

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

A copy of this prospectus, together with the copies of the documents specified in the paragraph headed "Documents registered by the Registrar of Companies in Hong Kong and filed with the Registrar of Companies in Bermuda", have been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance in Hong Kong and a copy of this prospectus has been or will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda. The Registrar of Companies in Hong Kong, the Securities and Futures Commission in Hong Kong, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority take no responsibility as to the contents of any of these documents.

Dealings in the shares in Pacific Plywood Holdings Limited may be settled through the Central Clearing and Settlement System ("CCASS") and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as 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.



PACIFIC PLYWOOD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 767)

**OPEN OFFER OF 558,089,724 OFFER SHARES
AT HK\$0.025 PER OFFER SHARE ON THE BASIS OF
ONE OFFER SHARE FOR EVERY
SHARE HELD ON THE RECORD DATE**

Financial adviser to the Company

VINCO 

Grand Vinco Capital Limited

Underwriters

VINCO 

Grand Vinco Capital Limited

CASH 

Celestial Securities Limited

Dr. Budiono Widodo

The latest time for acceptance and payment for the Offer Shares is 4:00 p.m. on Tuesday, 15 August 2006. The procedures for acceptance are set out on pages 21 to 22 of this prospectus.

Shareholders should note that the Underwriting Agreement contains provisions entitling the Underwriters, by notice in writing, to terminate their obligations thereunder without liability to the Company if at any time prior to the Latest Time for Termination: (a) the success of the Open Offer would be materially and adversely affected by the development, occurrence or enforcement of: (i) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Underwriters has or is likely to have a material adverse effect on the financial position of the Company; or (ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Underwriters is or would be materially adverse to the success of the Open Offer; or (iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Underwriters is or would be materially adverse to the success of the Open Offer; or makes it impracticable or inadvisable or inexpedient to proceed therewith; or (iv) any suspension of dealings in the Shares for any period longer than five consecutive Business Days after the date of the Underwriting Agreement (other than as a result of the Capital Reorganization and the Open Offer); or (v) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to Latest Time for Termination; or (b) any breach of any of the warranties by the Company pursuant to the Underwriting Agreement comes to the knowledge of the Underwriters; or (c) any event occurs or any matter arises on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date thereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect in such a manner as would in the absolute opinion of the Underwriters materially and adversely affect the financial position or business of the Company; or (d) there is any such adverse change in the general affairs, management, investments, stockholders' equity or in the financial or trading position of the Company which in the absolute opinion of the Underwriters is materially adverse to the success of the Open Offer.

It should be noted that Shares have been dealt in on ex-entitlement basis as from Friday, 21 July 2006. If the Underwriters terminate the Underwriting Agreement, the Open Offer will not proceed. Any person contemplating buying or selling of the Shares from now up to the date on which all conditions of the Open Offer are fulfilled (which is expected to be 18 August 2006) will bear the risk that the Open Offer may not become unconditional and may not proceed. Any such person who is in any doubt about his position is recommended to consult his professional adviser.

31 July 2006

TERMINATION OF UNDERWRITING AGREEMENT

Shareholders should note that the Underwriting Agreement contains provisions entitling the Underwriters, by notice in writing, to terminate their obligations thereunder without liability to the Company if at any time prior to the Latest Time for Termination:

- a) the success of the Open Offer would be materially and adversely affected by the development, occurrence or enforcement of:
 - i) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Underwriters has or is likely to have a material adverse effect on the financial position of the Company; or
 - ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Underwriters is or would be materially adverse to the success of the Open Offer; or
 - iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Underwriters is or would be materially adverse to the success of the Open Offer; or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
 - iv) any suspension of dealings in the Shares for any period longer than five consecutive Business Days after the date of the Underwriting Agreement (other than as a result of the Capital Reorganization and the Open Offer); or
 - v) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- b) any breach of any of the warranties by the Company pursuant to the Underwriting Agreement comes to the knowledge of the Underwriters; or
- c) any event occurs or any matter arises on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date thereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect in such a manner as would in the absolute opinion of the Underwriters materially and adversely affect the financial position or business of the Company; or
- d) there is any such adverse change in the general affairs, management, investments, stockholders' equity or in the financial or trading position of the Company which in the absolute opinion of the Underwriters is materially adverse to the success of the Open Offer.

CONTENTS

	<i>Page</i>
Definitions	1
Expected Timetable	6
Letter from the Board	8
Appendix I – Financial Information	23
Appendix II – General Information	71

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 18 May 2006 relating to, amongst other things, the proposed Capital Reorganization, the change in board lot size and the Open Offer
“associates”	has the meaning ascribed thereto in the Listing Rules
“Assured Allotment Letter(s)”	the assured allotment letter(s) to be used in connection with the Open Offer
“BMA”	the Bermuda Monetary Authority
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for business in Hong Kong throughout their normal business hours (excluding Saturday and Sunday)
“Bye-laws”	the bye-laws of the Company in force from time to time
“Celestial”	Celestial Securities Limited being one of the Underwriters, which is a licensed corporation to carry out, among others, type 1 regulated activities (dealing in securities) under the Securities and Futures Ordinance
“Capital Reorganization”	the capital reorganization of the Company which became effective on 20 July 2006, details of which are set out in the circular of the Company dated 23 June 2006
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“Companies Act”	the Companies Act of 1981 of Bermuda, as amended from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

DEFINITIONS

“Company”	Pacific Plywood Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Widodo”	Dr. Budiono Widodo, the Chairman and an Executive Director of the Company, who, at the Latest Practicable Date, owns approximately 39.82% interest in the issued share capital of SMI and approximately 4.45% interest in the issued share capital of the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making relevant enquiry as required under the Listing Rules, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Grand Vinco”	Grand Vinco Capital Limited being one of the Underwriters, which is a licensed corporation to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	Shareholders other than Dr. Widodo, SMI and their associates
“Last Trading Day”	Tuesday, 16 May 2006, the last day on which the Shares were traded immediately preceding the publication of the Announcement

DEFINITIONS

“Latest Practicable Date”	26 July 2006, being the latest practicable date for ascertaining certain information for inclusion in this prospectus
“Latest Time for Acceptance”	4:00 p.m. on 15 August 2006 or such later date as may be agreed by the Company and the Underwriters
“Latest Time for Termination”	4:00 p.m. on 18 August 2006, being the third Business Day after the Latest Time for Acceptance
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Offer Shares”	558,089,724 Shares to be issued under the Open Offer
“Open Offer”	The proposed issue of the Offer Shares on the basis of one Offer Share for every Share held on the Record Date at the Subscription Price
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
“Prospectus Documents”	this prospectus and the Assured Allotment Letter
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 31 July 2006, the date by reference to which entitlements under the Open Offer will be determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch registrar of the Company in Hong Kong
“Settlement Date”	Monday, 21 August 2006, being the fourth Business Day after the Latest Time for Acceptance of the Offer Shares
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened and held on 19 July 2006 for the approving, amongst other things, the Capital Reorganization and the Open Offer

DEFINITIONS

“Share(s)”	share(s) of HK\$0.025 each in the share capital of the Company
“Share Option(s)”	the share option(s) granted under any of the Share Option Schemes
“Share Option Schemes”	the two share option schemes adopted by the Company respectively on 17 October 1995 and 21 June 2002
“Shareholder(s)”	holder(s) of the share(s) (before or after the Capital Reorganization) of the Company
“Shortfall Underwritten Shares”	any Underwritten Shares not accepted by Shareholders or for which duly completed Assured Allotment Letters (accompanied by cheques or banker’s cashier orders for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before the Latest Time for Acceptance of the Offer Shares
“SMI”	SMI International Limited which is owned by Dr. Widodo as to approximately 39.82% in its issued share capital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.025 per Offer Share pursuant to the Open Offer
“Underwriters”	Dr. Widodo, Grand Vinco and Celestial
“Underwriting Agreement”	the agreement dated 16 May 2006 between the Company and the Underwriters relating to the underwriting in respect of the Open Offer
“Underwritten Shares”	533,262,124 Offer Shares, being all Offer Shares after deducting the Offer Shares allotted to Dr. Widodo on an assured basis which have been undertaken to be accepted by him
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“%” per cent

Note: For the purpose of this prospectus, all amounts in US\$ have been converted into HK\$ at an exchange rate of US\$1.00 = HK\$7.8 unless otherwise stated.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Open Offer. The timetable below is subject to change, and any such change will be published by way of public announcement. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a “black” rainstorm warning signal in force between 9:00 a.m. and 4:00 p.m. on the relevant dates, the relevant dates will be adjourned to the next Business Day which does not have either of these warnings in force in Hong Kong.

2006

Last day of dealings in the Shares on a cum-entitlement basis	Thursday, 20 July
First day of dealings in the Shares on an ex-entitlement basis	Friday, 21 July
Latest time for lodging transfer of Shares for entitlement to the Open Offer	4:00 p.m. on Monday, 24 July
Book closure period (both days inclusive)	Tuesday, 25 July to Monday, 31 July
Record Date	Monday, 31 July
Despatch of Prospectus Documents	Monday, 31 July
Register of members re-opens	Tuesday, 1 August
Latest time for payment for and acceptance of the Offer Shares	4:00 p.m. on Tuesday, 15 August
Open Offer becomes unconditional	4:00 p.m. on Friday, 18 August
Announcement on results of the Open Offer appears on newspaper	Tuesday, 22 August
Despatch of share certificates for Offer Shares	Wednesday, 23 August
Dealings in Offer Shares expected to commence	Friday, 25 August

Note: All times refer to Hong Kong local times.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OPEN OFFER

The latest time for acceptance of and payment for the Open Offer will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 15 August 2006. Instead the latest time of acceptance of and payment for the Open Offer will be extended to 5:00 p.m. on the same Business Day;
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 15 August 2006. Instead the latest time of acceptance of and payment for the Open Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Open Offer does not take place on 15 August 2006, the dates mentioned in the section headed “Expected timetable” in this prospectus may be affected. A press announcement will be made by the Company in such event.

LETTER FROM THE BOARD



PACIFIC PLYWOOD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 767)

Executive Directors

Budiono Widodo (*Chairman*)

Sardjono Widodo

Liao Yun Kuang

Yu Chien Te

Registered Office

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Non-executive Directors

Chen Chung I

Kusnadi Pipin

Sudjono Halim

Principal place of business

Room 1802

88 Gloucester Road

Wanchai

Hong Kong

Independent Non-executive Directors

Marzuki Usman

Kusnadi Widjaja

Ngai Kwok Chuen

31 July 2006

To the Shareholders

Dear Sir or Madam,

**OPEN OFFER OF 558,089,724 OFFER SHARES
AT HK\$0.025 PER OFFER SHARE ON THE BASIS OF
ONE OFFER SHARE FOR EVERY
SHARE HELD ON THE RECORD DATE**

INTRODUCTION

The Company announced on 18 May 2006 that the Company proposed to raise approximately HK\$13.9 million before expenses by issuing 558,089,724 Offer Shares at a price of HK\$0.025 per Offer Share by way of an Open Offer, payable in full on application, on the basis of one Offer Share for every Share held by the Qualifying Shareholders on the Record Date.

LETTER FROM THE BOARD

At the SGM, resolutions approving, *inter alia*, the Capital Reorganization and the Open Offer (and the absence of a facility for excess application under the Open Offer) were duly approved by the Shareholders and the Independent Shareholders (as the case may be). The Capital Reorganization became effective on 20 July 2006.

This prospectus sets out further information regarding the Open Offer, including information on acceptance of Offer Shares, financial and other information of the Group.

OPEN OFFER

Details of the Open Offer are set out below:–

Issue Statistics

Basis of Open Offer:	One Offer Share for every Share held by the Qualifying Shareholders on the Record Date on an assured basis. No Offer Shares will be allotted to the Qualifying Shareholders in excess of their provisional allotments.
Number of Shares in issue:	558,089,724 Shares as at the Latest Practical Date.
Number of Offer Shares:	558,089,724 Offer Shares
Subscription price:	HK\$0.025 per Offer Share
Number of Offer Shares undertaken to be taken up by Dr. Widodo:	24,827,600 Offer Shares
Underwritten Shares:	533,262,124 Offer Shares

Qualifying Shareholders will be assured of receiving the number of Offer Shares accepted if acceptance is made for a number of Offer Shares equal to or less than the number in their provisional allotments.

The Open Offer is conditional on the Underwriting Agreement becoming unconditional and the Underwriters not terminating the Underwriting Agreement by the Latest Time for Termination in accordance with its terms, details of which are set out in the sections headed “Termination of the Underwriting Agreement and force majeure” and “Conditions of the Underwriting Agreement” below. Accordingly, the Open Offer may or may not proceed.

Dr. Widodo has given an undertaking to accept all the 24,827,600 Offer Shares to be provisionally allotted to him pursuant to the Open Offer.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the number of underlying Shares of Share Options is 14,530,000 Shares. All the holders of the Share Options have undertaken to the Company that they will not exercise any subscription rights attached to the Share Options during the period from 18 May 2006 (date of the Announcement) up to and including the Record Date. Save for the Share Options, the Company has no other derivatives, options, warrants and conversion rights which are convertible into Shares.

Subscription price for the Offer Shares

Subscription Price of HK\$0.025 per Offer Share will be payable in full when a Qualifying Shareholder accepts the Offer Shares, which represents:

- (a) a discount of approximately 89.13% to the closing price of HK\$0.23 per Share based on the closing price of HK\$0.023 per share of the Company (before the Capital Reorganization) as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 90.12% to the average closing price of approximately HK\$0.253 per Share based on the average closing price of HK\$0.0253 per share of the Company (before the Capital Reorganization) for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (c) a discount of approximately 80.39% to the theoretical ex-entitlement price of HK\$0.1275 per Share based on the closing price of HK\$0.023 per share of the Company (before the Capital Reorganization) as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 92.33% to the audited consolidated net asset value of approximately HK\$0.326 per Share based on the audited consolidated net asset value of approximately HK\$0.033 per share of the Company (before the Capital Reorganization) as at 31 December 2005; and
- (e) a discount of approximately 81.06% to the closing price of HK\$0.132 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was agreed after arm's length negotiations among the Company and the Underwriters with reference to the prevailing market condition, market price of the Shares and the liquidity of the Shares. The Directors consider that the Subscription Price and the discounts for the Subscription Price are fair and reasonable, and that the discounts would be able to encourage the Shareholders to participate in the Open Offer.

LETTER FROM THE BOARD

The Company intended to raise funds for the operation after suffering losses for many years but did not intend to create great burden to the existing shareholders. Therefore, the Subscription Price was set to be low to induce the existing shareholders to participate in the Open Offer.

In view of the substantial discount represented by the Subscription Price to the market price per Share, the Directors believed that there would be a high level of acceptance of the Offer Shares by the Qualifying Shareholders and therefore there would not be any significant number of Offer Shares available for excess application. Also, given the dreadful financial position of the Group, the Company would like to save costs incurred from the administrative procedures for implementing the arrangement for excess application for the Open Offer.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be an Excluded Shareholder.

The Prospectus Documents have not been registered under the applicable securities legislation of any jurisdictions other than Hong Kong. A copy of this prospectus has been or will, as soon as reasonably practicable, be filed with the Registrar of the Companies in Bermuda.

Rights of Overseas Shareholders

Based on the register of members as at the Latest Practicable Date, the Directors noted that three Shareholders have maintained addresses located in three places outside Hong Kong in the Company's register of members, namely, the British Virgin Islands, Macau and Singapore. These Overseas Shareholders may be governed by legislations similar to Hong Kong which require registration of the Prospectus Documents.

The Directors have made enquires in accordance with Rule 13.36(2)(a) of the Listing Rules regarding the legal restrictions under the laws of the relevant place, the requirements of the relevant regulatory body or stock exchange and the cost to be incurred if the Offer Shares are to be offered to the Overseas Shareholders. They have been informed that there are no restrictions to extend the Open Offer to those Overseas Shareholders whose registered addresses are in the British Virgin Islands, Macau and Singapore. Accordingly, the Open Offer will be extended to such Overseas Shareholders.

LETTER FROM THE BOARD

Fractions of Offer Shares

Given the Open Offer is on the basis of one Offer Share for every New Share held by Qualifying Shareholders on the Record Date, there will be no fractions of Offer Shares.

No trading in nil-paid allotments and application for excess Offer Shares

Under the Open Offer, there will not be trading in nil-paid allotments of Offer Shares and there will be no arrangements for application for excess Offer Shares by Qualifying Shareholders. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriters pursuant to the Underwriting Agreement at the Subscription Price, which is at a discount to the prevailing market price of the Shares. As a result, the interest of these Qualifying Shareholders not taking up the Offer Shares in the Company will be diluted.

In view of the current market price of the Shares, the Directors consider that trading in nil-paid Offer Shares and excess application may lead to higher issue costs and higher transaction costs to the Shareholders which would not be in the interests of the Shareholders. In the circumstances and given that new capital fund by way of the Open Offer enables the existing Shareholders (except Excluded Shareholders due to the legal concerns explained above) to maintain their relative percentage interests in the Company among themselves, in the same way as a rights issue but in contrast with for example, a private placement of Shares which will result in dilution of existing Shareholders' interests in the Company, the Directors have decided to proceed with the Open Offer. In addition, as the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Open Offer.

Status of the Offer Shares

When fully paid, issued and allotted, the Offer Shares will rank *pari passu* in all respects with the then issued Shares. Holders of the fully paid Offer Shares will be entitled to receive all future dividends and distributions declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Share Certificates

Subject to the fulfillment of the conditions of the Open Offer, certificates for all the fully-paid Offer Shares are expected to be posted on or before Wednesday, 23 August 2006 to those who have accepted and paid in full for the Offer Shares at their own risk.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENTS

Undertaking from Dr. Widodo

As at the Latest Practicable Date, Dr. Widodo has the following interest in the Shares:

	Number of Shares	% of the issued share capital of the Company
Personal interest	24,827,600	4.45%
Corporate interest through SMI International Limited (<i>Note</i>)	197,472,000	35.38%

Note: Dr. Widodo owns approximately 39.82% in the issued share capital of SMI International Limited ("SMI").

Pursuant to the Undertaking Agreement, Dr. Widodo has given an undertaking to accept all the 24,827,600 Offer Shares to be provisionally allotted to him pursuant to the Open Offer. Assuming all the Offer Shares subject to the above undertakings have been fully allotted and issued to Dr. Widodo, his total shareholdings in personal capacity after the Open Offer would amount to 49,655,200 Shares representing approximately 4.45% of the total issued share capital of the Company as enlarged by the Open Offer. As at the Latest Practicable Date, SMI has not indicated whether it would accept its provisional allotted Offer Shares. Dr. Widodo, as one of the Underwriters, has agreed to underwrite the entitlement of SMI to the 197,472,000 Offer Shares.

Underwriting Agreement

Date: 16 May 2006

Underwriters: Dr. Widodo, a substantial shareholder of the Company whose ordinary course of business does not include underwriting

Grand Vinco, a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company

Celestial, a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company

LETTER FROM THE BOARD

Number of Offer Shares underwritten or undertaken to be accepted:	Offer Shares	As % of total Shares expected to be in issue
Offer Shares undertaken to be accepted by Dr. Widodo	24,827,600	2.22%
Underwritten Shares		
Dr. Widodo (<i>Note</i>)	197,472,000	17.70%
Grand Vinco	167,895,062	15.04%
Celestial	<u>167,895,062</u>	<u>15.04%</u>
	<u>533,262,124</u>	<u>47.78%</u>
	<u><u>558,089,724</u></u>	<u><u>50.00%</u></u>

Commission: 2.5% of the aggregate Subscription Price in respect of the actual number of the Offer Shares underwritten by the Underwriters and is expected to be approximately HK\$333,000.

Note: The Offer Shares underwritten by Dr. Widodo only apply to the entitlement of SMI to the Offer Shares.

Pursuant to the Underwriting Agreement, the Underwriters agree to subscribe for or procure subscribers to subscribe for any Shortfall Underwritten Shares. Each of the Underwriters shall use its reasonable endeavours to ensure that the subscribers procured by it for the Shortfall Underwritten Shares shall be third parties who (i) are not connected persons (as defined in the Listing Rules) of the Company; and (ii) are not acting in concert with any connected persons (as defined in the Listing Rules) of the Company and their respective associates.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement and force majeure

The Underwriting Agreement contains provisions entitling each of the Underwriters, by notice in writing, to terminate its obligations thereunder if at any time prior to the Latest Time for Termination:

- (a) the success of the Open Offer would be materially and adversely affected by the development, occurrence or enforcement of:
 - (i) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the financial position of the Group as a whole; or
 - (ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer; or
 - (iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer; or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
 - (iv) any suspension of dealings in the Shares for any period longer than five consecutive Business Days after the date of the Underwriting Agreement (other than as a result of the Capital Reorganization and the Open Offer); or
 - (v) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to Latest Time for Termination; or
- (b) any breach of any of the warranties by the Company pursuant to the Underwriting Agreement comes to the knowledge of the Underwriters; or
- (c) any event occurs or any matter arises on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date thereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect in such a manner as would in the absolute opinion of the Underwriters materially and adversely affect the financial position or business of the Group as a whole; or

LETTER FROM THE BOARD

- (d) there is any such adverse change in the general affairs, management, business, stockholders' equity or in the financial or trading position of the Group as a whole which in the absolute opinion of the Underwriters is materially adverse to the success of the Open Offer; or
- (e) there is any change in the composition of the Board which in the absolute opinion of the Underwriters may affect the management and general affairs of the Company;

In any of such cases, the Underwriters may terminate the Underwriting Agreement without liability to the Company by giving notice in writing to the Company, served prior to the Latest Time for Termination.

CONDITIONS OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement is conditional, amongst other things, on:

- (i) the passing by the Shareholders or Independent Shareholders (as the case may be) at the SGM of:-
 - (1) a special resolution to approve the Capital Reorganization; and
 - (2) an ordinary resolution to approve the Open Offer;
- (ii) the Capital Reorganization having become effective;
- (iii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant in principle (subject to allotment of Offer Shares) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares by no later than the date when the prospectus is posted;
- (v) compliance with the requirements under the applicable laws and regulations of Hong Kong and Bermuda;
- (vi) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- (vii) trading of Shares on the Stock Exchange not being suspended for more than five (5) consecutive Business Days at any time prior to the Latest Time for Acceptance (excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Capital Reorganization and the Open Offer); and

LETTER FROM THE BOARD

(viii) the performance in full by Dr. Widodo of his undertaking in respect of taking up his entitlements to Offer Shares in full.

As at the Latest Practicable Date, conditions (i) and (ii) have been fulfilled. Save for conditions (vi) and (vii) above, none of the above conditions can be waived. If the conditions referred to above are not satisfied and/or waived in whole or in part by the Underwriter by 4:00 p.m. on the Latest Time for Acceptance of the Offer Shares, the Underwriting Agreement shall terminate and the Open Offer will not proceed. In case the Open Offer does not proceed, the Company will not be liable for the underwriting commission of the Underwritten Shares. However, the Company will still be liable to any costs and expenses of the legal and other professional advisers incurred in relation to the Open Offer.

SHAREHOLDING IN THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and upon completion of the Open Offer, on the basis that no option issued under the Share Option Scheme will be exercised before Record Date, and assuming different levels of acceptance of the Offer Shares by SMI and the other Shareholders on or before the Record Date:

(a) Assuming that SMI has not accepted any of its entitled Offer Shares

	Existing shareholding as at the Latest Practicable Date		Shareholding upon completion of the Open Offer assuming subscription by the Shareholders of Open Offer			
	Shares	(%)	0% (Note 1)		100% (Note 2)	
			Shares	(%)	Shares	(%)
Dr. Widodo	24,827,600	4.45	247,127,200	22.14	247,127,200 (Note 5)	22.14
SMI (Note 3)	197,472,000	35.38	197,472,000	17.69	197,472,000	17.69
Grand Vinco (Note 4)	-	-	167,895,062	15.04	-	-
Celestial (Note 4)	-	-	167,895,062	15.04	-	-
Other public Shareholders	335,790,124	60.17	335,790,124	30.09	671,580,248	60.17
Total	558,089,724	100.00	1,116,179,448	100.00	1,116,179,448	100.00

Notes:

- Assuming that no Qualifying Shareholders (other than Dr. Widodo) will take up their provisional entitlements under the Open Offer and all the Underwritten Shares (other than those entitled by SMI which will be taken up by Dr. Widodo) will be taken up by the Underwriters.

LETTER FROM THE BOARD

2. Assuming that all Qualifying Shareholders will take up their provisional entitlements under the Open Offer (except that the entitlement of SMI will be taken up by Dr. Widodo).
3. SMI is owned by Dr. Widodo as to approximately 39.82%.
4. Pursuant to the Underwriting Agreement, each of the Underwriters undertook to the Company that it shall use its reasonable endeavours to ensure that the subscribers procured by it for the Shortfall Underwritten Shares shall be third parties who (i) are not connected persons of the Company; and (ii) are not acting in concert with any connected persons of the Company and their respective associates.
5. Dr. Widodo has undertaken to the Company that he will take up in full his entitlement of Offer Shares under the Open Offer. Number of Shares comprises shares after Capital Reorganization, shares upon completion of Open Offer and shares owned by SMI.

(b) Assuming that SMI has accepted all of its entitled Offer Shares

	Existing shareholding as at the Latest Practicable Date		Shareholding upon completion of the Open Offer assuming subscription by the Shareholders of Open Offer			
	Shares	(%)	0% (Note 1)		100% (Note 2)	
			Shares	(%)	Shares	(%)
Dr. Widodo (Note 3)	24,827,600	4.45	49,655,200	4.45	49,655,200 (Note 5)	4.45
SMI (Note 3)	197,472,000	35.38	394,944,000	35.38	394,944,000	35.38
Grand Vinco (Note 4)	-	-	167,895,062	15.04	-	-
Celestial (Note 4)	-	-	167,895,062	15.04	-	-
Other public Shareholders	335,790,124	60.17	335,790,124	30.09	671,580,248	60.17
Total	558,089,724	100.00	1,116,179,448	100.00	1,116,179,448	100.00

Notes:

1. Assuming that no Qualifying Shareholders (other than Dr. Widodo) will take up their provisional entitlements under the Open Offer and all the Underwritten Shares (other than those entitled by SMI which will be taken up by Dr. Widodo) will be taken up by the Underwriters.
2. Assuming that all Qualifying Shareholders will take up their provisional entitlements under the Open Offer.
3. SMI is owned by Dr. Widodo as to approximately 39.82%.
4. Pursuant to the Underwriting Agreement, each of the Underwriters undertook to the Company that it shall use its reasonable endeavours to ensure that the subscribers procured by it for the Shortfall Underwritten Shares shall be third parties who (i) are not connected persons of the Company; and (ii) are not acting in concert with any connected persons of the Company and their respective associates.

LETTER FROM THE BOARD

5. Dr. Widodo has undertaken to the Company that he will take up in full his entitlement of Offer Shares under the Open Offer. Number of Shares comprises shares after Capital Reorganization, shares upon completion of Open Offer and shares owned by SMI.

WARNING OF THE RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in Shares and consult their professional advisers if they are in any doubt about their positions.

Shareholders should note that trading of Shares on ex-entitlement basis has commenced on Friday, 21 July 2006. Any person contemplated buying or selling of the Shares from now up to the date on which all conditions of Open Offer are fulfilled will bear the risk that Open Offer may not become unconditional and may not proceed. Investors should seek professional advice regarding dealing in Shares if they are in any doubt.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The estimated net proceeds of the Open Offer will be approximately HK\$12.4 million, which will be used for general working capital of the Company and the repayment of part of the Group's bank loans during year 2006. The Directors consider that to strengthen the working capital of the Group would be desirable as there was only little net cash inflow during the year ended 31 December 2005 but the Group has to repay part of its bank loans during the year 2006. The Directors consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

The Company had not conducted any fund raising activities in the past 12 months immediately before 18 May 2006, being the date of the Announcement. The Directors have considered other alternative fund raising methods such as issue of new shares and bank borrowings and consider that Open Offer has the benefits of allowing Qualifying Shareholders to maintain their respective pro rata shareholdings if they take up their entitled Offer Shares and participate in the future growth of the Group. Furthermore, the Directors have also considered to issue right issues, however, the Directors were of the opinion that right issues may not benefit the Shareholders because that higher cost of issuing and also higher transaction costs if the Shareholders wish to trade the nil-paid rights.

BUSINESS REVIEW AND PROSPECTS

Last year was a testing year for the plywood industry in the face of rising costs and pricing pressures. This was caused primarily by the unfavorable pricing experienced in the second half of last year as a result of shrunken demand due to inventory built-up from the second half of 2004 in anticipation of log and lumber prices escalation, the weakening Yen and impact of increasing crude oil prices. This has caused the escalating costs of logs lumber and crude oil related services and materials to be out of skew with market pricing.

LETTER FROM THE BOARD

Since the beginning of this year market prices have gradually been catching up in reflecting the escalated logs, lumber and crude oil related services and materials prices, and with the continuous tightening and enforcement of harvesting and increasing exports restrictions by major logs and lumber supplier countries, the increasing global demand for plywood to support infrastructural and housing developments in high GDP growth countries like the PRC, India and the Middle-East is likely to sustain the pricing momentum. This has also caused traditional consuming markets like Japan, North America and Europe to go for competitive demand pricing.

During the first four months of this year the Company has been experiencing favourable market pricings for its products. During the said period prices are generally favourable as compared to the second half of last year and full year, but slightly lower than the first half of last year. In terms of volume it is slightly lower than the said three periods of last year, but the volume contribution rate is higher than the second half of last year but slightly below the first half of last year.

Going forward, we expect market conditions to further consolidate and rationalize the costs and pricing factors, increasing restrictions on exports of raw logs and lumber, inventories depletion and positive growth sentiments in the major economies in Asia (including India). These however may be dampened by the pace and sustainability of growth and recovery in the housing markets and consumerism in Japan, the US and Europe, the resilience in global trade in the face of unequal trading balances among the major trading economies, the inflationary factors in the PRC, the strength of the US dollar versus other major currencies, political stability in the Middle East, global crude oil supply and pricing, the rationalization of forestry management in logs and lumber producing and the demand of which by importing countries and the recent threats of upward trending in the U.S. Fed interest rates.

LISTING AND DEALINGS

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Offer Shares.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as 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.

Dealings in the Offer Shares is expected to commence on Friday, 25 August 2006 in board lot of 20,000 Shares, subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been granted by the BMA in respect of the issue of the Shares (which would include the Offer Shares) to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. In granting such permission the BMA accepts no responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed in the Prospectus Documents.

PROCEDURE FOR ACCEPTANCE

An Assured Allotment Letter is enclosed with this prospectus which entitles you to accept any number of Offer Shares provisionally allotted to you. Qualifying Shareholders should note that they may accept any number of Offer Shares but are assured of an allotment only up to the number set out in the Assured Allotment Letter. If you are a Qualifying Shareholder and you wish to accept your assured allotment of Offer Shares to which you are entitled as specified in the enclosed Assured Allotment Letter or you wish to accept any number less than your assured entitlement, you must complete, sign and lodge the Assured Allotment Letter in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of Offer Shares you have accepted with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Tuesday, 15 August 2006. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Pacific Plywood Holdings Limited – Open Offer Account" and crossed "Account Payee Only".

It should be noted that unless the Assured Allotment Letter, together with the appropriate remittance, has been lodged with the Registrar by not later than 4:00 p.m. on Tuesday, 15 August 2006, that assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated in accordance with its terms and conditions, the subscription monies will be refunded, without interest, by sending a cheque made out to the relevant Shareholders named on the Assured Allotment Letter (or in the case of joint Shareholders, to the first named Shareholder) and crossed "Account Payee Only", through ordinary post at the risk of the relevant Shareholder(s) to the address specified in the register of members of the Company on or before Tuesday, 22 August 2006.

The Assured Allotment Letter contains full information regarding the procedures to be followed if you wish to accept only part of your assured entitlements under the Open Offer.

LETTER FROM THE BOARD

All cheques or cashier's orders will be presented for payment upon receipt and all interest earned on such moneys (if any) will be retained for the benefit of the Company. Any Assured Allotment Letter in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

The Assured Allotment Letter is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any acceptance monies received.

GENERAL

Your attention is drawn to the information contained in the appendices to this prospectus.

By order of the Board
Pacific Plywood Holdings Limited
Sardjono Widodo
Managing Director

1. SHARE CAPITAL

(a) Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Open Offer are as follows:

As at the Latest Practicable Date

Authorised: HK\$

<u>8,000,000,000</u>	Shares	<u>200,000,000</u>
----------------------	--------	--------------------

Issued and fully paid:

<u>558,089,724</u>	Shares	<u>13,952,243</u>
--------------------	--------	-------------------

Upon completion of the Open Offer

Authorised: HK\$

<u>8,000,000,000</u>	Shares	<u>200,000,000</u>
----------------------	--------	--------------------

Issued and fully paid:

<u>558,089,724</u>	Shares	<u>13,952,243</u>
<u>558,089,724</u>	Offer Shares	<u>13,952,243</u>

<u>1,116,179,448</u>		<u>27,904,486</u>
----------------------	--	-------------------

All the Shares in issue and Offer Shares to be issued rank and will rank *pari passu* in all respects with each other including as regards to dividends, voting and return of capital.

The Company had not issued any Shares since 31 December 2005 and up to the Latest Practicable Date. The Shares are listed on the Stock Exchange.

No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

Dealings in the shares of the Company may be settled through CCASS and you should consult your stockbroker or other registered dealer of securities, bank manager, solicitors, professional accountant or other professional adviser for details of the settlement arrangement and how such arrangements may affect your rights and interest.

There are no arrangements under which future dividends will be waived or agreed to be waived.

(b) Share Option Schemes

As at the Latest Practicable Date, the number of underlying Shares of Share Options which have been granted under the Share Option Schemes is 14,530,000. All the holders of the Share Options have undertaken to the Company that they will not exercise any subscription rights attached to the Share Options during the period from 18 May 2006, being the date of the Announcement up to and including the Record Date. Save for the Share Options, the Company has no other derivatives, options, warrants and conversion rights which are convertible into Shares.

Details of outstanding Share Options are as follows:

Name of holders	Date of grant	Exercise Period	Exercise price per Share (HK\$)	Number of underlying Shares
Dr. Widodo	31/5/1996	1/12/1996 to 30/11/2006	2.60	8,800,000
Mr. Liao Yun Kuang	26/8/1999	14/3/2000 to 13/3/2010	1.29	4,080,000
Continuous contract employees	26/8/1999	14/3/2000 to 13/3/2010	1.29	1,650,000
				14,530,000

2. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following table summarises the results, assets and liabilities of the Group for the last three financial years ended 31 December, 2005, as extracted from the relevant published annual reports of the Company.

Consolidated Income Statements

	For the year ended 31 December		
	2005	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Turnover	<u>136,144</u>	<u>149,522</u>	<u>136,589</u>
Loss before income tax	(8,143)	(7,428)	(7,833)
Income tax expense	<u>239</u>	<u>2,929</u>	<u>(323)</u>
Loss before minority interests	(7,904)	(4,499)	(8,156)
Minority interests	<u>–</u>	<u>–</u>	<u>–</u>
Loss attributable to Shareholders	<u>(7,904)</u>	<u>(4,499)</u>	<u>(8,156)</u>

Consolidated Assets and Liabilities

	At 31 December		
	2005	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Total assets	127,871	146,396	155,881
Total liabilities	(104,552)	(115,236)	(120,289)
Minority interests	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>
Shareholders' funds	<u>22,319</u>	<u>30,160</u>	<u>34,592</u>

3. AUDITED FINANCIAL STATEMENTS

The following are the audited Consolidated Income Statement, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statements of the Group for the two years ended 31 December 2005 and 31 December 2004, and the audited Balance Sheet of the Company and the Group as at 31 December 2005 and 31 December 2004 and accompanying notes as extracted from the 2005 Annual Report of the Group. Reference to page numbers in the audited financial statements of the Company and the Group are to the page numbers of the 2005 Annual Report of the Company.

The report of the auditors on the Group's consolidated financial statements for the year ended 31 December 2005 has been modified to include the disclosure of a material uncertainty concerning going concern basis of accounting. Without qualifying their opinion, the auditors have drawn attention to Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the accounts have been prepared. As explained in Note 2 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support from the Group's bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. The consolidated financial statements do not include any adjustments that would result from the failure of such measures. Details of the circumstances relating to this material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern are described in Note 2 to the consolidated financial statements.

Balance Sheet*As at 31st December, 2005**(All amounts in United States dollar unless otherwise stated)*

		Group		Company	
		2005	2004	2005	2004
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
			Restate		
ASSETS					
Non-current assets					
Investments in subsidiaries	7	–	–	28,129	30,529
Property, plant and equipment	8	81,005	88,391	3	–
Leasehold land and land use rights	9	3,020	3,051	–	–
Deferred income tax assets	19	4,402	14,610	–	–
		<u>88,427</u>	<u>106,052</u>	<u>28,132</u>	<u>30,529</u>
Current assets					
Inventories	10	18,266	19,395	–	–
Trade receivables	11	14,737	13,714	–	–
Prepayments and other receivables	12	3,799	4,450	111	116
Cash and cash equivalents	30(f)	2,642	2,785	34	5
		<u>39,444</u>	<u>40,344</u>	<u>145</u>	<u>121</u>
Total assets		<u><u>127,871</u></u>	<u><u>146,396</u></u>	<u><u>28,277</u></u>	<u><u>30,650</u></u>
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	13	18,037	18,037	18,037	18,037
Other reserves	14	94,773	94,710	111,774	111,774
Accumulated losses		<u>(90,491)</u>	<u>(82,587)</u>	<u>(107,427)</u>	<u>(103,747)</u>
		22,319	30,160	22,384	26,064
Minority interests		<u>1,000</u>	<u>1,000</u>	–	–
Total equity		<u><u>23,319</u></u>	<u><u>31,160</u></u>	<u><u>22,384</u></u>	<u><u>26,064</u></u>

	<i>Note</i>	Group		Company	
		2005	2004	2005	2004
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
			Restate		
LIABILITIES					
Non-current liabilities					
Borrowings	15	57,078	60,870	-	-
Obligations under finance leases	16	62	64	-	-
Deferred income tax liabilities	19	14	10,487	-	-
		<u>57,154</u>	<u>71,421</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade payables	17	16,956	17,377	-	-
Accruals and other payables	18	8,084	10,212	5,893	4,586
Current income tax liabilities		1,884	1,884	-	-
Borrowings	15	20,474	14,342	-	-
		<u>47,398</u>	<u>43,815</u>	<u>5,893</u>	<u>4,586</u>
Total liabilities		<u>104,552</u>	<u>115,236</u>	<u>5,893</u>	<u>4,586</u>
Total equity and liabilities		<u>127,871</u>	<u>146,396</u>	<u>28,277</u>	<u>30,650</u>
Net current liabilities		<u>(7,954)</u>	<u>(3,471)</u>	<u>(5,748)</u>	<u>(4,465)</u>
Total assets less current liabilities		<u>80,473</u>	<u>102,581</u>	<u>22,384</u>	<u>26,064</u>

Consolidated Income Statement*For the year ended 31st December, 2005**(All amounts in United States dollar unless otherwise stated)*

	Note	Year ended 31st December	
		2005 \$'000	2004 \$'000
Sales	6	136,144	149,522
Cost of sales	21	<u>(116,054)</u>	<u>(123,108)</u>
Gross profit		20,090	26,414
Other gain-net	20	477	451
Distribution costs	21	(13,817)	(16,693)
Administrative expenses	21	(10,793)	(10,313)
Impairment of property, plant and equipment		<u>–</u>	<u>(3,894)</u>
Operating loss		(4,043)	(4,035)
Finance costs	23	<u>(4,100)</u>	<u>(3,393)</u>
Loss before income tax		(8,143)	(7,428)
Income tax expense	24	<u>239</u>	<u>2,929</u>
Loss attributable to shareholders	25	<u><u>(7,904)</u></u>	<u><u>(4,499)</u></u>
Loss per share – basic	26	<u><u>US(0.14) cents</u></u>	<u><u>US(0.08) cents</u></u>
Loss per share – diluted	26	<u><u>N/A</u></u>	<u><u>N/A</u></u>
Dividends		<u><u>–</u></u>	<u><u>–</u></u>

Consolidated Statement of Changes in Equity*For the year ended 31st December, 2005**(All amounts in United States dollar unless otherwise stated)*

	Note	Attributable to equity holders of the Company			Minority Interests \$'000	Total \$'000
		Share capital \$'000	Other reserves \$'000	Accumulated losses \$'000		
Balance at 1st January, 2004, as previously reported as equity		18,037	94,643	(78,088)	-	34,592
Balance at 1st January, 2004, as previously separately reported as minority interests		-	-	-	1,000	1,000
Balance at 1st January, 2004, as restated		18,037	94,643	(78,088)	1,000	35,592
Loss for the year		-	-	(4,499)	-	(4,499)
Currency translation differences	14(a)	-	67	-	-	67
Balance at 31st December, 2004		18,037	94,710	(82,587)	1,000	31,160
Balance at 1st January, 2005, as per above		18,037	94,710	(82,587)	1,000	31,160
Loss for the year		-	-	(7,904)	-	(7,904)
Currency translation differences	14(a)	-	63	-	-	63
Balance at 31st December, 2005		18,037	94,773	(90,491)	1,000	23,319

Consolidated Cash Flow Statement*For the year ended 31st December, 2005**(All amounts in United States dollar thousands unless otherwise stated)*

	<i>Note</i>	Year ended 31st December	
		2005	2004
		\$'000	\$'000
Cash generated from operating activities			
	27	3,594	9,404
Interest paid		(4,100)	(3,393)
Income tax paid		–	(16)
		<u> </u>	<u> </u>
<i>Net cash (used in)/generated from operating activities</i>		<u>(506)</u>	<u>5,995</u>
Cash flows from investing activities			
Interest received		17	6
Proceeds from disposals of property, plant and equipment		96	16
Acquisition of property, plant and equipment		(1,640)	(1,352)
		<u> </u>	<u> </u>
<i>Net cash used in investing activities</i>		<u>(1,527)</u>	<u>(1,330)</u>
Cash flows from financing activities			
Proceeds from borrowings		11,313	581
Repayments of borrowings		(8,941)	(4,332)
Repayment of principal portion of finance leases		(211)	(502)
		<u> </u>	<u> </u>
<i>Net cash generated from/(used in) financing activities</i>		<u>2,161</u>	<u>(4,253)</u>
Net increase in cash and cash equivalents		128	412
Cash and cash equivalents at beginning of the year		2,785	2,401
Effect of foreign exchange rate changes		(271)	(28)
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the year		<u><u>2,642</u></u>	<u><u>2,785</u></u>

Notes to the Consolidated Financial Statements

for the year ended 31st December, 2005

(All amounts in United States dollar unless otherwise stated)

1. GENERAL INFORMATION

Pacific Plywood Holdings Limited ("the Company") was incorporated in Bermuda on 9th May, 1994. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

The Company is an investment holding company. Its subsidiaries (together with the Company hereafter collectively referred to as "the Group") are principally engaged in the manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("the SEHK") since 20th November, 1995.

The Directors of the Company consider SMI International Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

These consolidated financial statements are presented in thousands of United States dollar ("\$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 7th April, 2006.

2. GOING CONCERN

For the year ended 31st December, 2005, the Group had reported losses attributable to shareholders of \$7,904,000 (2004 – \$4,499,000). As at 31st December, 2005, the Group had net current liabilities of \$7,954,000 (2004 – \$3,471,000) and outstanding bank loans of \$77,552,000 (2004 – \$75,212,000), of which \$20,474,000 (2004 – \$14,342,000) was due for repayment and renewal within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Subsequent to 31st December, 2005, the Group has successfully renewed some of its banking facilities of \$9,085,000 and obtained additional facilities of \$4,970,000 from its bankers.

The Group will maintain its strong business relationship with its bankers to gain their continuing support and is actively discussing with its bankers for the renewal of short term banking facilities when they fall due in 2006. The Directors are confident that the short term banking facilities will be renewed. With the ongoing support from its bankers and major customers, the Group should be able to generate sufficient cashflows from future operations to cover its operating costs and to meet its financing commitments. Therefore the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the twelve months from 31st December, 2005. The Directors are confident that the Group will continue to obtain the ongoing support from its bankers, and accordingly, the Directors are of the opinion that it is appropriate to prepare the accounts on a going concern basis. The accounts do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

– HKAS 1	Presentation of Financial Statements
– HKAS 2	Inventories
– HKAS 7	Cash Flow Statements
– HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
– HKAS 10	Events after the Balance Sheet Date
– HKAS 16	Property, Plant and Equipment
– HKAS 17	Leases
– HKAS 21	The Effects of Changes in Foreign Exchange Rates
– HKAS 23	Borrowing Costs
– HKAS 24	Related Party Disclosures
– HKAS 27	Consolidated and Separate Financial Statements
– HKAS 32	Financial Instruments: Disclosure and Presentation
– HKAS 33	Earnings per Share
– HKAS 36	Impairment of Assets
– HKAS 38	Intangible Assets
– HKAS 39	Financial Instruments: Recognition and Measurement
– HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
– HKAS-Int 12 Amendment	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
– HKAS-Int 15	Operating Leases – Incentives
– HKFRS 2	Share-based Payments

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 33, 36, 38 and HKAS-Ints 12 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 24, 27, 33, 36, 38 and HKAS-Ints 12 and 15 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land is expensed in the consolidated income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in the change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. The Group's discounted bills with recourse, which were previously treated as contingent liabilities, have been accounted for as collateralised bank advances prospectively on or after 1st January, 2005, as the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments (Note 3.12).

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

- HKAS 39 does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis; and
- HKFRS 2 only retrospective application for all equity instruments granted after 7th November, 2002 and not vested at 1st January, 2005

The adoption of revised HKAS 17 resulted in:

	2005 \$'000	2004 \$'000
Decrease in property, plant and equipment	(3,020)	(3,051)
Increase in leasehold land and land use rights	<u>3,020</u>	<u>3,051</u>

As the share options issued under the share option scheme adopted by the Company were all granted before 7th November, 2002, HKFRS 2 is not applicable to the share options outstanding as at 31st December, 2005 according to the transitional provisions of HKFRS 2.

Standards, interpretations and amendments to published standards that are not yet effective.

Certain new standards, amendments and interpretations to existing standards (collectively “New Standards”) have been published by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting periods beginning on or after 1st January, 2006 or later periods. The Group was not required to adopt these New Standards in the accounts for the year ended 31st December, 2005. The Group has already commenced an assessment of the impact of these New Standards but is not yet in a position to state whether these New Standards would have a significant impact on its results of operations and financial position.

- | | |
|---------------------------------------|---|
| – HKAS 19 (Amendment) | Employee Benefit ² |
| – HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intragroup Transactions ² |
| – HKAS 39 (Amendment) | The Fair Value Option ² |
| – HKAS 39 and HKFRS 4 (Amendment) | Financial Guarantee Contracts ² |
| – HKFRS 1 (Amendment) | First-time Adoption of Hong Kong Financial Reporting Standards ² |
| – HKFRS 7 | Financial Instruments: Disclosures ¹ |
| – A complementary Amendment to HKAS 1 | Presentation of Financial Statements – Capital disclosure ¹ |
| – HKFRS-Int 4 | Determining whether an Arrangement contains a Lease ² |

¹ Effective from 1st January, 2007

² Effective from 1st January, 2006

3.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

3.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting the Group has determined to report its primary segment information by geographical locations of assets and secondary segment by products. Details of the Group's segmental information are set out in Note 6 to the consolidated financial statements.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to property, plant and equipment.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives. The annual rates are as follows:

Buildings	2 – 10%
Leasehold improvements	Over the shorter of expected useful life and period of the lease
Plant and machinery	6 – 20%
Furniture, fittings and equipment	10 – 33%
Motor vehicles	12.5 – 20%
Jetty	2%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.6).

The gain or loss on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

3.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.7 Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.8 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.10 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.11 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.12 Employee benefits

(a) Pension obligations

Group companies operate a number of defined contribution plans, the assets of which are generally held in separate administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Details of the Group's employee retirement benefits are set out in Note 31.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to defined contribution pension plans are charged to the consolidated income statement in the period to which the contributions relate.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

However, as the share options issued under the share option scheme adopted by the Company were all granted before 7th November, 2002, HKFRS 2 is not applicable to the share options outstanding as at 31st December, 2005 according to the transitional provisions of HKFRS 2.

3.13 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(a) *Sales of goods*

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) *Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

3.15 Leases (as the lessee)

(a) *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated income statement on a straight-line basis over the period of the lease.

(b) *Finance lease*

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognized in the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including: foreign exchange risk and concentration of customers risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Major currencies of the Group include United States Dollars, Singapore Dollars, Malaysian Ringgits and Renminbi.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Due to the delink of Malaysian Ringgits and Renminbi with United States Dollars, the Group is expected to face with greater foreign currency exposure. Management will arrange the necessary hedging where costs and benefits are justified.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in the PRC, Malaysia is managed primarily through borrowings denominated in the relevant foreign currencies.

(ii) Concentration of customers risk

During the years ended 31st December, 2005 and 2004, the Group's sales to top 5 customers accounted for approximately 43.62% and 49.38%, respectively, of the total sales. The Group aims to maintain long-term relationship with reputable customers in the expansion of its business.

(b) Credit risk

The Group offers credit terms ranging from 30 to 180 days to its customers. The majority of the Group's sales are on letter of credit or documents against payment.

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

(c) Liquidity risk

Due to tight liquidity as a result of its unfavourable financial performance, the Group will maintain its strong business relationship with its bankers to gain their continuing support and is actively discussing with its bankers for committed credit facilities and the renewal of short term banking facilities when they fall due.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Going concern

The Group's management's assessment of the going concern assumption involves making a judgment, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain. Major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 2 to the consolidated financial statements.

(b) Useful lives of plant and machinery

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have an indication of impairment, in accordance with the accounting policy stated in Note 3.6. The recoverable amounts of property, plant and equipment have been determined with reference to independent valuations. These calculations and valuations require the use of judgment and estimates.

(d) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and bills receivable and other receivables. Provisions are applied to trade and bills receivable and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimate. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and bills receivable and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(e) Estimated write-down of inventories to net realizable value

The Group writes down inventories to net realizable value on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be fully realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of inventories in the year in which such estimate has been changed.

6. SEGMENT INFORMATION

Primary segment by geographical location of operations:

	The PRC \$'000	Hong Kong \$'000	2005		Elimination \$'000	Consolidated \$'000
			Singapore \$'000	Malaysia \$'000		
Sales						
- External	45,003	5,126	-	86,015	-	136,144
- Inter-segment	-	-	-	791	(791)	-
Total sales	<u>45,003</u>	<u>5,126</u>	<u>-</u>	<u>86,806</u>	<u>(791)</u>	<u>136,144</u>
Result						
Segment Result	(5,275)	136	(16)	2,392	-	(2,763)
Unallocated corporate expenses						<u>(1,280)</u>
Operating loss						(4,043)
Finance costs						(4,100)
Income Tax Expense						<u>239</u>
Loss attributable to shareholders						<u><u>(7,904)</u></u>
Assets						
Segment assets	39,787	747	9,210	73,614	-	123,358
Unallocated corporate assets						<u>4,513</u>
						<u><u>127,871</u></u>
Liabilities						
Segment liabilities	9,388	94	443	14,834	-	24,759
Unallocated corporate liabilities						<u>79,793</u>
						<u><u>104,552</u></u>
Other information						
Capital expenditures	516	-	5	1,198	-	1,719
Unallocated capital expenditures						<u>4</u>
						<u><u>1,723</u></u>
Depreciation	1,618	7	378	7,360	-	9,363
Amortization charge	-	-	-	31	-	31
Unallocated depreciation/amortization						<u>1</u>
						<u><u>9,395</u></u>

APPENDIX I

FINANCIAL INFORMATION

	2004					Consolidated \$'000
	The PRC \$'000	Hong Kong \$'000	Singapore \$'000	Malaysia \$'000	Elimination \$'000	
Sales						
- External	50,103	2,356	-	97,063	-	149,522
- Inter-segment	-	-	-	546	(546)	-
Total sales	<u>50,103</u>	<u>2,356</u>	<u>-</u>	<u>97,609</u>	<u>(546)</u>	<u>149,522</u>
Result						
Segment Result	(2,051)	(66)	47	3,031	-	961
Impairment of property, plant and equipment	-	-	-	(3,894)	-	(3,894)
Unallocated corporate expenses						<u>(1,102)</u>
Operating loss						(4,035)
Finance costs						(3,393)
Income Tax Expense						<u>2,929</u>
Loss attributable to shareholders						<u>(4,499)</u>
Assets						
Segment assets	42,448	400	9,727	79,116	-	131,691
Unallocated corporate assets						<u>14,705</u>
						<u>146,396</u>
Liabilities						
Segment liabilities	11,252	167	415	15,519	-	27,353
Unallocated corporate liabilities						<u>87,883</u>
						<u>115,236</u>
Other information						
Impairment losses recognised in the consolidated income statement	-	-	-	3,894	-	<u>3,894</u>
Capital expenditures	228	-	10	1,206	-	<u>1,444</u>
Depreciation	1,644	7	421	7,654	-	9,726
Amortization charge	-	-	-	32	-	<u>32</u>
						<u>9,758</u>

Secondary segment by products:

	2005				2004			
	Operating profit		Capital		Operating profit		Capital	
	Sales	(loss)	Assets	expenditures	Sales	(loss)	Assets	expenditures
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Flooring	24,053	642	13,380	233	36,945	(742)	21,043	327
Structural	31,693	(813)	29,714	259	33,115	790	28,341	192
Moisture resistant plywood	26,996	724	24,654	419	31,139	(118)	29,801	464
Jamb & mouldings	16,499	(673)	11,366	98	21,295	425	14,582	103
Weather and boil proof plywood	32,976	917	26,237	458	25,649	(29)	20,874	325
Veneer	2,566	68	10	-	772	(22)	866	13
Others	1,361	(58)	689	8	607	27	985	10
Unallocated	-	(4,850)	21,821	248	-	(4,366)	29,904	10
Total	<u>136,144</u>	<u>(4,043)</u>	<u>127,871</u>	<u>1,723</u>	<u>149,522</u>	<u>(4,035)</u>	<u>146,396</u>	<u>1,444</u>

7. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2005	2004
	\$'000	\$'000
Unlisted shares, at cost	30,529	30,529
Less: Provision for impairment	(2,400)	-
	<u>28,129</u>	<u>30,529</u>

The following is a list of the principal subsidiaries at 31st December, 2005:

Name	Place of incorporation and legal form of the entity	Principal activities and place of operation	Particulars of issued share capital/paid up capital	Interest held	
				Directly	Indirectly
Ankan Holdings Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding, BVI	\$45,000	100%	-
Ankan (China) Holdings Limited	BVI, limited liability company	Investment holding, BVI	\$100	100%	-
Changchun Winpro Wood Industries Co., Ltd.	PRC, equity joint venture ^{Note 1}	Manufacture and sale of plywood, The PRC	Renminbi ("RMB") 52,700,000	-	82.25%
Dalian Global Wood Products Company Limited	PRC, co-operative joint venture ^{Note 2}	Manufacture and sale of wood products, The PRC	\$29,600,000	-	100%
Daunting Services Ltd.	BVI, limited liability company	Dormant, BVI	\$1	-	100%
Farship International Limited	BVI, limited liability company	Investment holding, BVI	\$2	-	100%
Glowing Schemes Sdn. Bhd.	Malaysia, limited liability company	Dormant, Malaysia	Malaysian Ringgit 1,200,000	-	100%

Name	Place of incorporation and legal form of the entity	Principal activities and place of operation	Particulars of issued share capital/paid up capital	Interest held	
				Directly	Indirectly
Georich Trading Limited	BVI, limited liability company	Trading of veneer and plywood, Hong Kong	\$2,510,000	100%	-
Manuply Wood Industries (S) Sdn. Bhd.	Malaysia, limited liability company	Manufacture and sale of veneer and plywood, Malaysia	Malaysian Ringgit 55,000,000	-	100%
Pacific Plywood Limited	Samoa, limited liability company	Trading of plywood and other wood products, Hong Kong	\$3,000,000	-	100%
SMI Global Corporation	United States of America, limited liability company	Trading of wood products, United States of America	\$1,000	-	100%
SMI Management & Co. Pte. Ltd.	Singapore, limited liability company	Property holding and provision of management service, Singapore	Singapore dollar 20,000,000	-	100%
Sino Realm Investments Limited	BVI, limited liability company	Investment holding, BVI	\$1	-	100%

Note 1 An equity joint venture is a joint venture in which the joint venture partners' profit sharing ratios and shares of net assets upon the expiration of the joint venture period are in proportion to their equity interests set out in the joint venture agreement.

Changchun Winpro Wood Industries Co., Ltd. ("Changchun Winpro") is an equity joint venture established in the PRC with an operating period of 30 years up to November 2024.

Note 2 A co-operative joint venture is a joint venture with the rights and obligations of the joint venture partners governed by the joint venture contract.

Dalian Global Wood Products Company Limited ("Dalian Global") is a co-operative joint venture established in the PRC with an operating period of 20 years up to November 2015.

Under the joint venture agreement, the PRC joint venture partner is entitled to receive a pre-determined annual fee but is not entitled to otherwise share in the profit and net assets of the joint venture (Note 28(b)). Such pre-determined annual fee is accounted for as expense in the consolidated income statement.

As the Group is able to govern and control the financial and operating policies governing the economic activities of Dalian Global, it is considered as a subsidiary and is accounted for as such.

8. PROPERTY, PLANT AND EQUIPMENT – GROUP

	2005							Total \$'000
	Buildings	Leasehold improvements	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Jetty	Construction- in-progress ("CIP")	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost								
Beginning of year	39,756	451	135,331	3,081	1,678	1,563	178	182,038
Additions	159	43	1,032	144	242	-	103	1,723
Disposals	-	-	(192)	(126)	(316)	-	-	(634)
Transfers	68	-	208	-	-	-	(276)	-
Exchange adjustment	(29)	(7)	733	3	10	-	2	712
End of year	<u>39,954</u>	<u>487</u>	<u>137,112</u>	<u>3,102</u>	<u>1,614</u>	<u>1,563</u>	<u>7</u>	<u>183,839</u>
Accumulated depreciation								
Beginning of year	7,721	209	63,877	2,287	1,227	356	-	75,677
Charge for the year	897	48	8,048	251	89	31	-	9,364
Disposals	-	-	(159)	(119)	(292)	-	-	(570)
Exchange adjustment	11	(5)	254	(3)	4	1	-	262
End of year	<u>8,629</u>	<u>252</u>	<u>72,020</u>	<u>2,416</u>	<u>1,028</u>	<u>388</u>	<u>-</u>	<u>84,733</u>
Accumulated impairment loss								
Beginning of year	5,610	-	12,360	-	-	-	-	17,970
Exchange adjustment	(85)	-	216	-	-	-	-	131
End of year	<u>5,525</u>	<u>-</u>	<u>12,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,101</u>
Net book value								
End of year	<u>25,800</u>	<u>235</u>	<u>52,516</u>	<u>686</u>	<u>586</u>	<u>1,175</u>	<u>7</u>	<u>81,005</u>
Beginning of year	<u>26,425</u>	<u>242</u>	<u>59,094</u>	<u>794</u>	<u>451</u>	<u>1,207</u>	<u>178</u>	<u>88,391</u>

	2004							Total \$'000
	Buildings \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Jetty \$'000	CIP \$'000	
Cost								
Beginning of year	38,926	443	134,325	2,918	1,676	1,563	177	180,028
Additions	192	-	1,024	153	75	-	-	1,444
Disposals	(36)	(9)	(52)	(29)	(74)	-	-	(200)
Exchange adjustment	674	17	34	39	1	-	1	766
End of year	<u>39,756</u>	<u>451</u>	<u>135,331</u>	<u>3,081</u>	<u>1,678</u>	<u>1,563</u>	<u>178</u>	<u>182,038</u>
Accumulated depreciation								
Beginning of year	6,746	164	55,556	1,997	1,117	325	-	65,905
Charge for the year	888	44	8,310	289	164	31	-	9,726
Disposals	-	(8)	-	(26)	(54)	-	-	(88)
Exchange adjustment	87	9	11	27	-	-	-	134
End of year	<u>7,721</u>	<u>209</u>	<u>63,877</u>	<u>2,287</u>	<u>1,227</u>	<u>356</u>	<u>-</u>	<u>75,677</u>
Accumulated impairment loss								
Beginning of year	5,391	-	8,456	-	-	-	-	13,847
Charge for the year	-	-	3,894	-	-	-	-	3,894
Exchange adjustment	219	-	10	-	-	-	-	229
End of year	<u>5,610</u>	<u>-</u>	<u>12,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,970</u>
Net book value								
End of year	<u>26,425</u>	<u>242</u>	<u>59,094</u>	<u>794</u>	<u>451</u>	<u>1,207</u>	<u>178</u>	<u>88,391</u>
Beginning of year	<u>26,789</u>	<u>279</u>	<u>70,313</u>	<u>921</u>	<u>559</u>	<u>1,238</u>	<u>177</u>	<u>100,276</u>

Depreciation expense of \$8,676,000 (2004 – \$8,931,000) has been expensed in cost of sales and \$688,000 (2004 – \$795,000) in administrative expenses.

Certain property, plant and equipment of the Group with a net book value of approximately \$70,765,000 (2004 – \$76,116,000) have been pledged as security for certain banking facilities of the Group (Note 15 and 30(a)).

Certain plant and equipment of the Group with a net book value of approximately \$205,000 (2004 – \$737,000) were purchased under finance leases.

9. LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2005 \$'000	2004 \$'000
Outside Hong Kong, held on:		
Malaysia – Leases of over 50 years	3,020	3,051
The PRC – Leases of between 10 to 50 years (<i>Note a</i>)	<u>–</u>	<u>–</u>

Note a Land use right of Changchun Winpro is located at Jilin province, PRC where the Group's factory buildings in the PRC are located. As at 31st December, 2005, the remaining period of the land use rights is 31 years (2004 – 32 years). The cost of the land use rights has been fully amortized.

The respective land use right of the land on which these buildings of Dalian Global are located belongs to the Chinese joint venture partner of Dalian Global.

	2005 \$'000	2004 \$'000
Opening	3,051	3,083
Amortisation of prepaid operating lease payment	<u>(31)</u>	<u>(32)</u>
Closing	<u>3,020</u>	<u>3,051</u>

The leasehold land of the Group with a net book value of approximately \$3,020,000 (2004 - \$3,051,000) has been pledged as security for certain banking facilities of the Group (Note 30(b)).

10. INVENTORIES – GROUP

	2005 \$'000	2004 \$'000
Raw materials	6,495	7,425
Work-in-progress	5,073	4,680
Finished goods	<u>6,698</u>	<u>7,290</u>
	<u>18,266</u>	<u>19,395</u>

The cost of inventories recognized as expense and included in cost of sales amounted to \$78,137,000 (2004 – \$85,575,000).

As at 31st December, 2005, inventories amounting to approximately \$9,251,000 (2004 – \$10,928,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 30(c)).

11. TRADE RECEIVABLES – GROUP

As at 31st December, 2005, the ageing analysis of the trade receivables were as follows:

	2005	2004
	<i>\$'000</i>	<i>\$'000</i>
0 – 30 days	9,692	7,183
31 – 60 days	3,219	2,823
61 – 90 days	1,011	1,026
91 – 180 days	98	1,371
181 – 360 days	415	169
Over 360 days	<u>4,073</u>	<u>4,312</u>
	18,508	16,884
Less: Provision for impairment of receivables	<u>(3,771)</u>	<u>(3,170)</u>
	<u><u>14,737</u></u>	<u><u>13,714</u></u>

As at 31st December, 2005, trade receivables amounting to approximately \$4,660,000 (2004 – \$1,651,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 30(d)).

As at 31st December, 2005, certain subsidiaries of the Group transferred receivable balances amounting to approximately \$2,004,000 to banks in exchange for cash. The transactions have been accounted for as collateralized borrowings (Note 15).

The Group has recognised a loss of \$592,000 (2004 – \$6,000) for the impairment of its trade receivables during the year ended 31st December, 2005. The loss has been included in administrative expenses in the consolidated income statement (Note 21).

12. PREPAYMENTS AND OTHER RECEIVABLES – GROUP

	2005	2004
	<i>\$'000</i>	<i>\$'000</i>
Prepayments and deposits		
– Purchase of raw materials	2,140	1,003
– Others	678	957
Value-added tax (“VAT”) refund receivable	289	797
Other receivable	<u>1,819</u>	<u>2,802</u>
	4,926	5,559
Less: Provision for impairment of prepayments and other receivables	<u>(1,127)</u>	<u>(1,109)</u>
	<u><u>3,799</u></u>	<u><u>4,450</u></u>

As at 31st December, 2005, prepayment and other receivables amounting to approximately \$893,000 (2004 – \$1,293,000) were subject to floating charges as collateral for certain banking facilities of the Group (Note 30(e)).

13. SHARE CAPITAL – GROUP AND COMPANY

The details of share capital are as follows:

	Number of shares		Amount	
	2005 '000	2004 '000	2005 \$'000	2004 \$'000
Authorised				
– Ordinary shares of HK\$0.025 each	<u>8,000,000</u>	<u>8,000,000</u>	<u>25,806</u>	<u>25,806</u>
Issued and fully paid				
– Ordinary shares of HK\$0.025 each	<u>5,580,897</u>	<u>5,580,897</u>	<u>18,037</u>	<u>18,037</u>

Share Options

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the SEHK, the Company has adopted a share option scheme (the “Scheme”), as approved by shareholders at the Annual General Meeting on 21st June, 2002. Details of the scheme have been set out in the “Letter from the Board” dated 13th May, 2002.

Under the Scheme, the Company may grant options to any participant, in the absolute discretion of the Board, who has made valuable contribution to the business of the Group. The subscription price will be a price determined by the Board and at least the highest of: (a) the closing price of the shares as stated in the SEHK’s daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in SEHK’s daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time and in addition, 10% of the number of shares in issue at the date of approval of the option scheme.

Details of the share options issued under the old option scheme and outstanding as at 31st December, 2005 were as follows:

Name	Date of Grant	Exercise Period	Subscription price per share	Number of shares to be issued under options granted under share option scheme				End of year
				Beginning of year	Granted during the year	Exercised during the year	Cancelled during the year	
Mr. Budiono Widodo	31/5/1996	1/12/1996 to 30/11/2006	HK\$0.260	88,000,000	-	-	-	88,000,000
Mr. Liao Yun Kuang	26/8/1999	14/3/2000 to 13/3/2010	HK\$0.129	40,800,000	-	-	-	40,800,000
Continuous Contract Employees	26/8/1999	14/3/2000 to 13/3/2010	HK\$0.129	16,500,000	-	-	-	16,500,000
Others	26/8/1999	14/3/2000 to 13/3/2010	HK\$0.129	31,000,000	-	-	(31,000,000)	-
				<u>176,300,000</u>	<u>-</u>	<u>-</u>	<u>(31,000,000)</u>	<u>145,300,000</u>

14. OTHER RESERVES

a) GROUP

	Share premium \$'000	Contributed surplus \$'000 <i>Note (a)</i>	Cumulative translation adjustments \$'000	Total \$'000
Balance at 1st January, 2004	90,652	7,814	(3,823)	94,643
Translation adjustments	—	—	67	67
	<u>90,652</u>	<u>7,814</u>	<u>(3,756)</u>	<u>94,710</u>
Balance at 31st December, 2004	<u>90,652</u>	<u>7,814</u>	<u>(3,756)</u>	<u>94,710</u>
Balance at 1st January, 2005	90,652	7,814	(3,756)	94,710
Translation adjustments	—	—	63	63
	<u>90,652</u>	<u>7,814</u>	<u>(3,693)</u>	<u>94,773</u>
Balance at 31st December, 2005	<u>90,652</u>	<u>7,814</u>	<u>(3,693)</u>	<u>94,773</u>

Note (a)

Contributed surplus of the Group represents the difference between the nominal value of the equity of the subsidiary acquired pursuant to a group reorganisation in 1995 over the nominal value of the Company's consideration in exchange therefor.

b) COMPANY

	Share premium \$'000	Contributed surplus \$'000	Cumulative translation adjustments \$'000	Total \$'000
Balance at 31st December, 2004 and 2005	<u>90,652</u>	<u>21,122</u>	<u>—</u>	<u>111,774</u>

Contributed surplus of the Company represents the difference between the net assets of the subsidiaries acquired pursuant to a group reorganisation in 1995 over the nominal value of the Company's consideration in exchange therefor.

As at 31st December, 2005, the Company did not have any reserve available for distribution to the shareholders.

15. BORROWINGS – GROUP

	2005 \$'000	2004 \$'000
Non-current		
Bank borrowings	57,078	60,870
Current		
Banker's acceptance and other banking facilities	10,579	8,906
Bank borrowings		
– short term bank borrowings	3,817	3,240
– current portion of long term bank borrowings	4,074	2,196
Collateralized borrowings (<i>Note 11</i>)	2,004	–
	<u>20,474</u>	<u>14,342</u>
Total borrowings	<u>77,552</u>	<u>75,212</u>

The long term bank borrowings bore interest at commercial banking rates ranging from 3.25% to 8.25% (2004 – 3.17% to 8.00%) per annum and were secured by pledges of certain of the Group's assets, corporate guarantees given by the Company, and personal guarantees given by a director of the Company.

The short term bank borrowings bore interest at commercial banking rates ranging from 3.37% to 7.25% (2004 – 2.19% to 6.90%) per annum and were secured by pledges of certain of the Group's assets, corporate guarantees given by the Company, and personal guarantees given by a director of the Company.

As at 31st December, 2005, the carrying amounts of bank borrowings approximate their fair values.

- a) The maturity of the Group's long term bank borrowings at respective balance sheet dates is as follows:

	2005 \$'000	2004 \$'000
Bank loans repayable within a period		
– Within 1 year	4,074	2,196
– between 1 and 2 years	4,496	4,103
– between 2 and 5 years	15,855	16,197
– Over 5 years	36,727	40,570
	<u>61,152</u>	<u>63,066</u>
<i>Less: Amount due within 1 year included in current liabilities</i>	<u>(4,074)</u>	<u>(2,196)</u>
	<u>57,078</u>	<u>60,870</u>

b) The carrying amounts of the borrowings are denominated in the following currencies:

	2005 \$'000	2004 \$'000
US dollar	55,844	53,866
Singapore dollar	6,497	7,032
Malaysian Ringgit	13,555	13,318
RMB	1,656	996
	<u>77,552</u>	<u>75,212</u>

c) The Group has the following undrawn borrowing facilities:

	2005 \$'000	2004 \$'000
Floating rate		
– expiring within one year	250	250
– expiring beyond one year	5,056	7,154
Fixed rate		
– expiring within one year	277	296
	<u>5,583</u>	<u>7,700</u>

16. OBLIGATIONS UNDER FINANCE LEASES – GROUP

As at 31st December, 2005, the Group's finance lease liabilities, net of finance lease charges, were repayable as follows:

	2005 \$'000	2004 \$'000
Future minimum payments payable within a period		
– not exceeding 1 year	59	184
– more than 1 year but not exceeding 2 years	52	41
– more than 2 years but not exceeding 5 years	10	23
	<u>121</u>	<u>248</u>
Less: Amounts payable within 1 year included under accruals and other payables (<i>Note 18</i>)	<u>(59)</u>	<u>(184)</u>
	<u>62</u>	<u>64</u>

17. TRADE PAYABLES – Group

As at 31st December, 2005, the ageing analysis of the trade payables were as follows:

	2005 \$'000	2004 \$'000
0 – 30 days	7,362	8,260
31 – 60 days	3,129	4,301
61 – 90 days	1,633	3,117
91 – 180 days	2,916	598
181 – 360 days	910	141
Over 360 days	1,006	960
	<u>16,956</u>	<u>17,377</u>

18. ACCRUALS AND OTHER PAYABLES

a) GROUP

	2005 \$'000	2004 \$'000
Customer deposits	2,042	4,241
Accrued expenses	1,812	1,510
Salary and welfare payable	2,810	3,357
Obligations under finance leases – current portion (Note 16)	59	184
Others	1,361	920
	<u>8,084</u>	<u>10,212</u>

b) COMPANY

	2005 \$'000	2004 \$'000
Salary and welfare payable	2,058	1,851
Payables due to subsidiaries	3,702	2,650
Others	133	85
	<u>5,893</u>	<u>4,586</u>

19. DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2005 \$'000	2004 \$'000
Deferred income tax assets	4,402	14,610
Deferred income tax liabilities	(14)	(10,487)
	<u>4,388</u>	<u>4,123</u>

As at 31st December, 2004, Manuply Wood Industries (S) Sdn. Bhd. ("Manuply"), the Group's wholly-owned Malaysian subsidiary, recognized deferred income tax assets and deferred income tax liabilities of approximately US\$14.6 million and US\$10.5 million respectively. These amounts had been included in the consolidated balance sheet of the Group as separate components without offset because the right to set off current tax liabilities upon reversal of the temporary differences in connection with the relevant deferred income tax assets of the subsidiary might not be enforceable until certain deferred income tax liabilities were fully reversed. During the current year, it is considered that the relevant deferred income tax liabilities are expected to be fully reversed in the foreseeable future and it is certain that the set off of the deferred income tax assets and liabilities is enforceable. Accordingly, these deferred income tax assets and liabilities have been presented on a net basis on the consolidated balance sheet.

Deferred income tax assets and liabilities of Manuply, prior to offsetting of balances within the same taxation jurisdiction are as follows:

	2005 \$'000
Deferred income tax assets	14,670
Deferred income tax liabilities	(10,268)
	<u>4,402</u>

The net deferred income tax assets recognized in the consolidated balance sheet as at 31st December, 2005 related to Manuply which was profitable for both the years ended 31st December, 2004 and 2005. The directors are of the view that Manuply will generate sufficient taxable profit in future to fully utilize the net deferred income tax assets.

Movements of deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) are as follows:

	2005 \$'000	2004 \$'000
Deferred income tax assets		
Beginning of year	14,610	11,797
Deferred taxation credited to the consolidated income statement (<i>Note 24</i>)	60	2,813
End of year	<u>14,670</u>	<u>14,610</u>

	2005 \$'000	2004 \$'000
Deferred income tax liabilities		
Beginning of year	10,487	10,617
Deferred taxation credited to the consolidated income statement (<i>Note 24</i>)	(179)	(132)
Exchange differences	(26)	2
End of year	<u>10,282</u>	<u>10,487</u>

Deferred income tax assets are recognised for tax loss and unused tax credits carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December, 2005, a subsidiary of the Group has tax losses of approximately \$468,000 (2004 – \$466,000) and unused tax credits of approximately \$51,924,000 (2004 – \$51,715,000) to be carried forward to offset against future taxable income. These tax losses and tax credits have no expiry date.

Deferred income tax liabilities represent the taxation effect of taxable temporary differences relating to property, plant and equipment. As at 31st December, 2005, two subsidiaries of the Group have taxable temporary differences of approximately \$36,742,000 (2004 – \$37,466,000).

As at 31st December, 2005, major unprovided deferred income tax assets of the Group are as follows:

	2005 \$'000	2004 \$'000
Relating to:		
– Unused tax credits	1,158	–
– Tax losses	1,592	2,326
– Temporary difference of property, plant and equipment	2,049	2,054
– Others	473	356
End of year	<u>5,272</u>	<u>4,736</u>

These unprovided deferred income tax assets, which are mainly generated from the Group's PRC subsidiaries, are not recognised as it is not certain that future taxable profit will be available. The tax losses of these PRC subsidiaries can only be carried forward for 5 years.

20. OTHER GAIN-NET

	2005 \$'000	2004 \$'000
Net foreign exchange gains/(losses)	217	(66)
Interest income	17	6
Others	243	511
	<u>477</u>	<u>451</u>

21. EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and administrative expenses are analysed as follows:

	2005	2004
	\$'000	\$'000
Changes in inventories of finished goods and work in progress	341	(713)
Raw materials and consumables used	77,796	86,288
(Reversal)/Write-down of inventories to net realisable value	(152)	707
Freight and other related charges	13,817	16,693
Provision for impairment of receivables	587	20
Staff costs (excluding directors' emoluments)		
– Wages and salaries	2,880	2,826
– Pension costs (Note 31)	346	370
Directors' emoluments (Note 22(a))	919	813
Depreciation of property, plant and equipment		
– owned assets	9,344	9,650
– assets held under finance leases	20	76
Amortization of leasehold land (Note 9)	31	32
Operating lease expenses on land, buildings and machinery	406	117
(Gain)/Loss on disposals of property, plant and equipment	(32)	96
Auditors' remuneration	279	250
	<u> </u>	<u> </u>

22. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December, 2005 is set out below:

Name of Director	Fees \$'000	Salary \$'000	Contributions	Total \$'000
			to pension schemes \$'000	
Mr. Budiono Widodo	–	456	–	456
Mr. Sardjono Widodo	180	–	–	180
Mr. Liao Yun Kuang	72	64	4	140
Mr. Yu Chien Te	16	80	4	100
Mr. Marzuki Usman	6	–	–	6
Mr. Pipin Kusnadi	6	–	–	6
Mr. Chen Chung I	6	–	–	6
Mr. Ngai Kwok Chuen	6	–	–	6
Mr. Sudjono Halim	6	–	–	6
Mr. Kusnadi Widjaya	6	–	–	6
Mr. Peng Chiu Ching *	–	7	–	7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	304	607	8	919
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The remuneration of every Director for the year ended 31st December, 2004 is set out below:

Name of Director	Fees \$'000	Salary \$'000	Contributions	Total \$'000
			to pension schemes \$'000	
Mr. Budiono Widodo	–	427	–	427
Mr. Sardjono Widodo	91	–	–	91
Mr. Liao Yun Kuang	36	62	5	103
Mr. Yu Chien Te	8	78	5	91
Mr. Marzuki Usman	6	–	–	6
Mr. Pipin Kusnadi	6	–	–	6
Mr. Chen Chung I	6	–	–	6
Mr. Ngai Kwok Chuen	6	–	–	6
Mr. Sudjono Halim	6	–	–	6
Mr. Kusnadi Widjaya	6	–	–	6
The late Mr. David Wong Chun Chung	8	–	–	8
Mr. Peng Chiu Ching *	57	–	–	57
	236	567	10	813
	236	567	10	813

* Retired on 17th June, 2005.

Directors' fees disclosed above include approximately \$19,000 (2004 – \$19,000) paid to independent non-executive Directors.

No Directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any Director for the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2004 – one) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004 – four) highest paid individuals during the year are as follows:

	2005 \$'000	2004 \$'000
Basic salaries and allowances	241	392
Bonus	25	47
Contributions to pension schemes	4	5
	270	444
	270	444

The emoluments fell within the following bands:

	Number of individuals	
	2005*	2004
– Nil to \$128,200 (Nil to HK\$1,000,000)	1	3
– \$128,201 to \$192,300 (HK\$1,000,001 to HK\$1,500,000)	1	1
	<u>2</u>	<u>4</u>

* *The band analysis is stated after annualising the emoluments paid for those individuals who joined, or resigned from, the Group during the year.*

23. FINANCE COSTS

	2005	2004
	\$'000	\$'000
Interest on bank loans	3,770	3,108
Interest on other loans wholly repayable within 5 years	313	259
Interest element of finance leases	17	26
	<u>4,100</u>	<u>3,393</u>

24. INCOME TAX EXPENSE

(i) Bermuda

The Company is exempt from taxation in Bermuda until 28th March, 2016.

(ii) Hong Kong

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong.

(iii) Malaysia

No taxation has been provided by Manuply because it had unutilised tax allowances to offset its estimated assessable profit for the year ended 31st December, 2005. The applicable income tax rate of Manuply is 28% (2004 – 28%).

(iv) The PRC

The Group's joint venture enterprises established in the PRC are subject to PRC enterprise income tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Furthermore, in accordance with the PRC "Law of Enterprise Income Tax for Enterprise with Foreign Investment", these PRC joint venture enterprises are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses brought forward from the previous five years. The applicable EIT rate of Dalian Global is 33% (30% state unified income tax and 3% local income tax) and that of Changchun Winpro is 24% (24% state unified income tax and 0% local income tax).

No taxation has been provided for as these joint venture enterprises had no estimated assessable profit for the current year.

(v) Others

Other overseas taxation has been calculated at the rates of taxation applicable in the countries in which the relevant subsidiaries operate.

The amount of taxation (credited)/charged to the consolidated income statement represents:

	2005 \$'000	2004 \$'000
Current income tax		
– Overseas taxation	–	16
Deferred income tax relating to the origination and reversal of temporary differences (<i>Note 19</i>)	<u>(239)</u>	<u>(2,945)</u>
	<u><u>(239)</u></u>	<u><u>(2,929)</u></u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005 \$'000	2004 \$'000
Loss before income tax	<u>(8,143)</u>	<u>(7,428)</u>
Weighted average applicable tax rate	28%	28%
Tax calculated at the weighted average applicable tax rate	(2,280)	(2,080)
Expenses not deductible for tax purposes	2,500	1,945
Income not subject to tax	(2,186)	(2,359)
Utilisation of previously unrecognized tax losses	(48)	(407)
Temporary differences and tax losses for which no deferred income tax asset was recognized	2,014	(28)
Prior year tax adjustment	<u>(239)</u>	<u>–</u>
Tax expense	<u><u>(239)</u></u>	<u><u>(2,929)</u></u>

25. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of approximately \$3,680,000 (2004 – \$1,102,000).

26. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's consolidated loss attributable to shareholders of approximately \$7,904,000 (2004 – \$4,499,000) and on 5,580,897,243 shares (2004 – 5,580,897,243 shares) in issue throughout the year.

No diluted loss per share for the years ended 31st December, 2005 and 2004 are presented as the potential dilutive ordinary shares were anti-dilutive.

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of loss before income tax to cash generated from operations:

	2005 \$'000	2004 \$'000
Loss before income tax	(8,143)	(7,428)
Adjustment for:		
Depreciation	9,364	9,726
Amortization of leasehold land	31	32
Impairment of property, plant and equipment	–	3,894
Interest expense	4,100	3,393
Interest income from bank deposits	(17)	(6)
Provision for impairment of receivables	587	20
(Reversal)/Write-down of inventories to net realisable value	(152)	707
(Gain)/Loss on disposal of property, plant and equipment	(32)	96
Operating profit before working capital changes	5,738	10,434
Decrease/(Increase) in inventories	1,271	(1,464)
Decrease in prepayments and other receivables	633	860
(Increase)/Decrease in trade receivables	(1,624)	624
Decrease in trade payables	(421)	(2,946)
(Decrease)/Increase in accruals and other payables	(2,003)	1,896
Net cash generated from operations	<u>3,594</u>	<u>9,404</u>

28. COMMITMENTS – GROUP

(a) Lease commitments

As at 31st December, 2005, the Group had future aggregate minimum lease payments in respect of land, buildings and machinery under various non-cancellable operating leases arrangements as follows:

	2005 \$'000	2004 \$'000
No later than 1 year	422	199
Later than 1 year and not later than 5 years	564	527
Later than 5 years	802	867
	<u>1,788</u>	<u>1,593</u>

(b) Other commitments

Under the agreement with the joint venture partner of the Group's PRC subsidiary, the Group has committed to pay pre-determined annual fees to the PRC joint venture partner up to May 2015.

	2005 \$'000	2004 \$'000
Payable during the following periods:		
– No later than 1 year	500	500
– Later than 1 year and not later than 5 years	2,080	2,050
– Later than 5 years	2,408	2,938
	<u>4,988</u>	<u>5,488</u>

29. CONTINGENT LIABILITIES

Contingent liabilities (not provided for in the accounts) comprised:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Discounted bills with recourse	-	2,662	-	-
Corporate guarantee given to banks for banking facilities granted to subsidiaries (Note 30(g))	-	-	62,839	63,261
	<u>-</u>	<u>2,662</u>	<u>62,839</u>	<u>63,261</u>

30. BANKING FACILITIES – GROUP

As at 31st December, 2005, the Group had aggregate banking facilities as follows:

	2005			Note
	Utilised \$'000	Unutilised \$'000	Total facilities \$'000	
- Bank loans	64,969	-	64,969	(a) – (h)
- Trade facilities	13,911	5,583	19,494	(a) – (h)
	<u>78,880</u>	<u>5,583</u>	<u>84,463</u>	
	2004			Note
	Utilised \$'000	Unutilised \$'000	Total facilities \$'000	
- Bank loans	66,306	-	66,306	(a) – (h)
- Trade facilities	12,894	7,700	20,594	(a) – (h)
	<u>79,200</u>	<u>7,700</u>	<u>86,900</u>	

The above facilities were secured by:

- Pledges of certain property, plant and equipment of the Group with a net book value of approximately \$70,765,000 (2004 – \$76,116,000) (Note 8);
- Pledges of the leasehold land of the Group with a net book value of approximately \$3,020,000 (2004 – \$3,051,000) (Note 9);
- Floating charges on certain inventories of the Group with a net book value of approximately \$9,251,000 (2004 – \$10,928,000) (Note 10);
- Floating charges on certain trade receivables of the Group of approximately \$4,660,000 (2004 – \$1,651,000) (Note 11);
- Floating charges on certain prepayment and other receivables of the Group of approximately \$893,000 (2004 – \$1,293,000) (Note 12);

- (f) Floating charges on certain bank balances of the Group of approximately \$524,000 (2004 - \$616,000);
- (g) Corporate guarantees given by the Company (Note 29); and
- (h) Personal guarantees given by a Director of the Company to banks in respect of certain bank loans and trade facilities granted to the Group (Note 32).

31. PENSION SCHEMES

The employees of the Singapore and Malaysia subsidiaries are members of the Central Provident Funds operated by the governments of those countries. The subsidiaries are required to contribute a percentage in the range of 12% to 16% of their covered payroll to the Central Provident Funds (the "Funds"). The only obligation of the Group with respect to the Funds is the required contributions to the Funds and there is no forfeiture of contributions under the schemes.

As stipulated by the rules and regulations in the PRC, the Group is required to contribute to a state-sponsored retirement plan for its PRC employees at a rate ranging from 19% to 25% of the basic salary predetermined by the local government. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the contributions.

The Group's subsidiary in the United States of America is required to contribute 7.65% of the basic salary of the employees to the federal government of the United States of America for social security purposes.

Under the Hong Kong Mandatory Provident Scheme, a defined contribution scheme managed by an independent trustee, the Group's subsidiary operates in Hong Kong and its employees each make monthly contributions to the scheme at 5% of the employees' cash income as defined under the Mandatory Provident Fund legislation. Contributions by both the Hong Kong subsidiary and its employees are subject to a maximum of HK\$1,000 per month and thereafter contributions are voluntary and are not subject to any limitation.

The aggregate amount of pension expense incurred by the Group is as follows:

	2005	2004
	\$'000	\$'000
Gross employer's contributions	<u>346</u>	<u>370</u>

32. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or common significant influence.

During the year ended 31st December, 2005, a Director of the Company has provided personal guarantees to banks in respect of certain bank loans and trade facilities granted to the Group amounting to approximately \$68,531,000 (2004 - \$65,850,000) (Note 30(h)).

4. UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an illustrative and pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Open Offer as if they had taken place on 31 December 2005. This statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Company had the Open Offer been completed as at 31 December 2005 or any future date:

Audited consolidated net tangible assets of the Group as at 31 December 2005	Add: Estimated net proceeds from the Open Offer	Unaudited pro forma net tangible assets of the Group	Unaudited pro forma net tangible assets of the Group per Share after the Open Offer
<i>US\$'000</i> (Note 1)	<i>US\$'000</i> (Note 2)	<i>US\$'000</i>	<i>US cents</i> (Note 3)
23,319	1,596	24,915	2.232

Notes:

- The consolidated net tangible assets as at 31 December 2005 have been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2005. The report of the auditors dated 7 April 2006 on the Group's consolidated financial statements as at and for the year ended 31 December 2005 has been modified to include the disclosures of a material uncertainty. The auditors, without qualifying their opinion, have drawn attention to "Going Concern" in Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the accounts have been prepared. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support from the Group's bankers and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. The consolidated financial statements do not include any adjustments that would result from the failure of such measures. Details of the circumstances relating to this material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern are described in "Going Concern" in Note 2 to the consolidated financial statements.
- The estimated net proceeds from the issue of the 558,089,724 Offer Shares are based on the Subscription Price of HK\$0.025 per Offer Share, after deduction of the related expenses of approximately HK\$1,500,000. Translation of amounts in HK\$ into US\$ has been made at the exchange rate of US\$1.00 = HK\$7.80.
- The unaudited pro forma net tangible assets of the Group per Share after the Open Offer is based on the unaudited pro forma consolidated net tangible assets of US\$24,915,000 and 1,116,179,448 Shares, which is the aggregate of 558,089,724 Shares after the completion of Capital Reorganization and 558,089,724 Offer Shares to be issued pursuant to the Open Offer.

4. No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 31 December 2005. As mentioned in the "Working Capital" section, as set out on page 69 of this prospectus, as of 31 May 2006, the Group has short term bank loans and facilities drawn down amounting to approximately US\$4,613,000 from five bankers which will fall due or be subject to renewal between June 2006 and May 2007. Out of these bank loans and drawdown facilities, the Group intends to make full repayment to two bankers in the aggregate amount of approximately US\$621,000 when they are due. The directors considered that based on their previous experience in dealing with the remaining three bankers and on the assumptions that there will be no material change in the Group's operations, the Group will be able to renew these short term bank loans and facilities up to a date not earlier than 30 June 2007 as and when they fall due. Accordingly, the directors do not foresee that there will be any working capital gap for the Group. As at the Latest Practicable Date, these banks have not expressed indications that these short term bank loans and facilities will not be renewed when they fall due. After taking into account of the above, the Directors are of the view that it is reasonable to expect that the Group has no foreseeable funding gap in the near term. In case the Group fails to renew these short term bank loans and facilities of which approximately US\$3,992,000 will fall due in the second quarter of 2007, it will seek new external financing. In the event that the Group fails to renew its existing bank loans or obtain alternative means of financing, the liquidity position of the Group will be adversely affected and the Group's ability to continue its operation will be uncertain. The unaudited pro forma net tangible assets of the Group does not reflect the impact on the Group's net tangible assets should it fail to renew the loans nor obtain alternative financing.

5. REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from PricewaterhouseCoopers in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in this appendix.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

The Directors
Pacific Plywood Holdings Limited

31 July 2006

Dear Sirs,

We report on the statement of unaudited pro forma consolidated net tangible assets of Pacific Plywood Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 64 to 65 under the heading of "Unaudited Pro Forma Consolidated Net Tangible Assets of the Group" (the "unaudited pro forma financial information") in Appendix I of the Company's prospectus dated 31 July 2006, in connection with the proposed Open Offer by the Company (the "Prospectus"). The unaudited pro forma financial information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the proposed Open Offer might have affected the relevant financial information of the Group. The basis of preparation of the statement of unaudited pro forma financial information is set out on pages 64 to 65 of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net assets of the Group as at 31 December 2005 with the audited consolidated financial statements of the Group as at 31 December 2005, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the statement of unaudited pro forma consolidated net tangible assets as disclosed pursuant to paragraph 4.29 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2005 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

6. INDEBTEDNESS**(a) Borrowings and other utilized banking facilities**

As at the close of business on 31 May 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had outstanding borrowings of approximately US\$79,911,000, comprising the following:

- (i) Long-term bank borrowings of approximately US\$60,693,000 of which approximately US\$4,242,000 was due for repayment within the next 12 months. These loans were denominated in United States dollar, Singapore dollar and Malaysian Ringgit and bore interest at rates ranging from 3.81% to 8.25% per annum.
- (ii) Short-term borrowings of approximately US\$3,486,000, which will fall due or subject to renewal between June 2006 to May 2007. These loans were mainly denominated in United States dollar, Malaysian Ringgit and Reminbi and bore interest at rates ranging from approximately 5.88% to 7.25% per annum.
- (iii) Banker's acceptance overdraft and other banking facilities of approximately US\$15,732,000 in aggregate.

As at the close of business on 31 May 2006, the Group had drawn down other bank facilities, including bank guarantee and letter of credit of approximately US\$1,321,000 in aggregate.

(b) Collaterals

The borrowings and other bank facilities were secured by:

- (i) Pledges of certain property, plant and equipment of the Group with a net book value of approximately US\$69,103,000.
- (ii) Pledges of the leasehold land of the Group with a net book value of approximately US\$3,007,000.
- (iii) Floating charges on certain inventories of the Group with a net book value of approximately US\$11,206,000.
- (iv) Floating charges on certain trade receivables of the Group of approximately US\$7,653,000.
- (v) Floating charges on certain prepayment and other receivables of the Group of approximately US\$1,056,000.
- (vi) Floating charges on certain bank balances of the Group of approximately US\$363,000.
- (vii) Corporate guarantees given by the Company and its subsidiary.

(viii) Personal guarantees given by a Director of the Company and a director of its subsidiary to banks in respect of certain bank loans and trade facilities granted to the Group.

(c) Contingent liabilities

As at 31 May 2006, the Group had no material contingent liabilities.

(d) Commitments

As at 31 May 2006, the Group had future aggregate minimum lease payments in respect of land, buildings and machinery under various non-cancelable operating leases arrangement amounting US\$1,837,000.

Under the agreement with the joint venture partner of a PRC subsidiary of the Group, the Group has committed to pay pre-determined annual fees to the PRC joint venture partner up to May 2015. As at 31 May 2006, such a commitment amounted to approximately US\$4,779,000.

(e) Disclaimer

Save as disclosed in the preceding paragraphs (a) to (d) and apart from intra-group liabilities, at the close of business on 31 May 2006, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 May 2006.

7. WORKING CAPITAL

The Directors, including the independent non-executive Directors, are of the opinion that, taking into account the financial resources available to the Group, including internally generated funds, the present available bank loans and facilities totalled approximately US\$86,637,000 as at 31 May 2006 (comprising utilized facilities, which include short term loans of approximately US\$3,486,000, long term loans of approximately US\$60,693,000 of which approximately US\$4,242,000 was due for repayment within the next 12 months, banker's acceptance, overdraft and other facilities of approximately US\$15,732,000 and bank guarantee and letter of credits drawn down of approximately US\$1,321,000 and unutilized facilities of approximately US\$5,405,000) and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its recent requirements.

As of 31 May 2006, the Group has short term bank loans and facilities drawn down amounting to approximately US\$4,613,000 from five bankers which will fall due or be subject to renewal between June 2006 and May 2007. Out of these bank loans and drawdown facilities, the Group intends to make full repayment to two bankers in the aggregate amount of approximately US\$621,000 when they are due. The directors considered that based on their previous experience in dealing with the remaining three bankers and on the assumptions that there will be no material change in the Group's operations, the Group will be able to renew these short term bank loans and facilities up to a date not earlier than 30 June 2007 as and when they fall due. Accordingly, the directors do not foresee that there will be any working capital gap for the Group. However, the Directors' experience and beliefs cannot be served as evidence of the existence of the banking facilities during the period of the working capital forecast of the Group, ie. from June 2006 to June 2007. Hence, a confirmation from the financial adviser to the Company or the Company's auditors regarding the sufficiency of working capital of the Group cannot be obtained as required under Rule 9.12(10) of the Listing Rules. As at the Latest Practicable Date, these banks have not expressed indications that these short term bank loans and facilities will not be renewed when they fall due. After taking into account of the above, the Directors are of the view that it is reasonable to expect that the Group has no foreseeable funding gap in the near term. In case the Group fails to renew these short term bank loans and facilities of which approximately US\$3,992,000 will fall due in the second quarter of 2007, it will seek new external financing. In the event that the Group fails to renew its existing bank loans or obtain alternative means of financing, the liquidity position of the Group will be adversely affected and the Group's ability to continue its operation will be uncertain.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

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

2. PARTICULARS OF DIRECTORS

(i) Name	Address
<i>Executive Directors:</i>	
Dr. Budiono Widodo (<i>Chairman</i>)	61 Grange Road #05-01 Beverly Hill Singapore
Mr. Sardjono Widodo	Pluit Samudra VI/32 Penjaringan, Jakarta Utara 14450 Indonesia
Mr. Liao Yun Kuang	No. 36, Dover Rise Tower B #15-11 Dover Parkview Singapore
Mr. Yu Chien Te	5A, Avon Road Singapore 439789
<i>Non-executive Directors:</i>	
Mr. Chen Chung I	6 Pandan Valley #13-606 Singapore 597630
Mr. Kusnadi Pipin	No. 5 Pandan Valley #07-708, Bauhina Terrace Singapore 597629
Mr. Sudjono Halim	JLN Pluit Samudra VI No. 32 RT 009/005, Jakarta Utara 14450 Indonesia

Independent Non-executive Directors:

Mr. Marzuki Usman	JL Sakti VI/2 Komp Pajak Kemanggisan, Slipi Jakarta 11480 Indonesia
Mr. Kusnadi Widjaja	JLN Keagungan No. 79, Jakarta Barat Indonesia
Mr. Ngai Kwok Chuen	Room 305, Block D Kornhill 17-19 Hong Shing Street Quarry Bay, Hong Kong

(ii) Biographical Details of Directors*Executive Directors:*

Dr. Budiono Widodo is aged 62, is a founder and the Chairman of the Group and is responsible for strategic development of the Group. He is also a director of each of the subsidiaries of the Company except Glowing Schemes Sdn. Bhd. He started in the forestry business in Indonesia in 1979 and has over 15 years of experience in the timber industry, starting as a log exporter and then becoming a plywood manufacturer and trader. Apart from the plywood business, he is also engaged in other industries including property and hotels.

Mr. Sardjono Widodo is aged 38, is the Managing Director of the Group and a son of Mr. Budiono Widodo. He is also a director of each of the subsidiaries of the Company except Glowing Schemes Sdn. Bhd. He holds a Diploma in Mechanical Engineering and has been in the wood industry for over 10 years.

Mr. Liao Yun Kuang is aged 53, is the President of the Group. He is also a director of each of the subsidiaries of the Company except Changchun Winpro Wood Industries Co., Ltd. He holds a Bachelor Degree in Business Administration from Tam Kang University in Taiwan. Prior to joining the timber industry, Mr. Liao has worked for two large conglomerates in Taiwan and has more than 10 years experience in general management.

Mr. Yu Chien Te is aged 52, is a Vice President of the Group. He is also a director of Dalian Global Wood Products Co., Ltd. He graduated in Electrical Engineering in Taiwan and has more than 20 years of experience in the plywood and wood-related industry.

Non-executive Directors:

Mr. Chen Chung I is aged 58, holds a Bachelor Degree in Arts (majoring in Economics) from Soo Chow University, Taiwan. Prior to his retirement, Mr. Chen worked in an established firm in Taiwan, whose main business is manufacturing and trading of machinery and equipment for plywood and other wood-related products.

Mr. Kusnadi Pipin is aged 60, is the commissioner for over 10 companies in Jakarta and has been in the wood industry since 1991.

Mr. Sudjono Halim is aged 43, a son-in-law of Mr. Budiono Widodo, graduated with a Master Degree in Business Administration from the California State University in Los Angeles, USA. He also holds a Bachelor Degree in Electronic and Electrical Engineering from the University of Southern California in Los Angeles, USA. He has more than 15 years business experience in corporate financing, securities, trading, investment and manufacturing in Indonesia and Singapore.

Independent Non-executive Directors:

Mr. Marzuki Usman is aged 63, holds a Master Degrees in Economics from University of Gajah Mada as well as Duke University in Durham, North Carolina, USA. He was the Minister of Tourism (Arts and Culture) in Indonesia from May 1998 to October 1999. From May 1999, he also assumed the job as Minister for Investment and head of Agency for Investment Coordination Board until October 1999.

Mr. Kusnadi Widjaja is aged 50, is a certified member of the Capital Market Professional Standards in Jakarta, Indonesia. He has more than 15 years of experience in the field of finance and securities trading and investment management. He is currently a Special Assistant to the Chief Executive Office of an Indonesian group of companies with extensive business interests in logging and shipping.

Mr. Ngai Kwok Chuen is aged 48, was a Senior Sales & Marketing Manager of Phillip Securities (HK) Limited. Mr. Ngai has broad experience in capital and money market, corporate finance and securities industry.

3. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered Office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Head office and principal place of business in Hong Kong	Room 1802 88 Gloucester Road Wanchai Hong Kong
Underwriters	Grand Vinco Capital Limited Unit 4909-10, 49F., The Center 99 Queen's Road Central Hong Kong Celestial Securities Limited 7/F., Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong Dr. Budiono Widodo 61 Grange Road #05-01 Beverly Hill Singapore
Legal Advisers	On Hong Kong Law: D.S. Cheung & Co. 1910-1913, Hutchison House 10 Harcourt Road Central Hong Kong On Bermuda Law: Appleby Spurling Hunter 5511, The Center 99 Queen's Road Central Hong Kong
Auditors	PricewaterhouseCoopers 22nd Floor Prince Building Central Hong Kong

Principal Bankers	Malayan Banking Berhad Menara Maybank 100 Jalan Tun Perak 50500 Kuala Lumpur Malaysia DBS Bank 6 Shenton Way #18-08 DBS Building, Tower Two Singapore 068809
Principal Registrar in Bermuda	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
Branch Registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Mr. Sardjono Widodo Mr. Lau Kin Wah
Qualified accountant	Mr. Phua Sian Chin, FCPA, Australia
Company Secretary	Mr. Lau Kin Wah, CPA

4. DISCLOSURE OF INTERESTS

Director's and chief executive's interests

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

Long Position in the Shares:

	Capacity	Interest in Shares	% of Total Shares Outstanding (on existing or on enlarged basis)
Dr. Budiono Widodo	Personal	24,827,600	
	Corporate (<i>Note</i>)	197,472,000	
	Underwriting arrangement	222,299,600	
	Total	444,599,200	39.83%
Mr. Yu Chien Te	Personal	5,887,320	1.05%

Note: As at the Latest Practicable Date, SMI International Limited ("SMI") held 197,472,000 shares of the Company. Dr. Budiono Widodo, a director of the Company, held approximately 39.82% of the outstanding shares of SMI.

Long Position in equity derivatives in respect of the Shares:

Directors	description of equity derivatives	Number of Underlying Shares	Percentage in the issued share capital of the Company
Dr. Widodo	Share Options granted under Share Option Schemes	8,800,000	1.58%
Mr. Liao Yun Kuang	Share Options granted under Share Option Schemes	4,080,000	0.73%

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 and 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 (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Save as disclosed in this appendix, as at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the Shares and 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.

Substantial Shareholders' interests*(i) Interests in the Company*

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or 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:

Long positions in the Shares:

Name	<i>Note</i>	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital (existing or on enlarged basis)
SMI International Limited	1	Beneficial owner	197,472,000	35.38%
Delta Cempaka Pte. Ltd.	2	Beneficial owner	44,924,500	8.05%
Mr. Simon Eddy	2	Held by controlled corporation	44,924,500	8.05%
Mr. Ng Soat Hong	2	Held by controlled corporation	44,924,500	8.05%
Mr. Tjong Jauw Sing		Beneficial owner	42,190,559	7.56%
Mr. Kwan Pak Hoo Bankee	3	Held by controlled corporation	167,895,062	15.04%
CASH Financial Services Group Limited	3	Held by controlled corporation	167,895,062	15.04%
Celestial Asia Securities Holdings Limited	3	Held by controlled corporation	167,895,062	15.04%
Celestial Securities Limited	3	Beneficial Owner	167,895,062	15.04%
Mr. Lau Kam Hung	4	Held by controlled corporation	167,895,062	15.04%
Asiawide Profits Limited	4	Beneficial Owner	167,895,062	15.04%
Mr. Danny Tjiu	5	Held by controlled corporation	167,895,062	15.04%
Gimmick Resources Limited	5	Beneficial Owner	167,895,062	15.04%

Notes:

1. SMI International Limited is owned by Dr. Budiono Widodo for approximately 39.82%.
2. Delta Cempaka Pte. Ltd. is owned by Mr. Simon Eddy and Mr. Ng Soat Hong each for 50% and its interest in the issued share capital of the Company is included in the interests held by Mr. Simon Eddy and Mr. Ng Soat Hong.
3. These interests represent same parcel of Shares arising from entering into Underwriting Agreement.
4. These interests represent same parcel of Shares arising from entering into sub-underwriting arrangement with one of the Underwriters.
5. These interests represent same parcel of Shares arising from entering into sub-underwriting arrangement with one of the Underwriters.

(ii) Interests in other members of the Group

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) is, 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 meetings of any other member of the Group :

Name of Shareholder	Name of Member of the Group	Percentage of issued share capital of that Member
長春市輕工工藝品進出口公司	Changchun Winpro Wood Industries Co., Ltd.	10%

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares (including any interests in options in respect of such capital), 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, who are, 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 meetings of any other member of the Group.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has given its advice or opinion which is contained in this prospectus:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter as set out in this prospectus and reference to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any beneficial interest in the share capital of any member of the Group, and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company, and did not have any interest, either direct or indirect, in any assets which had been since 31 December 2005 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, there is no litigation, arbitration or claim of material importance in which any member of the Group is engaged or pending or threatened against any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

8. MATERIAL CONTRACTS

During the two years immediately preceding the date of this prospectus, only the Underwriting Agreement has been entered by the Company and its subsidiaries, which is not a contract entered into in the ordinary course of business.

9. EXPENSES

The expenses in connection to the Capital Reorganization and the Open Offer, including the underwriting commission, printing, registration, legal and professional and accounting charges are estimated to be approximately HK\$1.5 million and payable by the Company.

10. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group since 31 December 2005, being the date to which the latest published audited accounts of the Company were made up.
- (b) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.
- (c) The English text of the Prospectus Documents shall prevail over the Chinese text in the case of inconsistency.

11. DOCUMENTS REGISTERED BY THE REGISTRAR OF COMPANIES IN HONG KONG AND FILED WITH THE REGISTRAR OF COMPANIES IN BERMUDA

Copies of the Prospectus Documents and the written consent by PriceWaterhouseCoopers have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance. A copy of this prospectus has been or will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at Room 1802, 88 Gloucester Road, Wanchai, Hong Kong from the date of this prospectus up to and including 18 August 2006:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2004 and 31 December 2005;
- (c) the material contract as referred to in the section headed "Material Contracts" in this appendix;
- (d) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix; and
- (e) the report on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group from PricewaterhouseCoopers, the text of which is set out in Appendix I of this prospectus.