will use its best efforts to supply wine packaging materials to Sichuan Swellfun to satisfy its needs and Chengdu Wing Fat will be the specified printer of packaging materials for Sichuan Swellfun's products.

Based on our discussions with the Company, such arrangement was entered into after arm's length negotiations between the parties involved and Sichuan Swellfun has been a long-term major customer of Chengdu Wing Fat in the purchase of wine packaging materials. Further, the prices of the wine packaging materials will be negotiated with reference to the prevailing market prices and WF Directors have confirmed that the wine packaging materials provided up to 30 June 2007 were on commercial terms. We have obtained from the WF Printing sample invoices issued by Chengdu Wing Fat to an independent third party and to Sichuan Swellfun in 2007 and noted that the selling prices of products to Sichuan Swellfun are no more favourable than those charged by Chengdu Wing Fat to such independent third party.

The annual fee caps for the Wine Packaging Transactions are RMB32 million (approximately HK\$33.3 million), RMB38 million (approximately HK\$39.6 million) and RMB45 million (approximately HK\$46.9 million) for the three years ending 31 December 2009, respectively. These caps have been determined after taking into account (i) the historical sales volume for the two years ended 31 December 2006 and the six months ended 30 June 2007; (ii) the predictions on business growth, general industry growth and inflation; and (iii) the expected growth in Chengdu Wing Fat's production capacity in 2008 and 2009. We note that the historical amount of sales to Sichuan Swellfun decreased slightly from HK\$28.7 million in 2005 to HK\$26.3 million in 2006. The decrease showed slight fluctuations from orders received from Sichuan Swellfun, but the WF Directors expect an upward trend on the sales orders in the forthcoming years in view of the overall economic growth of the PRC. The proposed cap amount for the year ending 31 December 2007 is based on the historical sales amount of HK\$13.8 million for the six months ended 30 June 2007 and the expected sales order from Sichuan Swellfun for the remaining six months ending 31 December 2007. We note that the amount of sales to Sichuan Swellfun for the six months ended 30 June 2007 represents approximately 41.4% of the cap for the year ending 31 December 2007. Having considered the above, we regard the cap for the year ending 31 December 2007 is fair and reasonable.

For each of the two years ending 31 December 2009, we note that the projected annual increment of RMB6 million and RMB7 million, respectively to the cap amount each year represent an annual growth rate of approximately 18.75% and 18.42%, respectively for each of the two years ending 31 December 2009. We note that such annual increments have been

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determined with reference to the anticipated packaging industry growth rate and the overall economic growth rate of the PRC as referred to in the Commentary. Given the above, we consider that the basis of determining the annual increment of the cap amount for the two years ending 31 December 2009 is fair and reasonable.

(iii) The Recovered Paper Purchase Transactions

Hebei Yongxin, a subsidiary of the Company currently sources recovered paper from Xinnan Paper, a substantial shareholder holding 29% interests in Hebei Yongxin, for the production of containerboard products at a price range similar to that charged by Xinnan Paper to its other customers. Xinnan Paper will continue to supply recovered paper materials to Hebei Yongxin after the completion of the Proposed Spin-off.

Xinnan Paper has been a long-term supplier of Hebei Yongxi since its incorporation in November 2003 and the purchase of recovered paper from Xinnan Paper was entered into after arm length's negotiations between the parties involved. We note that the prices of the recovered paper will be negotiated with reference to the prevailing market prices and at prices no higher than those charged by Xinnan Paper on its other independent customers. The WF Directors have confirmed that the purchase terms of recovered paper materials up to 30 June 2007 were on commercial terms and at prices no higher than those charged by Xinnan Paper on its other independent customers. We have reviewed the prevailing market prices of recovered papers in the PRC in recent months of 2007 from a relevant website on scrap materials and noted that the prices charged by Xinnan Paper are lower than the prevailing market prices of recovered paper indicated in this website.

The annual fee caps for the Recovered Paper Purchase Transactions are RMB190 million (approximately HK\$197.9 million), RMB228 million (approximately HK\$237.5 million) and RMB410.4 million (approximately HK\$427.5 million) for the three years ending 31 December 2009, respectively. These caps have been determined after taking into account (i) the predictions on business growth, general industry growth and inflation; (ii) the completion of the new production line of Hebei Yongxin; and (iii) expected increase in the price of recovered paper materials. We note that the historical purchase from Xinnan Paper decreased from HK\$131.0 million in 2005 to HK\$94.5 million in 2006 because Xinnan Paper was not the only supplier of recovered paper to Hebei Yongxin and Hebei Yongxin's purchase of recovered paper from other suppliers increased in 2006. The proposed cap amount of the Recovered Paper Purchase Transactions for the year ending 31 December 2007 is based on the historical sales amount of HK\$80.8 million for the six months ended 30 June 2007 and the expected purchase order to be placed to Xinnan Paper for the remaining six months ending 31 December 2007. We note that the amount of purchase from Xinnan Paper for the six months ended 30 June 2007 represents approximately 40.8% of the cap for the year ending 31 December 2007. Having considered the above, we consider the cap of the Recovered Paper Purchase Transactions for the year ending 31 December 2007 is reasonable.

For each of the two years ending 31 December 2009, we note that the projected annual increment of RMB38 million and RMB182.4 million, respectively to the cap amount for the Recovered Paper Purchase Transactions. Both the cap amounts of these transactions for the two years ending 31 December 2009 will be increased by an annual growth rate of 20% and

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an annual growth rate of 80%, respectively. We note that such annual growth rates for the two years ending 31 December 2008 have been determined with reference to the anticipated packaging industry growth rate of approximately 10% as referred to in the Commentary. Given this, and together with the continued growth in the overall economy of the PRC, the WF Directors are of the view to include a buffer rate of 10% to cater for excess purchase so as to accommodate expected sales of Hebei Yongxin's containerboard products. Further, we have been advised by the WF Directors that the significant growth rate of 80% for 2009 has also taken into account that a new production line of Hebei Yongxin will be completed in first half of 2009 and such production line will double the production capacity of Hebei Yongxin. Accordingly, the purchases of recovered papers are expected to increase significantly in 2009. We have discussed with the WF Directors and understand a detail budget on the production equipment and manpower for the new production line of Hebei Yongxin has been formalized. We have also reviewed the production plan and noted that new production will commence operation from first quarter of 2009, which will then double the production volume of containerboard as compared with 2008. Given the above, we consider that the basis of determining the annual increment of the cap amount of the Recovered Paper Purchase Transactions for the two years ending 31 December 2009 is fair and reasonable.

RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Proposed Spin-off and the Continuing Connected Transactions are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and the Continuing Connected Transactions are entered into on normal commercial terms and in the ordinary course of business of the Group. Accordingly, we advise the Independent Board Committee to recommend the Shareholders to vote in favour of the resolution to be proposed at the Extraordinary General Meeting to approve the Proposed Spin-off.

Yours faithfully,
for and on behalf of

Commerzbank AG Hong Kong Branch

Kenneth Chan

Head of Corporate Finance – Asia Pacific

Andrew Yu

Corporate Finance – Asia Pacific

SUMMARY OF THE WF SCHEME

The following is a summary of the principal terms of the WF Scheme to be adopted at the Extraordinary General Meeting. It does not form part of, nor is it intended to be part of the rules of the WF Scheme and it should not be taken as affecting the interpretation of the rules of the WF Scheme. The WF Directors reserve the right at any time prior to the Extraordinary General Meeting to make such amendments to the WF Scheme as they consider necessary or appropriate that such amendments do not conflict with any material aspects with the summary in this appendix:

1. PURPOSE

The purpose of the WF Scheme is to provide the Participants working for the interest of the WF Group and of WF Printing's jointly-controlled entities and associated companies with an opportunity to obtain equity interest in WF Printing, thus linking their interest with the interest of the WF Group and of WF Printing's jointly-controlled entities and associated companies and thereby providing them with incentives to work better for the interest of the WF Group and of WF Printing's jointly-controlled entities and associated companies and/or rewards for their contribution and support to the WF Group and for such other purposes as the WF Board may approve from time to time.

2. BASIS OF ELIGIBILITY OF THE PARTICIPANTS

In determining the basis of eligibility of each Participant, the WF Board would take into account such factors as the WF Board may at its discretion consider appropriate.

3. CONDITIONS

The WF Scheme shall take effect subject to the passing of an ordinary resolution approving the adoption of the WF Scheme by the WF Shareholders and authorising the WF Directors to grant Options to subscribe for WF Shares thereunder and to allot and issue WF Shares pursuant to the exercise of any Options granted under the WF Scheme, and is conditional upon: (i) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Global Coordinator for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; (ii) the Listing Committee granting listing of, and permission to deal in, (a) the WF Shares in issue and to be issued as mentioned in the Prospectus (including any WF Shares which may fall to be issued upon exercise of the Over-allotment Option and (b) any WF Shares to be issued pursuant to the exercise of Options under the WF Scheme, whether the granting of the listing and permission is subject to conditions or not; and (iii) the WF Scheme being approved by the Shareholders in general meeting.

4. DURATION AND ADMINISTRATION

Subject to the fulfillment of the conditions in paragraph 3 and the termination provisions in paragraph 22, the WF Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the WF Scheme (the “Adoption Date”), after which period no further Options will be issued but in all other respects the provisions of the WF Scheme shall remain in full force and effect

5. GRANT OF OPTION

On and subject to the terms of the WF Scheme, the WF Board shall be entitled at any time, within 10 years after the Adoption Date to make an Offer to any Participant as the WF Board may in its absolute discretion select to subscribe for such number of WF Shares as the WF Board may (subject to paragraph 14) determine at the Subscription Price.

6. RESTRICTIONS ON THE TIME OF GRANT OF OPTION

No Offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the WF Board (as such date is first notified by WF Printing to the Stock Exchange in accordance with the Listing Rules) for the approval of WF Printing’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for WF Printing to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted.

7. TIME OF ACCEPTANCE

- (i) An Offer shall be made to a Participant by letter in such form as the WF Board may from time to time determine (the “Offer Letter”), specifying the number of WF Shares under the Option, the Subscription Price and the Option Period in respect of which the Offer is made and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the WF Scheme and shall remain open for acceptance by the Participant concerned for a period of 28 days from the date upon which the Offer is made, provided that no such Offer shall be open for acceptance after the 10th anniversary from the Adoption Date or after the WF Scheme has been terminated in accordance with the provisions thereof, whichever is earlier.
- (ii) An Offer shall be deemed to have been accepted by the Grantee and an Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein accompanied with a remittance in favour of the Company of

HK\$1.00 by way of consideration for the granting thereof is received by WF Printing within the period as stipulated in paragraph 7(i). Such remittance shall in no circumstances be refundable nor deemed to be part of the Subscription Price.

- (iii) Any Offer may be accepted in respect of less than the number of WF Shares for which it is offered provided that it is accepted in respect of board lot for dealing in WF Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within the period and in the manner stipulated in paragraph 7(ii), it will be deemed to have been irrevocably declined.
- (iv) Subject to the provisions of the WF Scheme and the Listing Rules, the WF Board may when making the Offer impose any conditions, restrictions or limitations in relation thereto as it may at its absolute discretion think fit.

8. SUBSCRIPTION PRICE

Subject to any adjustments made pursuant to paragraph 17(i), the Subscription Price in respect of each WF Share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by the WF Board and notified to a Participant and shall be at least the highest of: (a) the closing price of the WF Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; (b) a price being the average of the closing price of the WF Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the Offer Date (provided that the new issue price shall be used as the closing price for any Business Day falling within the period before listing of the WF Shares where WF Printing has been listed for less than 5 Business Days as at the Offer Date); and (c) the nominal value of a WF Share.

9. EXERCISE OF OPTIONS

- (i) An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option or enter into any agreement to do so. Where the Grantee is a company, any change of its controlling shareholder or any substantial change in its management (which is to be determined by the WF Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid. Any breach of the foregoing by a Grantee shall entitle WF Printing to cancel any Option or part thereof granted to such Grantee (to the extent that it has not already been exercised) without incurring any liability on the part of WF Printing.
- (ii) Unless otherwise determined by the WF Board and specified in the Offer Letter (as defined in paragraphs 7(i)) at the time of the Offer, there is neither any performance target that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. An Option may be exercised in whole or in part in the manner as set out in the Offer Letter and paragraphs 10 and 11 by the Grantee (or his personal representative(s)) giving notice in writing to WF Printing stating that the Option is thereby exercised and the number of WF Shares in respect of which it is exercised.

Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for the WF Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance, and where appropriate, receipt of the certificate of the independent financial adviser or Auditor pursuant to paragraph 17(i), WF Printing shall allot the relevant WF Shares to the Grantee (or his personal representative(s)) credited as fully paid and issue to the Grantee (or his personal representative(s)) a share certificate in respect of the WF Shares so allotted.

10. RIGHTS ON TERMINATION OF EMPLOYMENT, DIRECTORSHIP OR ENGAGEMENT

- (i) In the event of the Grantee ceases to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship, office, appointment or engagement on one or more of the grounds specified in paragraph 13(e), the Grantee may exercise the Option in accordance with the provisions of paragraph 9(ii) up to the Grantee's entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 1 month (or such longer period as the WF Board may determine) following the date of such cessation, which date shall be the last actual working day with the Relevant Company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director of, as consultant, professional or other advisers to the Relevant Company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the Relevant Company shall be conclusive.
- (ii) In the event the Grantee, if an individual, dies before exercising the Option in full and none of the events which would be a ground for termination of the Grantee's employment, directorship, office, appointment or engagement under paragraph 13(e) arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death or such longer period as the WF Board may determine, to exercise the Option up to the entitlement of such Grantee at the date of death (to the extent which has become exercisable and not already exercised), failing which, the option will lapse.

11. RIGHTS ON A GENERAL OFFER, COMPROMISE OR ARRANGEMENT

- (i) If a general offer by way of take-over is made to all the holders of WF Shares (other than by way of scheme of arrangement pursuant to paragraph 11(ii)) (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the WF Shares comprised in the offer within 4 months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining WF Shares pursuant to the Companies Ordinance, WF Printing shall give notice thereof to the Grantee and the Grantee (or his personal representative(s)) may by notice in writing to WF Printing

within 21 days of such notice of the offeror exercise the Option (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) to its full extent or to the extent specified in such notice;

- (ii) If a general offer by way of scheme of arrangement is made to all the holders of WF Shares and has been approved by the necessary number of holders of WF Shares at the requisite meetings, WF Printing shall give notice thereof to the Grantee. The Grantee (or his personal representative(s)) may, by notice in writing to WF Printing within such time as shall be specified in the notice, exercise the Option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.
- (iii) If under section 166 of the Companies Ordinance, a compromise or arrangement between WF Printing and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of WF Printing or its amalgamation with any other company or companies (other than a general offer or a scheme of arrangement contemplated in paragraphs 11(i) and 11(ii)), WF Printing shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each shareholder or creditor of WF Printing summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representative(s) of the deceased Grantee) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court, exercise any of his Options (to the extent that it has become exercisable and has not already been exercised) whether in full or in part. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the WF Scheme. WF Printing may require the Grantee (or the personal representative(s) of the deceased Grantee) to transfer or otherwise deal with the WF Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such WF Shares been subject to such compromise or arrangement; and
- (iv) In the event of an effective resolution being passed for the voluntary winding-up WF Printing, each Grantee (or his legal personal representative(s)) may by notice in writing to WF Printing within 21 days from the date of such resolution elect to be treated as if the Options (to the extent which has become exercisable and not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of WF Shares such sum as he would have received in respect of the WF Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof.

12. RANKING OF WF SHARES

The WF Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of WF Printing for the time being in force and will rank *pari passu* in all respects with the fully paid WF Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue, other than any dividend or other distribution previously declared, recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

13. LAPSE OF OPTION

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period (subject to the provisions of paragraphs 4 and 20);
- (b) the expiry of the periods referred to in paragraphs 10(i), (ii) or 11(i);
- (c) subject to the scheme of arrangement referred to in sub-paragraph 11(ii) becoming effective, the expiry of the period referred to in paragraph 11(ii);
- (d) subject to the compromise or arrangement referred to in paragraph 11(iii) becoming effective, the expiry of the period referred to in paragraph 11(iii);
- (e) subject to sub-paragraph 11(iv), the date of commencement of the winding-up of WF Printing;
- (f)
 - (i) subject to the expiry of the period of extension (if any) referred to in paragraph 10(i), the date on which the Grantee ceases to be a Participant for any reason other than on his death or the termination of his employment, directorship, office, appointment or engagement on one or more grounds specified in paragraph 13(f)(ii) below;
 - (ii) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment, directorship, office, appointment or engagement on the grounds that he has been guilty of misconduct, or has been in breach of material term of the relevant employment contract, service contract or engagement contract (as the case may be), or has stopped payment to creditors generally or been unable to pay or have no reasonable prospect to pay debts within the meaning of any applicable legislation in relation to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence concerning his integrity or honesty or (if so determined by the WF Board or the board of the Relevant Company, as the case may be) on any other ground on which an employer, a sourcing party or an engaging party would be entitled to terminate his

employment, directorship, office, appointment or engagement at common law or pursuant to any applicable laws or under the Grantee's employment contract, service contract or engagement contract (as the case may be) with the Relevant Company (as the case may be). A resolution of the board of the Relevant Company (as the case may be) to the effect that the employment, directorship, office, appointment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 13(f)(ii) shall be conclusive;

- (g) subject to paragraph 11(iv), the date of the commencement of the winding-up of WF Printing;
- (h) the date on which WF Printing exercises its right to cancel the option or part thereof in the event of the Grantee commits a breach of paragraph 9(i); or
- (i) the date on which the Option is cancelled by the WF Board as provided in paragraph 21.

WF Printing shall owe no liability to any Grantee for the lapse of any Option under this paragraph 13.

14. MAXIMUM NUMBER OF WF SHARES AVAILABLE FOR SUBSCRIPTION

- (i) Subject to sub-paragraph (iv) below, the total number of WF Shares which may be issued upon exercise of all options to be granted under the WF Scheme and any other share option schemes of WF Printing shall not in aggregate exceed 10% of the total number of WF Shares in issue as at the Listing Date, unless WF Printing obtains an approval from its shareholders pursuant to sub-paragraphs (ii) or (iii) below. Options lapsed in accordance with the terms of the WF Scheme will not be counted for the purpose of calculating such 10% limit.
- (ii) Subject to sub-paragraph (iv) below, WF Printing may seek approval of its shareholders in general meeting for refreshing the 10% limit set out in sub-paragraph 14(i) under the WF Scheme such that the total number of WF Shares which may be issued upon exercise of all options to be granted under the WF Scheme and any other share option schemes of WF Printing under the limit as refreshed shall not exceed 10% of the total number of WF Shares in issue as at the date of approval to refresh such limit. Options previously granted under the WF Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the WF Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, WF Printing shall send a circular to its shareholders containing the information required under the Listing Rules.
- (iii) Subject to sub-paragraph (iv) below, WF Printing may seek separate approval by its shareholders in general meeting for granting Options beyond the 10% limit set out in sub-paragraph 14(i) or sub-paragraph 14(ii) (as the case may be) provided the Options in excess of such limit are granted only to Participants specifically identified by WF

Printing before such approval is sought. In such a case, WF Printing shall send a circular to its shareholders containing, amongst other terms, a generic description of the specified Participant(s) who may be granted such Options, the number of WF Shares subject to the Options to be granted, the terms of the Options to be granted, the purpose of granting Options to the specified Participant(s), an explanation as to how the terms of these Options serve such purpose and such other information as required under the Listing Rules.

- (iv) Notwithstanding any provision in sub-paragraphs 14(i), (ii) and (iii) and subject to paragraph 17, the maximum number of WF Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the WF Scheme and any other share option schemes of WF Printing must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of WF Shares in issue from time to time. No options may be granted under the WF Scheme and any other share option schemes of WF Printing if this will result in the aforesaid 30% (or such higher percentage as may be allowed under the Listing Rules) limit being exceeded.

15. MAXIMUM ENTITLEMENT OF SHARES OF EACH PARTICIPANT

- (i) Subject to sub-paragraphs 15(ii), 16(i) and 16(ii), the total number of WF Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the WF Scheme and any other share option schemes of WF Printing to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of WF Shares in issue.
- (ii) Notwithstanding sub-paragraph 15(i), where any further grant of Options to a Participant would result in the WF Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant under the WF Scheme and any other share option schemes of WF Printing (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of total number of WF Shares in issue, such further grant must be separately approved by the WF Shareholders in general meeting with such Participant and his Associates abstaining from voting. The number and terms (including the exercise price) of the Options to be granted to such Participant shall be fixed before WF Shareholders' approval and the date of WF Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price. In such a case, WF Printing shall send a circular to its shareholders containing, amongst other terms, the identity of such Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant) and such other information as required under the Listing Rules.

16. GRANT OF OPTIONS TO CONNECTED PERSONS

- (i) In addition to paragraph 14 and sub-paragraphs 15(i) and 15(ii), any grant of Options to a Participant who is a director, chief executive or substantial shareholder of WF Printing or any of their respective Associates under the WF Scheme must be approved by the independent non-executive WF Directors (excluding independent non-executive WF Director who is the Grantee).
- (ii) In addition to paragraph 14 and sub-paragraphs 15(i) and 15(ii), where the WF Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive WF Director, or any of their respective Associates, would result in the WF Shares issued and to be issued upon exercise of all options already granted and to be granted under the WF Scheme and any other share option schemes of WF Printing (including options exercised, cancelled and outstanding) to such Participants in the 12-month period up to and including the date of such grant:
 - (a) representing in aggregate over 0.1% of the total number of WF Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the WF Shares at the date of each grant, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the WF Shareholders by poll in general meeting. In such a case, WF Printing shall send a circular to its shareholders containing all those terms as required under the Listing Rules. All Connected Persons of WF Printing must abstain from voting in favour at such general meeting (except that any Connected Person may vote against such proposed grant at the general meeting provided that his intention to do so has been stated in the circular issued to the WF Shareholders). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll and the applicable requirements of the Listing Rules must be complied with.

Subject to paragraph 14 and sub-paragraph 15(i), in the event of any alteration in the capital structure of WF Printing whether by way of capitalisation issue, rights issue, consolidation, subdivision of WF Shares or reduction of the share capital of WF Printing, the maximum number of WF Shares referred to in paragraphs 14 and 15 will be adjusted in such manner as an independent financial adviser or the Auditors (acting as experts and not as arbitrators) shall confirm to the WF Directors in writing to be fair and reasonable.

17. REORGANISATION OF CAPITAL STRUCTURE

In the event of any alteration in the capital structure of WF Printing whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation of WF Shares, or reduction of the share capital of WF Printing in accordance with legal requirements and requirements of the Stock Exchange excluding any alteration in the capital structure of WF Printing as a result of an issue of WF Shares as consideration in respect of a transaction to which WF Printing is a party, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of WF Shares subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price,

as an independent financial adviser or the Auditors shall at the request of the WF Board certify in writing to the WF Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to rule 17.03(13) of the Listing Rules and any interpretation and/or guidance on and any notes to such rule issued by the Stock Exchange from time to time, including but not limited to the supplementary guidance as set out in the letter issued by the Stock Exchange dated 5th September 2005 and shall give a Grantee the same proportion of the issued share capital of WF Printing as that to which the Grantee was previously entitled, provided that no such alterations shall be made the effect of which would be to enable a WF Share to be issued at less than its nominal value. The capacity of the independent financial adviser or the Auditors in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on WF Printing and the Grantees. The costs of the independent financial adviser or the Auditors in relation to the provision of any services under this paragraph shall be borne by WF Printing. Notice of such alteration(s) shall be given to the Grantees by WF Printing.

18. SHARE CAPITAL

The exercise of any Option shall be subject to the WF Shareholders in a general meeting approving any necessary increase in the authorised share capital of WF Printing. Subject thereto, the WF Board shall make available sufficient authorised but unissued share capital of WF Printing to meet subsisting requirements on the exercise of Options.

19. DISPUTES

Any dispute arising in connection with the WF Scheme (whether as to the number of WF Shares, the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors or an independent financial adviser appointed by WF Printing who shall act as experts and not as arbitrators and whose decision shall be final and binding.

20. ALTERATION OF THE WF SCHEME

- (i) The provisions of the WF Scheme may be altered in any respect by resolution of the WF Board except that the provisions of the WF Scheme as to:

- (a) the definitions of “Grantee”, “Option Period” and “Participant”;
- (b) the provisions of paragraphs and sub-paragraphs 4, 5, 6, 7(i), 8, 9, 10, 11, 12, 13, 14, 15, 16, 17 and this paragraph 20; and
- (c) all such other matters set out in Rule 17.03 of the Listing Rules

shall not be altered to the advantage of the Participants except with the prior approval of the WF Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of the WF Shareholders under the articles of association for the time being of WF Printing for a variation of the rights attached to the WF Shares.

- (ii) Any alterations to the terms and conditions of the WF Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the WF Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the WF Scheme.
- (iii) The amended terms of the WF Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (iv) Any change to the authority of the WF Directors or scheme administrators in relation to any alteration to the terms of the WF Scheme must be approved by the WF Shareholders in general meeting.

21. CANCELLATION OF OPTIONS GRANTED

The WF Board may, with the consent of the relevant Grantee, at any time in its absolute discretion cancel any Option granted but not exercised. Where WF Printing cancels Options and makes an Offer of the grant of new Options to the same Option holder, the Offer of the grant of such new Options may only be made, under the WF Scheme with available unissued Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the WF Shareholders as mentioned in paragraph 14.

22. TERMINATION OF THE WF SCHEME

WF Printing may by resolution in general meeting or the WF Board may at any time terminate the operation of the WF Scheme and in such event no further Options shall be granted but the provisions of the WF Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the WF Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the WF Scheme.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>200,000,000</u>
<i>Issued and fully paid up or credited as fully paid up:</i>	
<u>1,071,261,000</u> Shares	<u>107,126,100</u>

All of the Shares rank pari passu in all respects, including as to dividends, voting and capital.

The Shares are listed on and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

3. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interest or short positions of the Directors and the chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in shares and underlying shares of the Company

(a) Ordinary shares of the Company

Name of Director	Capacity	Number of issued shares held	Percentage of total issued share capital
Cai Lai Xing	Beneficial Owner	4,000,000	0.37%
Cai Yu Tian	Beneficial Owner	360,000	0.03%
Qu Ding	Beneficial Owner	1,586,000	0.15%
Lu Ming Fang	Beneficial Owner	1,822,000	0.17%
Ding Zhong De	Beneficial Owner	650,000	0.06%
Qian Shi Zheng	Beneficial Owner	469,000	0.04%
Yao Fang	Beneficial Owner	100,000	0.01%
Tang Jun	Beneficial Owner	30,000	0.003%

All interests stated above represented long positions.

(b) Share options of the Company

Name of Director	Capacity	Date of grant	Exercise price per share HK\$	Number of share options held	Percentage of total issued share capital
Cai Lai Xing	Beneficial Owner	2nd September 2005	14.89	800,000	0.07%
Cai Yu Tian	Beneficial Owner	2nd May 2006	17.10	940,000	0.09%
Qu Ding	Beneficial Owner	2nd September 2005	14.89	224,000	0.02%
Lu Ming Fang	Beneficial Owner	2nd September 2005	14.89	480,000	0.04%
Ding Zhong De	Beneficial Owner	2nd May 2006	17.10	700,000	0.07%
Qian Shi Zheng	Beneficial Owner	2nd September 2005	14.89	200,000	0.02%
Tang Jun	Beneficial Owner	2nd September 2005	14.89	220,000	0.02%

Share options granted in 2nd September 2005 under the Company's share option scheme are exercisable during the period from 2nd March 2006 to 1st March 2009 in three batches.

Share options granted in 2nd May 2006 under the Company's share option scheme are exercisable during the period from 2nd November 2006 to 1st November 2009 in three batches.

(ii) Interests in shares of Shanghai Industrial Pharmaceutical Investment Co. Ltd.

Name of director	Capacity	Number of issued shares held	Percentage of total issued share capital
Lu Ming Fang	Beneficial Owner	23,400	0.01%
Ding Zhong De	Beneficial Owner	23,400	0.01%

All interests stated above represented long positions.

- (b) As at the Latest Practicable Date, so far as was known to the Directors, the interests and short positions of the persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of total issued share capital
<i>(a) Long Positions</i>			
SIIC	Interest held by controlled corporations	548,076,000 (note (i))	51.16%
Morgan Stanley	Interest held by controlled corporations	68,028,159	6.35%
JPMorgan Chase & Co.	Beneficial Owner	1,259,000	0.12%
	Investment Manager	2,201,530	0.21%
	Custodian Corporation/ Approved Lending Agent	61,153,644	5.71%
<i>(b) Short Positions</i>			
SIIC	Interest held by controlled corporations	87,653,993 (note (ii))	8.18%

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of total issued share capital
Morgan Stanley	Interest held by controlled corporations	14,788,132	1.38%
JPMorgan Chase & Co.	Beneficial Owner	400,000	0.04%

Notes:

- (i) SIIC through its wholly-owned subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd. and SIIC CM Development Ltd. held 468,066,000, 80,000,000 and 10,000 Shares respectively, and is accordingly deemed to be interested in the respective Shares held by the aforementioned companies.
- (ii) SIIC was taken to have short positions in respect of 87,653,993 underlying shares of the Company under certain listed equity derivatives pursuant to the Zero Coupon Guaranteed Exchangeable Bonds issued by Shanghai Industrial Investment Treasury Co. Ltd. due March 2009 unconditionally and irrevocably guaranteed by SIIC and exchangeable into ordinary shares of the Company.
- (c) As at the Latest Practicable Date, so far as was known to the Directors, the following Directors are also directors or employees of SIIC:

Name of Director	Position held in SIIC
Mr. Cai Lai Xing	Chairman
Mr. Cai Yu Tian	Executive Director and President
Mr. Qu Ding	Executive Director and Executive Vice President
Mr. Lu Ming Fang	Executive Director
Mr. Ding Zhong De	Executive Director
Mr. Qian Shi Zheng	Vice President and General Manager of Finance and Planning Department
Mr. Tang Jun	General Manager of Internal Audit Department and Deputy General Manager of Finance and Planning Department

- (d) As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than members of the Group) were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company):-

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of registered shareholding
Changzhou Pharmaceutical Co. Ltd. (常州藥業股份有限公司)	Changzhou State-owned Assets Investment Co. (常州國有資產投資經營總公司)	equity interest	23.05%

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of registered shareholding
Chia Tai Qingchunbao Pharmaceutical Co. Ltd. (正大青春寶藥業有限公司)	China (Hangzhou) Qingchunbao Group Co. Ltd. (中國(杭州)青春寶集團有限公司)	equity interest	20%
	Hangzhou Chia Tai Qingchunbao Staff Shareholding Association (杭州市正大青春寶職工持股協會)	equity interest	20%
Chifeng Arker Pharmaceutical Technology Co. Ltd. (赤峰艾克製藥科技股份有限公司)	Shenzhen Yigong Industrial Co. Ltd. (深圳益公實業有限公司)	equity interest	14.67%
Chifeng Mysun Pharma Co. Ltd. (赤峰蒙欣藥業有限公司)	Chifeng Pharmaceutical (Group) Co. Ltd. (赤峰製藥(集團)有限責任公司)	equity interest	17.91%
Guangdong Techpool Biochem Pharma Co. Ltd. (廣東天普生化醫藥股份有限公司)	Guangzhou Bopu Biotechnology Co. Ltd. (廣州市博普生物技術有限公司)	equity interest	23.06%
	Fu He Liang (傅和亮)	equity interest	11.98%
Techpool International Pharma Co. Ltd. (廣州天普海外藥業有限公司)	Guangzhou Bopu Biotechnology Co. Ltd. (廣州市博普生物技術有限公司)	equity interest	27.62%
Hangzhou Huqingyutang Pharmaceutical Co. Ltd. (杭州胡慶餘堂藥業有限公司)	Hangzhou Huqingyutang Group Co. Ltd. (杭州胡慶餘堂集團有限公司)	equity interest	44.9566%
Liaoning Herbapex Pharmaceutical (Group) Co. Ltd. (遼寧好護士藥業(集團)有限責任公司)	Medieval International Limited	equity interest	15%
	Zheng Ji Yu (鄭繼宇)	equity interest	16.47%
Mergen Biotech Limited	Excellent Hope Holdings Inc.	ordinary share	10.99%
	Sino-Alliance International, Ltd	ordinary share	18.6%
Shanghai Qiyi Dental Equipment Co. Ltd. (上海奇異牙科器材有限公司)	Shanghai Dental Materials Factory Qi Xin Operating Services Department (上海齒科材料廠奇新綜合經營服務部)	equity interest	10%
Shanghai Victor Medical Instrument Co. Ltd. (上海勝利醫療器械有限公司)	ACCS Products Inc. USA	equity interest	25%
Shanghai Yichuang Traditional Chinese Medicine Research & Development Center Co. Ltd. (上海醫創中醫藥科研開發中心有限公司)	Shanghai University of Traditional Chinese Medicine Technological Development Co. (上海中醫大科技發展公司)	equity interest	45%

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of registered shareholding
Shanghai Yunhu Raw-pharmaceutical Co. Ltd. (上海雲湖醫藥藥材股份有限公司)	Shanghai Yunhu Raw Pharmaceutical Co. Ltd. Staff Shareholding Association (上海雲湖醫藥藥材股份有限公司職工持股會)	equity interest	15.45%
Shanghai Yunhu Yuemin Pharmacy Co. Ltd. (上海雲湖悅民大藥房有限公司)	Shanghai Yuanfeng Pharmacy (上海源豐藥房)	equity interest	30%
SI United Changcheng Pharmaceutical Co. Ltd. (上海實業聯合集團長城藥業有限公司)	Jin Jiang International Holdings Co. Ltd. (錦江國際(集團)有限公司)	equity interest	30%
SI United Pharmaceutical Co. Ltd. (上海實業聯合集團製藥有限公司)	Zhou Yi Ping (周一平)	equity interest	22%
	Hu Zheng (許政)	equity interest	17%
	Feng Wei (馮衛)	equity interest	10%
Xiamen Traditional Chinese Medicine Co. Ltd. (廈門中藥廠有限公司)	Xiamen Qinggong Group Co. Ltd. (廈門輕工集團有限公司)	equity interest	30%
Chengdu Wing Fat	Sichuan Swellfun	equity interest	20%
	Chengdu Jiangshi Investment Co. Ltd. (成都江氏投資有限公司)	equity interest	19%
	Sichuan Huize Investment Co. Ltd. (四川惠澤投資有限公司)	equity interest	10%
Hebei Yongxin	Xinnan Paper	equity interest	29%
Xuchang Yongchang	Xuchang Cigarette Factory	equity interest	20.6%
	Shangtou Bonded Area Jinguang Industrial Co., Ltd. (汕頭保稅區金光實業有限公司)	equity interest	28.4%

(e) Save as disclosed above, as at the Latest Practicable Date:

- (i) so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were 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 are taken or deemed to have under

such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

- (ii) there was no person known to the Directors who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

6. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far so was known to the Directors, none of the Directors, and their respective Associates was considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group pursuant to the Listing Rules.

8. QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained or referred to in this circular:

Name	Qualification
Commerzbank	A licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under SFO

As at the Latest Practicable Date, Commerzbank had no shareholding interest in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, Commerzbank did not have any direct or indirect interest in any assets which had been since 31st December 2006 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.

Commerzbank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name included in this circular in the form and context in which it appears.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December 2006 (being the date to which the latest published audited financial statements of the Company were made up).

10. PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 73 of the Articles of Association of the company, at any general meeting a resolution put to the vote at the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll is (before or on the declaration of the result of the show of hands) demanded. A poll may be demanded:

- (a) by the Chairman; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by any member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the rules of the (i) WF Scheme; (ii) the agreements in respect of each of the Continuing Connected Transactions will; (iii) letter from Commerzbank, the text of which is set out in this circular; and (iv) the consent letter of Commerzhank referred to in the paragraph headed “Qualification of Expert” in this Appendix will be available for inspection at the registered office of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during the normal business hours from the date hereof up to and including 10th December 2007 and at the Extraordinary General Meeting.

12. MISCELLANEOUS

- (a) The registered office of the Company is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.
- (b) The share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Wong Mei Ling, Marina who is a Fellow of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The qualified accountant of the Company is Mr. Lee Kim Fung, Edward who is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shanghai Industrial Holdings Limited (the “**Company**”) will be held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on 26th November 2007 at 3:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

1. **“THAT** the Proposed Spin-off (as defined in the circular of the Company dated 9th November 2007, a copy of which is produced to the meeting marked “A” and signed by the chairman of the meeting for identification purposes) be and is hereby approved and the board of directors of the Company (the “**Board**”) be and is hereby authorized on behalf of the Company to approve and implement the Proposed Spin-off and to do all such acts, to enter into all such agreements, transactions and arrangements and to take all such actions in connection therewith or arising therefrom in relation to the Proposed Spin-off as the Board may consider necessary or expedient in order to give effect to the Proposed Spin-off.”
2. **“THAT**, subject to and conditional upon: (a) the passing of an ordinary resolution of the shareholders of The Wing Fat Printing Company, Limited (“**WF Printing**”) approving the adoption of the share option scheme of WF Printing (the “**WF Scheme**”), the rules of which are contained in the document marked “B” produced to the meeting and signed by the chairman of the meeting for identification purposes; (b) the approval of the WF Scheme by the shareholders of the Company; (c) the listing committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the shares of WF Printing in issue and to be issued as mentioned in the Prospectus (as defined in the circular of the Company dated 9th November 2007 (“**Circular**”), a copy of which is produced to the meeting marked “A” and signed by the chairman of the meeting for identification purposes) and any shares of WF Printing which may fall to be issued pursuant to the exercise of options granted under the WF Scheme, whether the granting of the listing and permission is subject to conditions or not; and (d) the obligations of the underwriters of the Global Offering (as defined in the Circular) under the underwriting agreements in respect of the Global Offering becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Global Coordinator (as defined in the Circular) for itself and the said underwriters) and not being terminated in accordance with the respective terms of such underwriting agreements or otherwise, be and is hereby approved and the board of directors of the Company (the “**Board**”) be and is hereby authorized to do all such acts, to enter into all

NOTICE OF EXTRAORDINARY GENERAL MEETING

such agreements, transactions and arrangements and to take all such actions in connection therewith or arising therefrom as the Board may consider necessary or expedient in order to give effect to the WF Scheme.”

By Order of the Board
Shanghai Industrial Holdings Limited
Wong Mei Ling, Marina
Company Secretary

Hong Kong, 9th November 2007

Registered Office:
26th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
- (3) A form of proxy for use at the meeting is enclosed with the circular to shareholders of the Company.
- (4) The instrument appointing a proxy must be in writing under the hand of the appointer or attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
- (5) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the registered office of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof, as the case may be).
- (6) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting. If such member attends the meeting, his form of proxy will be deemed to have been revoked.
- (7) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English language version shall prevail.