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If you have sold or transferred all your shares in **Sino Haijing Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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SINO HAIJING HOLDINGS LIMITED
中國海景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01106)

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF REMAINING 35% EQUITY INTEREST IN
HEFEI RONGFENG PACKING MATERIALS CO., LTD.

Independent financial advisor to
The Independent Board Committee and the Independent Shareholders



大有融資有限公司
MESSIS CAPITAL LIMITED

Terms defined in the section headed “Definitions” of this circular have the same meanings when used in this cover page, unless the context otherwise requires.

A letter from the Board is set out on pages 4 to 8 of this circular. A letter from the Independent Board Committee is set out on pages 9 to 10 of this circular. A letter from Messis Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 19 of this circular.

This circular is published on the HKExnews website at <http://www.hkexnews.hk> and on the website of the Company at <http://www.sinohaijing.com>.

3 January 2014

CORPORATE COMMUNICATIONS

This Circular, in both English and Chinese versions, is available on the Company's website at <http://www.sinohaijing.com> (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this Circular posted on the Company Website will promptly upon request be sent this Circular in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this Circular in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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DEFINITIONS

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

“Acquisition”	acquisition of 35% equity interest in Hefei Rongfeng
“Acquisition Agreement”	the equity transfer agreement dated 30 December 2013 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Announcement”	the announcement of the Company dated 30 December 2013 in relation to the acquisition of 35% equity interest in Hefei Rongfeng
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Sino Haijing Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EPS”	expandable polystyrene, a commonly used cushion packaging materials for electrical products
“Group”	the Company and its subsidiaries
“Haijing Holdings”	Haijing Holdings Limited 海景控股有限公司, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Chao Pang Fei, the chairman and an executive Director of the Company, holding approximately 55.39% of the entire issued share capital of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date
“Hefei Rongfeng”	合肥榮豐包裝製品有限公司 (Hefei Rongfeng Packing Materials Co., Ltd.), a sino-foreign equity joint venture company established in the PRC on 17 May 2007
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	a committee of the Board comprising all the three independent non-executive Directors, namely, Mr. Ho Ka Wing, Mr. Sin Ka Man and Ms. Chen Hongfang has been established for the purpose of giving recommendation to the Independent Shareholders regarding the Acquisition Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than the Vendor and its associates and those who have no material interest in the Acquisition Agreement
“Latest Practicable Date”	means 30 December 2013, being the Latest Practicable Date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Messis Capital”	Messis Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition Agreement and the transactions contemplated thereunder
“PRC”	the People’s Republic of China, and for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	合肥海景包装制品有限公司 (Hefei Haijing Packing Materials Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on 3 January 2001, an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.025 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Valuation”	the valuation of the market value of the net assets value of Hefei Rongfeng as at 31 March 2013 for the sole purpose of the transfer of the state-owned equity interest by 安徽安聯信達資產評估事務所 (Anhui Allianz Cinda Asset Appraisal Company)
“Valued Amount”	the market value of the net assets value of Hefei Rongfeng as at 31 March 2013 assessed by 安徽安聯信達資產評估事務所 (Anhui Allianz Cinda Asset Appraisal Company)
“Vendor”	合肥興泰資產管理有限公司 (Hefei Xing Tai Asset Management Co., Ltd.), a company controlled by 合肥市人民政府國有資產監督管理委員會 (Stated-owned Asset Supervision and Administration Commission of Hefei Municipal Government)
“Yearfull International”	Yearfull International Limited, a limited company incorporated in Hong Kong on 2 October 2007, which is an indirect wholly-owned subsidiary of the Company. Yearfull International holds 65% of equity interest in Hefei Rongfeng directly
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

Note: For illustration purpose of this circular, exchange rate of RMB1.00 = HK\$1.28 has been used for conversion.

LETTER FROM THE BOARD



SINO HAIJING HOLDINGS LIMITED 中國海景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01106)

Executive Directors:

Mr. Chao Pang Fei (*Chairman*)

Mr. Wang Yi

Ms. Hui Hongyan

Non-executive Director:

Mr. Lan Yu Ping

Independent Non-executive Directors:

Mr. Ho Ka Wing

Mr. Sin Ka Man

Ms. Chen Hongfang

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

Room 2412, 24th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

3 January 2014

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF REMAINING 35% EQUITY INTEREST IN HEFEI RONGFENG PACKING MATERIALS CO., LTD.

INTRODUCTION

On 30 December 2013, the Company announced that the Purchaser and the Vendor entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 35% equity interest in Hefei Rongfeng at the consideration of RMB10,425,900 (equivalent to approximately HK\$13,345,152).

The Company holds 65% equity interest in Hefei Rongfeng indirectly, upon completion of the Acquisition, Hefei Rongfeng will become an indirect wholly-owned subsidiary of the Company. Hefei Rongfeng is mainly engaged in the production and sales of EPS packaging products.

LETTER FROM THE BOARD

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As the Vendor holds 35% equity interest in Hefei Rongfeng, the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules and the entering into the Acquisition Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to the approval by the Independent Shareholders.

The purpose of this circulars is to provide you with further information regarding, among other things, (i) details of the Acquisition Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Messis Capital to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules

THE ACQUISITION AGREEMENT

Date: 30 December 2013

Parties:

The Purchaser: 合肥海景包裝制品有限公司 (Hefei Haijing Packing Materials Co., Ltd.), an indirect wholly-owned subsidiary of the Company

The Vendor: 合肥興泰資產管理有限公司 (Hefei Xing Tai Asset Management Co., Ltd.), a company controlled by 合肥市人民政府國有資產監督管理委員會 (Stated-owned Asset Supervision and Administration Commission of Hefei Municipal Government)

The Vendor holds 35% equity interest in Hefei Rongfeng, the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Save as disclosed above and to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is independent of the Company and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates.

Assets involved

The Vendor's 35% equity interest in Hefei Rongfeng which is the state-owned equity interest. The Vendor must obtain approval from 合肥市人民政府國有資產監督管理委員會 (Stated-owned Asset Supervision and Administration Commission of Hefei Municipal Government) for the transfer of 35% equity interest in Hefei Rongfeng. As at the Latest Practicable Date, a written approval has been obtained from 合肥市人民政府國有資產監督管理委員會 (Stated-owned Asset Supervision and Administration Commission of Hefei Municipal Government) in respect of the transfer of 35% equity interests in Hefei Rongfeng.

LETTER FROM THE BOARD

Consideration

The consideration is RMB10,425,900 (equivalent to approximately HK\$13,345,152). The consideration will be funded by internal resources of the Group and/or bank borrowings.

The Vendor has engaged 安徽安聯信達資產評估事務所 (Anhui Allianz Cinda Asset Appraisal Company), which had won the bid in the tendering process organized by the 合肥市人民政府國有資產監督管理委員會 (Stated-owned Asset Supervision and Administration Commission of Hefei Municipal Government) in respect of the Valuation of the net assets value of Hefei Rongfeng, to conduct the Valuation to assess the market value of the net assets value of Hefei Rongfeng as at 31 March 2013 for the sole purpose of the transfer of the state-owned assets in relation to the Vendor's 35% equity interest in Hefei Rongfeng. The Valued Amount is RMB29,788,200. The consideration of RMB10,425,900 represents approximately 35% of the Valued Amount.

The consideration was determined after arm's length negotiations between the parties after having taken into account, among other things, (i) the Valued Amount of Hefei Rongfeng; and (ii) client base and business prospects of Hefei Rongfeng. Taking the above factors into account, the Directors are of the view that the terms of the Acquisition Agreement and consideration are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Completion

Completion of the Acquisition shall take place within 1 month from the date of Acquisition Agreement, or such later date as may be agreed in writing between the Vendor and the Purchaser. Upon completion of the Acquisition, Hefei Rongfeng will become an indirect wholly-owned subsidiary of the Company.

INFORMATION ON HEFEI RONGFENG

Hefei Rongfeng is a sino-foreign equity joint venture company, of which 65% equity interest is owned by Yearfull International and 35% equity interest is owned by the Vendor. The paid-up capital of Hefei Rongfeng is RMB30,000,000 of which RMB19,500,000 was contributed by the Yearfull International and RMB10,500,000 was contributed by the Vendor respectively. Hefei Rongfeng is mainly engaged in the production and sales of EPS packaging products.

LETTER FROM THE BOARD

Set out below is the financial information of Hefei Rongfeng based on its respective unaudited management accounts prepared in accordance with accounting principles generally accepted in Hong Kong for the two years ended 31 December 2012.

	For the year ended	
	31 December	
	2011	2012
	<i>RMB('000)</i>	<i>RMB('000)</i>
Turnover	88,480	69,493
Profit before taxation	1,799	263
Profit after taxation	1,324	34
	As at 31 December	
	2011	2012
	<i>RMB('000)</i>	<i>RMB('000)</i>
Net assets value	32,122	32,156

REASONS FOR THE ACQUISITION OF 35% EQUITY INTEREST IN HEFEI RONGFENG

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the main board of the Stock Exchange. The Group is mainly engaged in the production and sales of EPS packaging products.

Since the Vendor holds 35% equity interest in Hefei Rongfeng, the Group has to acknowledge the Vendor in relation to how to allocate the purchase orders among the three subsidiaries in Hefei. In addition, Hefei Rongfeng is required to obtain prior written approval from the Vendor in relation to the application of any banking facilities.

Upon completion of the Acquisition, Hefei Rongfeng will become an indirect wholly-owned subsidiary of the Company, and therefore, the Group will have greater flexibility for the allocation of purchase orders and resources among the three wholly-owned subsidiaries located in Hefei, thereby increasing synergies and will further enhance the service to the customers located in Hefei.

RECOMMENDATION

The Directors consider that the terms and conditions of the Acquisition and the transactions contemplated thereunder are fair and reasonable and in the best interest of the Shareholders as a whole. Accordingly, the Board recommends Shareholders to approve the Acquisition.

The Independent Board Committee has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition Agreement and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Messis Capital, considers that the Acquisition is in the ordinary and usual course of business of the Group and the terms of the Acquisition Agreement have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Shareholders as a whole and recommends that the Independent Shareholders to approve the Acquisition Agreement and the transactions contemplated thereunder.

SHAREHOLDERS' MEETING WAIVER

No Shareholder has any material interest in the Acquisition, no Shareholder would be required to abstain from voting at extraordinary general meeting of the Company (if one was convened) convened to approve the Acquisition. Pursuant to the Rule 14A.43 of the Listing Rules, the Company has obtained a written approval (in lieu of holding a general meeting of the Company) regarding the Acquisition from Haijing Holdings, being the holder of 690,396,020 Shares, representing approximately 55.39% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, no extraordinary general meeting of the Company will be convened for the purposes of considering and approving the Acquisition.

ADDITIONAL INFORMATION

The letter from the Independent Board Committee containing its advice and recommendation is set out on pages 9 to 10 of this circular. The letter from Messis Capital containing its advice and recommendation is set out on pages 11 to 19 of this circular.

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

Yours faithfully,
For and on behalf of the Board
Sino Haijing Holdings Limited
Mr. Chao Pang Fai
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SINO HAIJING HOLDINGS LIMITED
中國海景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01106)

3 January 2014

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF REMAINING 35% EQUITY INTEREST IN
HEFEI RONGFENG PACKING MATERIALS CO., LTD.

We refer to the circular issued by the Company to its Shareholders and dated 3 January 2014 (“Circular”) of which this letter forms part. Terms defined in this Circular have the same meanings when used in this letter, unless the context otherwise requires.

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Acquisition Agreement constitutes a connected transaction for the Company and is thus subject to the approval of the Independent Shareholders.

We have been appointed by the Board to consider the terms of the Acquisition Agreement and the transactions contemplated thereunder and whether the Acquisition is in the interest of the Company and the Shareholder as a whole, and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the best interests of the Company and its Shareholders as a whole. Messis Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Messis Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Messis Capital as set out in its letter of advice, we consider that the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, and that the Acquisition is in the best interest of the Company and the Shareholders as a whole. We also consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders are concerned and in the best interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee

Ho Ka Wing

Sin Ka Man

Chen Hongfang

Independent non-executive Directors

LETTER FROM MESSIS CAPITAL

The following is the full text of the letter from Messis Capital which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



大有融資有限公司
MESSIS CAPITAL LIMITED

3 January 2014

*To: The Independent Board Committee and the Independent Shareholders of
Sino Haijing Holdings Limited*

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF REMAINING 35% EQUITY INTEREST IN HEFEI RONGFENG PACKING MATERIALS CO., LTD.

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 3 January 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 December 2013, the Purchaser and the Vendor entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 35% equity interest in Hefei Rongfeng at the consideration of RMB10,425,900 (equivalent to approximately HK\$13,345,152).

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As the Vendor holds 35% equity interest in Hefei Rongfeng, the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules and the entering into the Acquisition Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the approval by the Independent Shareholders.

As stated from the Letter from the Board, no Shareholder has any material interest in the Acquisition and therefore no Shareholder would be required to abstain from voting at extraordinary general meeting of the Company (if one was convened) convened to approve the Acquisition. Pursuant to Rule 14A.43 of the Listing Rules, the Company has obtained a written approval (in lieu of holding a general meeting of the Company) regarding the Acquisition from Haijing Holdings, being the holder of 690,396,020 Shares,

LETTER FROM MESSIS CAPITAL

representing approximately 55.39% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, no extraordinary general meeting of the Company will be convened for the purposes of considering and approving the Acquisition.

The Independent Board Committee comprising Mr. Ho Ka Wing, Mr. Sin Ka Man and Ms. Chen Hongfang, being all the independent non-executive Directors, has been established to give recommendation to the Independent Shareholders on the Acquisition Agreement and the transactions contemplated thereunder. We, Messis Capital Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and whether the Acquisition Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and management of the Company and for which they are solely and wholly responsible, are true and accurate at the time when they were made and will continue to be so as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Vendor, the Purchaser and their respective associates. Also, we have not considered the taxation implication on the Group or the Shareholders as a result of the Acquisition.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition Agreement and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM MESSIS CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Background and Reasons for the Acquisition

Information of Hefei Rongfeng

Hefei Rongfeng is a sino-foreign equity joint venture company, of which 65% equity interest is owned by Yearfull International and 35% equity interest is owned by the Vendor. The paid-up capital of Hefei Rongfeng is RMB30,000,000 of which RMB19,500,000 was contributed by Yearfull International and RMB10,500,000 was contributed by the Vendor respectively. Hefei Rongfeng is principally engaged in the production and sales of EPS packaging products.

As set out from the Letter from the Board, the financial information of Hefei Rongfeng based on its respective unaudited management accounts prepared in accordance with accounting principles generally accepted in Hong Kong for the two years ended 31 December 2012 is set out below:

	For the year ended 31 December	
	2011	2012
	RMB('000)	RMB('000)
Turnover	88,480	69,493
Profit before taxation	1,799	263
Profit after taxation	1,324	34
	As at 31 December	
	2011	2012
	RMB('000)	RMB('000)
Net assets value	32,122	32,156

Outlook of the EPS packaging products industry

According to an article published on 8 January 2013 on the website of the Central People's Government of the PRC (www.gov.cn), the total sales units and sales amount of home appliances in the PRC (excluding Shandong, Henan, Sichuan and Qingdao) in 2012 was approximately 80 million units and RMB214.5 billion respectively, representing an increase of approximately 22.6% and 18.8% respectively compared to the previous year. In terms of geographical location, Anhui, Hebei and Jiangsu provinces were the three largest provinces in terms of sales amount of home appliances in 2012, accounting for approximately one-third of total sales in aggregate. The State Council Information Office of the PRC (中華人民共和國國務院新聞辦公室) published the 中共中央關於全面深化改革若干重大問題的決定 (Decision of the Central Committee of the Communist Party of China on Several Major Issues Concerning Comprehensively Deepening Reform) in November 2013 which includes key reforms the PRC government aims to achieve by 2020. One reform is to promote

LETTER FROM MESSIS CAPITAL

urban-rural development which allows farmers to participate in China's modernization so as to increase their standard of living and consumption levels. As an important part of rural consumption, household appliances consumption in rural areas is expected to increase. Furthermore, the PRC government announced the implementation of the two children policy where a couple can have two children if either couple is the only child. The expected increase in population supported by the two children policy will increase the demand of household appliances. As household appliances consumption increase, the demand of EPS packaging products which are commonly used for electrical products is expected to increase. Based on the above, we are of the view that the prospect of the EPS packaging products industry in the PRC remains positive in the next few years.

Reasons for the Acquisition

The Group is principally engaged in the production and sales of EPS packaging products. As stated from the Letter from the Board, the Group has three subsidiaries located in Hefei and the Group has to acknowledge the Vendor in relation to how to allocate the purchase orders among the three subsidiaries in Hefei. Upon completion of the Acquisition, Hefei Rongfeng will become an indirect wholly-owned subsidiary of the Company. As advised by the Directors, the Acquisition provides the Group with full ownership control of Hefei Rongfeng which allows greater flexibility for the allocation of purchase orders and resources among the three wholly-owned subsidiaries located in Hefei, thereby increasing synergies and will further enhance the service to the customers located in Hefei. Furthermore, we are advised by the Directors that the Group will continue to focus on manufacturing and sales of packaging materials in the PRC after the Acquisition, and therefore the Acquisition is in line with the business strategy of the Group.

In view of (i) the Acquisition being in line with the Group's business strategy; (ii) the prospect of the EPS packaging products industry in the PRC remains positive in the next few years; and (iii) the higher ownership control of Hefei Rongfeng provides greater flexibility and synergies to the Group, we are of the view that the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principle Terms of the Acquisition Agreement

Assets to be acquired

Pursuant to the Acquisition Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase 35% equity interest in Hefei Rongfeng at the consideration of RMB10,425,900 (equivalent to approximately HK\$13,345,152). As stated from the Letter from the Board, the Vendor's 35% equity interest in Hefei Rongfeng is the state-owned equity interest. The Vendor must obtain approval from 合肥市人民政府國有資產監督管理委員會 (Stated-owned Asset Supervision and Administration Commission of Hefei Municipal Government) for the transfer of 35% equity interest in Hefei Rongfeng. As at the Latest Practicable Date, a written approval has been obtained from 合肥市人民政府國有資產監督管理委員會 (Stated-owned Asset Supervision and Administration Commission of Hefei Municipal Government) in respect of the transfer of 35% equity interests in Hefei Rongfeng.

LETTER FROM MESSIS CAPITAL

Consideration

The consideration is RMB10,425,900 (equivalent to approximately HK\$13,345,152) (the “**Consideration**”) which will be funded by internal resources of the Group and/or bank borrowings. As advised by the Directors, the Consideration was mainly determined with reference to the appraised net assets value of Hefei Rongfeng. According to the 安徽省企業國有資產評估管理暫行辦法(皖國資產權[2004]147號) (Interim Measures for the Assessment of State-owned Assets of Enterprises in Anhui Province (Anhui Province Property Rights [2004] No. 147)) published on the website of 合肥市人民政府國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of Hefei Municipal Government) (www.hfgzw.gov.cn), the transfer of state-owned assets requires valuation on the subject assets. As advised by the Directors, the Vendor has engaged 安徽安聯信達資產評估事務所 (Anhui Allianz Cinda Asset Appraisal Company) (the “**Valuer**”), which had won the bid in the tendering process organized by the 合肥市人民政府國有資產監督管理委員會 (State-owned Asset Supervision and Administration Commission of Hefei Municipal Government) in respect of the valuation of the net assets value of Hefei Rongfeng, to conduct the valuation to assess the market value of the net assets value of Hefei Rongfeng as at 31 March 2013 for the sole purpose of the transfer of the state-owned assets in relation to the Vendor’s 35% equity interest in Hefei Rongfeng.

Regarding the Valuation, we have taken all reasonable steps pursuant to note 1(d) to Rule 13.80 of the Listing Rules and we are not aware of any issues that shall be brought to the Independent Shareholders’ attention. The steps taken by us include the followings:

- (i) interviewing the Valuer including as to its expertise and any current or prior relationships with the Group, other parties to the Acquisition Agreement and connected persons of either the Group or other parties to the Acquisition Agreement;
- (ii) reviewing the notice of successful bid dated 27 April 2013 issued by 合肥市人民政府國有資產監督管理委員會 (State-owned Asset Supervision and Administration Commission of Hefei Municipal Government) to the Valuer in respect of the valuation of the net assets value of Hefei Rongfeng and discussed with the Valuer regarding the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer’s report; and
- (iii) save for the information as disclosed in the Circular, we are not aware that the Group or other parties to the Acquisition Agreement has made formal or informal representations to the Valuer.

According to the valuation report dated 12 May 2013 (the “**Valuation Report**”) prepared by the Valuer, the market value of the net assets value of Hefei Rongfeng as at 31 March 2013 was RMB29,788,200. Therefore, the Consideration of RMB10,425,900 represents approximately 35% of the Valued Amount.

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In assessing the fairness and reasonableness of the Valuation, we have reviewed the Valuation Report and discussed with the Valuer on the methodology adopted and assumptions made in arriving at the Valuation. As advised by the Valuer, there are three common market valuation approaches, namely the cost approach, the market approach and the income approach. We are given to understand that the Valuer has adopted the cost approach for the Valuation in arriving at the Valued Amount as (i) relevant similar market comparable transactions were not available which made the market approach inapplicable; and (ii) the underlying business of Hefei Rongfeng is influenced by industry and macroeconomic factors which would mean that the result from the income approach would be subject to great uncertainties and unreliable. Therefore, the Valuer has adopted the cost approach for the conclusion of the Valuation under which the net assets value of Hefei Rongfeng was assessed by deducting the fair appraised value of liabilities from the fair appraised value of the assets of Hefei Rongfeng. We are given to understand that the Valuer performed their valuation on the assets and liabilities of Hefei Rongfeng which had been audited by a PRC audit firm and the Valuer carried out site inspection in early May 2013 to verify the existence, physical and market condition of assets. As set out in the Valuation Report, the valuation date of the Valuation Report is 31 March 2013, which has a validity of one year from such valuation date up to 30 March 2014 which is in line with 關於《資產評估準則——評估報告》的起草說明 (About “Asset Valuation Standards – Valuation Report” Drafting Instructions) published on the website of the Ministry of Finance of the PRC (www.mof.gov.cn). During the course of discussion with the Valuer, no material matter has come to our attention that would lead us to believe that the Valuation Report on Hefei Rongfeng is not true or omits a material fact. Based on the above, we consider that the basis of the Valued Amount of Hefei Rongfeng as at 31 March 2013 is fair and reasonable.

An alternative method to assess the fairness and reasonableness of the Consideration is by comparable analysis in which companies are selected based on the following criteria: (i) companies that are listed on both the Main Board and Growth Enterprise Market of the Stock Exchange; (ii) companies whose principal activities are similar to Hefei Rongfeng, i.e. the production and sales of packaging products; (iii) companies which have more than 50% of the total revenue derived from the production and sales of packaging products for their respective latest financial year. To the best of our knowledge, effort and endeavor and based on the information available from the website of the Stock Exchange, we have thus identified an exhaustive list of 5 comparable companies (the “**Comparables**”). We consider that the Comparables are fair and representative samples for comparison as the principal business of the Comparables are similar to those of the Group. For comparison purpose, we have used the price-to-book ratios (the “**P/B ratio(s)**”) since the principal activities of Hefei Rongfeng are mainly assets-based in which fixed assets account for over 90% of the net assets value of Hefei Rongfeng as at 31 December 2012 based on the audited accounts of

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Hefei Rongfeng provided by the Company and the P/B ratio is a commonly used valuation method to value an assets-based company. Details of our findings on the Comparables are summarized in the table below:

Company name (stock code)	Principal activities	Closing price as at 30 December 2013, being the date of the Acquisition Agreement (HK\$) (Note 1)	Net assets value per share (HK\$) (Note 2)	P/B ratio (times)
Starlite Holdings Limited (403)	Printing and manufacturing of packaging materials, labels and paper products, including environmental friendly products	0.425	1.09	0.39
Climax International Company Limited (439)	Manufacturing and trading of packaging products and property investment	0.232	0.14	1.62
C Y Foundation Group Limited (1182)	Manufacturing and sale of packaging products, property investment and operating digital entertainment business	0.445	0.20	2.26
Cheong Ming Investments Limited (1196)	Manufacture and sale of paper cartons, packaging boxes, children's novelty books, hangtags, labels and shirt paper boards, plastic bags and commercial printing	0.46	0.83	0.55
Jin Bao Bao Holdings Limited (1239)	Design, manufacture and sale of packaging products and structural components	2.00	1.37	1.46
			Maximum	2.26
			Minimum	0.39
			Average	1.26
Hefei Rongfeng	Production and sales of EPS packaging products			0.93 (Note 3)

Source: the website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. The net assets value per share of the Comparables is calculated by dividing the consolidated net assets attributable to shareholders by the total number of shares in issue as shown from their respective latest annual/interim reports.
2. The P/B ratio of the Comparables is calculated based on their respective closing prices as quoted on the Stock Exchange on 30 December 2013, being the date of the Acquisition Agreement, and their respective net asset value per share.
3. The implied P/B ratio is calculated based on the Consideration divided by 35% of the net asset value of Hefei Rongfeng of RMB32,156,000 as at 31 December 2012 based on the unaudited management accounts of Hefei Rongfeng prepared in accordance with accounting principles generally accepted in Hong Kong. If the Valued Amount of the net assets value of Hefei Rongfeng as at 31 March 2013 of RMB29,788,200 is used instead, the implied P/B ratio would be approximately 1.00.

As shown in the above table, the implied P/B ratio as represented by the Consideration of approximately 0.93 time falls within the range of the P/B ratios of the Comparables from approximately 0.39 time to approximately 2.26 times and is lower than the average of the P/B ratios of the Comparables of approximately 1.26 time.

Having considered that (i) the Consideration equals to approximately 35% of the Valued Amount and the basis of the valuation of the net assets value of Hefei Rongfeng as at 31 March 2013 in the Valuation Report is fair and reasonable; and (ii) the implied P/B ratio as represented by the Consideration falls within the range of the P/B ratios of the Comparables and is lower than the average of the P/B ratios of the Comparables, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

3. Financial Effects of the Acquisition

Earnings

As Hefei Rongfeng is currently an indirect non-wholly-owned subsidiary of the Group, its assets, liabilities and financial results have already been consolidated into the financial statements of the Group. Upon completion of the Acquisition, the equity interest of the Group in Hefei Rongfeng will increase from 65% to 100%. Therefore, there will no longer be profit attributable to non-controlling interest in Hefei Rongfeng and any earnings or losses attributable to owners of the Company is expected to increase after taking into account the increase in shareholding of Hefei Rongfeng upon completion of the Acquisition.

Net Assets Value

As mentioned above, the assets and liabilities of Hefei Rongfeng have already been consolidated into the financial statements of the Group. Therefore, the Acquisition is expected to have no material impact on the net assets value of the Group. However, the non-controlling interests of the Group attributable to the Vendor will be eliminated given that the Vendor will cease to be a shareholder of Hefei Rongfeng and Hefei Rongfeng will become an indirect wholly-owned subsidiary of the Company upon completion of the Acquisition.

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Working capital

According to the 2013 interim report of the Company, the Group had net current assets of approximately HK\$100.0 million as at 30 June 2013. The net current assets of the Group will be decreased by the payment of the Consideration of RMB10,425,900 (equivalent to approximately HK\$13,345,152) upon completion of the Acquisition.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Acquisition.

RECOMMENDATION

Having considered the above mentioned principal factors and reasons, we consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Kinson Li
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares in the Company

Name of director	Capacity	Number of Shares (Note 1)	Percentage of the issued share capital of the Company
Mr. Chao Pang Fei	Interest of controlled corporation	690,396,020 (Note 2)(L)	55.39
Mr. Chao Pang Fei	Beneficial interest	39,670,000(L)	3.18
Mr. Wang Yi	Beneficial interest	3,550,000(L)	0.28
Ms. Hui Hongyan	Beneficial interest	4,672,000(L)	0.37

Notes

- The letter "L" represents the person's interests in Shares or underlying Shares.
- All the shares are legally owned by Haijing Holdings, a company wholly owned by Mr. Chao Pang Fei. By virtue of his 100% shareholding interest in Haijing Holdings, Mr. Chao Pang Fei is taken to be interested in all the Shares held by Haijing Holdings pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in Listing Rules, to be notified to the Company and the Stock Exchange.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDER

(a) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the persons (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital are set out below:

Long positions in the Shares in the Company

Name of shareholder	Nature of interests	Number of Shares held	Approximate percentage of issued share capital
Haijing Holdings (Note 1)	Beneficial owner	690,396,020 (Note 1)	55.39
Ms. Sam Mei Wa	Interest of spouse	730,066,020 (Note 2)	58.57

Notes:

- Haijing Holdings is a company wholly owned by Mr. Chao Pang Fei.
- Ms. Sam Mei Wa is the spouse of Mr. Chao Pang Fei, hence Ms. Sam Mei Wa is taken to be interested in all the Shares held or deemed to be held by Mr. Chao Pang Fei pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly,

interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital.

4. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE AGREEMENT

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or terminable by the employer within one year, without payment of compensation (other than statutory compensation) between any of the Directors with any member of the Group.

6. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinion or advice which are contained in this circular:

Name	Qualification
Messis Capital Limited	A licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO

Messis Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears. As at the Latest Practicable Date, MESSIS Capital

- (a) did not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, there were no litigations or claims of material importance pending or threatened against any member of the Group which was known to the Directors.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest audited consolidated financial statements of the Group were made up.

9. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, management shareholders and their respective associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Room 2412, 24th floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong from the date of this circular up to and including 17 January 2014.

- (a) the Acquisition Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 9 to 10 of this circular;
- (c) the letter of advice from Messis Capital, the text of which is set out on pages 11 to 19 of this circular;
- (d) the written consent from Messis Capital referred to in the paragraph headed "Expert and consent" in this appendix; and

11. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.