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If you have sold or transferred all your shares in Pacific Plywood Holdings Limited (the "Company"), you should at once hand this circular and accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 767)

**PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO
RIGHTS SHARES FOR EVERY ONE SHARE HELD
ON THE RECORD DATE AT HK\$0.18 PER RIGHTS SHARE
WITH BONUS ISSUE ON THE BASIS OF ONE BONUS SHARE
FOR EVERY ONE RIGHTS SHARE TAKEN UP UNDER
THE RIGHTS ISSUE
AND
NOTICE OF SPECIAL GENERAL MEETING**

Underwriter



KINGSTON SECURITIES LTD.

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



**普頓資本有限公司
PROTON CAPITAL LIMITED**

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 8 to 32 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 33 to 34 of this circular. A letter from Proton Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue (with the Bonus Issue) is set out on pages 35 to 54 of this circular.

A notice convening the SGM to be held at Unit 3301-03, 33/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 4 October 2013 at 9:30 a.m. is set out on pages 73 to 75 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

Shareholders and potential investors of the Company should note that the Rights Issue (with the Bonus Issue) is conditional upon, among other things, the fulfillment or waiver (where applicable) of the conditions set out under the sub-paragraph headed "Conditions of the Rights Issue (with the Bonus Issue)" on pages 18 to 19 of this circular. In particular, the Rights Issue (with the Bonus Issue) is conditional upon, among other things, the approval of the Rights Issue (with the Bonus Issue) by the Independent Shareholders at the SGM by way of poll. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events as set out in the section headed "Termination of the Underwriting Agreement" on pages 6 to 7 of this circular. Accordingly, the Rights Issue (with the Bonus Issue) may or may not proceed.

The Shares will be dealt in on an ex-rights basis commencing from Tuesday, 8 October 2013. Dealings in the Rights Shares in the nil-paid form are expected to take place from Friday, 18 October 2013 to Friday, 25 October 2013 (both days inclusive). If the conditions of the Rights Issue (with the Bonus Issue) are not fulfilled or waived (where applicable) or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue (with the Bonus Issue) will not proceed. Any Shareholders or other persons dealing in the nil-paid Rights Shares during the period from Friday, 18 October 2013 to Friday, 25 October 2013 (both days inclusive) will accordingly bear the risk that the Rights Issue (with the Bonus Issue) may not become unconditional or may not proceed.

* For identification purposes only

16 September 2013

CONTENTS

	<i>Page</i>
Expected Timetable	ii
Definitions	1
Termination of the Underwriting Agreement	6
Letter from the Board	8
Letter from the Independent Board Committee	33
Letter from Proton Capital	35
Appendix I — Financial Information of the Group	55
Appendix II — Unaudited Pro Forma Financial Information of the Group	57
Appendix III — General Information	62
Notice of SGM	73

EXPECTED TIMETABLE

The expected timetable for the Rights Issue (with the Bonus Issue) is set out below:

Event	2013 (Hong Kong time)
Latest time for return of form of proxy for the SGM (not less than 48 hours before the SGM)	9:30 a.m. on Wednesday, 2 October
Latest time for lodging transfer of Shares in order to qualify for attendance and voting at the SGM.	4:30 p.m. on Wednesday, 2 October
Register of members closes (both days inclusive).	Thursday, 3 October to Friday, 4 October
Record date for attendance and voting at the SGM.	Thursday, 3 October
Expected date of the SGM	9:30 a.m. on Friday, 4 October
Announcement of results of the SGM.	Friday, 4 October
Last day of dealings in the Shares on a cum-rights basis.	Monday, 7 October
First day of dealings in the Shares on an ex-rights basis	Tuesday, 8 October
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue (with the Bonus Issue).	4:30 p.m. on Wednesday, 9 October
Register of members closes (both dates inclusive)	Thursday, 10 October to Tuesday, 15 October
Record Date	Tuesday, 15 October
Register of members re-opens	Wednesday, 16 October
Prospectus Documents expected to be despatched.	Wednesday, 16 October
First day of dealings in nil-paid Rights Shares.	Friday, 18 October
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Tuesday, 22 October
Last day of dealings in nil-paid Rights Shares	Friday, 25 October

EXPECTED TIMETABLE

Event	2013 (Hong Kong time)
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 30 October
Rights Issue expected to become unconditional	Monday, 4 November
Announcement of results of acceptance and excess application of the Rights Shares	Wednesday, 6 November
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Thursday, 7 November
Certificates for the Rights Shares and Bonus Shares expected to be despatched on or before	Thursday, 7 November
Expected first day of dealings in fully-paid Rights Shares and Bonus Shares commence	9:00 a.m. on Friday, 8 November

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above; or
2. 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 the date of the Latest Time For Acceptance. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time For Acceptance. Instead the latest time for acceptance of and payment for the Rights Shares and for application and

EXPECTED TIMETABLE

payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares is postponed in accordance with the foregoing, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as possible.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Allied Summit”	Allied Summit Inc., a company incorporated in the British Virgin Islands, which in aggregated holds 324,243,951 Shares, representing approximately 58.27% of the issued share capital of the Company as at the Latest Practicable Date
“Announcement”	the announcement of the Company dated 20 August 2012 in relation to the Rights Issue (with the Bonus Issue)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the proposed issue of Bonus Shares on the basis of one (1) Bonus Share for every one (1) Rights Share taken up under the Right Issue
“Bonus Share(s)”	the Shares to be allotted and issued pursuant to the Bonus Issue
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business throughout their normal business hours in Hong Kong
“BVI”	the British Virgin Islands
“Bye-laws”	the existing bye-laws of the Company as amended from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Clearance Authority”	the Forest Clearance Authority granted by the Forest Authority of PNG regarding lawful permission to clear forest areas and harvest merchantable logs
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda and the Shares of which are listed on the main board of the Stock Exchange

DEFINITIONS

“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriter
“Escrow Money”	the deposit of HK\$180 million in cash to an escrow account by Alpha Riches Limited, a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising Mr. Wong Chun Hung, Mr. Wong Sze Kai and Mr. Zheng Zhen, all independent non-executive Directors, to make recommendations to the Independent Shareholders in relation to the fairness and reasonableness of the Rights Issue (with the Bonus Issue)
“Independent Shareholder(s)”	Shareholders other than Allied Summit
“Independent Third Party(ies)”	third parties independent of and not connected with the Directors, chief executive and substantial Shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Last Trading Day”	19 August 2013, being the date of the Underwriting Agreement, which is a Stock Exchange trading day
“Latest Practicable Date”	11 September 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion therein
“Latest Time For Acceptance”	4:00 p.m. on Wednesday, 30 October 2013, or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents

DEFINITIONS

“Latest Time For Termination”	4:00 p.m. on the third Business Day after the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longjiang Option”	an option conditionally granted by the Company to 中國龍江森林工業(集團)總公司 (China Longjiang Forest Industry (Group) General Corporation*) to subscribe for 3,234,079 Shares at the subscription price of HK\$8.00 per Share
“Macau SAR”	The Macau Special Administrative Region of the PRC
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on the legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue (with the Bonus Issue)
“PNG”	the Independent State of Papua New Guinea
“Posting Date”	Wednesday, 16 October 2013 or such other date as the Underwriter may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Non-Qualifying Shareholders
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, Macau SAR and Taiwan
“Proposed Acquisition”	a possible acquisition of a parcel of land in Beijing, the PRC as announced on 23 July 2013 by the Company

* For identification purposes only

DEFINITIONS

“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue (with the Bonus Issue)
“Prospectus Documents”	the Prospectus, PAL(s) and EAF(s)
“Proton Capital” or “Independent Financial Adviser”	Proton Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Rights Issue (with the Bonus Issue)
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Tuesday, 15 October 2013 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Rights Issue (with Bonus Issue) are expected to be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights issue to the Qualifying Shareholders for subscription at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	new Shares to be issued and allotted under the Rights Issue, being not less than 1,112,841,060 Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 1,119,309,218 Shares (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Rights Issue (with the Bonus Issue) and transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the company
“Shareholder(s)”	the holder(s) of issued Share(s)
“Specified Event”	an event occurring or matter arising 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 of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.18 per Rights Share with nominal value of HK\$0.001 each
“Takeovers Code”	the Code on Takeovers and Mergers of SFC
“Undertaking”	the irrevocable undertaking dated 19 August 2013 given by Allied Summit to the Company and the Underwriter, details of which are set out in the section headed “Undertaking” in this circular
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under SFO
“Underwriting Agreement”	the underwriting agreement dated 19 August 2013 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue (with the Bonus Issue)
“Underwritten Shares”	all the Rights Shares (other than the Rights Shares that will be provisionally allotted to Allied Summit) which are fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement
“Untaken Shares”	the Underwritten Shares which have not been taken up by the Qualifying Shareholders
“%” or “per cent.”	percentage or per centum

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue and/or the Bonus Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Rights Issue and/or the Bonus Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue and/or the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue and/or the Bonus Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue and/or the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue and/or the Bonus Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue and/or the Bonus Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or this circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue (with the Bonus Issue); or
- (viii) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time For Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time For Termination.

If prior to the Latest Time For Termination, any such notice as referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

LETTER FROM THE BOARD



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 767)

Executive Directors:

Mr. Huang Chuan Fu (*Chairman*)

Mr. Liang Jian Hua

Ms. Jia Hui

Mr. Jiang Yi Ren

Registered office:

Canon's Court

22 Victoria Street

Hamilton, HM 12

Bermuda

Independent non-executive Directors:

Mr. Wong Chun Hung

Mr. Wong Sze Kai

Mr. Zheng Zhen

*Head office and principal place
of business:*

Unit 3301-03, 33/F,

West Tower Shun Tak Centre

168-200 Connaught Road Central

Sheung Wan

Hong Kong

16 September 2013

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO
RIGHTS SHARES FOR EVERY ONE SHARE HELD
ON THE RECORD DATE AT HK\$0.18 PER RIGHTS SHARE
WITH BONUS ISSUE ON THE BASIS OF ONE BONUS SHARE
FOR EVERY ONE RIGHTS SHARE TAKEN UP UNDER
THE RIGHTS ISSUE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. On 20 August 2013, the Board announced that the Company proposed to raise not less than approximately HK\$200.31 million and not more than approximately HK\$201.48 million, before expenses, by issuing not less than 1,112,841,060 Rights Shares and not more than 1,119,309,218 Rights Shares to the Qualifying

* *For identification purposes only*

LETTER FROM THE BOARD

Shareholders by way of the Rights Issue at the Subscription Price of HK\$0.18 per Rights Share on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

Subject to the satisfaction of the conditions of the Rights Issue (with the Bonus Issue), the Bonus Shares will be issued to the first registered holders of the Rights Shares on the basis of one (1) Bonus Share for every one (1) Rights Share taken up under the Rights Issue. On the basis of not less than 1,112,841,060 Rights Shares and not more than 1,119,309,218 Rights Shares to be issued under the Rights Issue, not less than 1,112,841,060 Bonus Shares and not more than 1,119,309,218 Bonus Shares will be issued.

Allied Summit, a controlling Shareholder (as defined under the Listing Rules), has irrevocably undertaken to the Company and the Underwriter that, (a) the Shares beneficially owned by it shall remain registered in its name from the date of its Undertaking up to and including the date on which dealings in the fully-paid Rights Shares and the Bonus Shares are expected to commence on the Stock Exchange (or such later date as may be agreed between the Company and the Underwriter in writing); and (b) it shall subscribe and pay for, or procure the subscription and payment for, its entitlement of 648,487,902 Rights Shares prior to the Latest Time For Acceptance.

The Rights Shares (other than the Rights Shares that will be provisionally allotted to Allied Summit pursuant to the Undertaking) will be fully underwritten by the Underwriter, on the terms and subject to the conditions of the Underwriting Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details about the Rights Issue (with the Bonus Issue); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue); (iii) a letter of advice from Proton Capital to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue); and (iv) the notice convening the SGM.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue), and Proton Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

PROPOSED RIGHTS ISSUE (WITH THE BONUS ISSUE)

Details of the Rights Issue (with the Bonus Issue) are set out below:

Issue Statistics

Basis of the Rights Issue	:	two (2) Rights Shares for every one (1) Share held on the Record Date
Basis of the Bonus Issue	:	one (1) Bonus Share for every one (1) Rights Share taken up

LETTER FROM THE BOARD

Subscription Price	:	HK\$0.18 per Rights Share with nominal value of HK\$0.001 each
Number of Shares in issue as at the Latest Practicable Date	:	556,420,530 Shares
Number of Shares in issue (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date)	:	559,654,609 Shares
Number of Rights Shares	:	not less than 1,112,841,060 Rights Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 1,119,309,218 Rights Shares (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date)
Number of Bonus Shares	:	not less than 1,112,841,060 Bonus Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 1,119,309,218 Bonus Shares (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date)

As at the Latest Practicable Date, save as and except for the Longjiang Option, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Accordingly, a maximum number of 3,234,079 new Shares will be issued upon full exercise of the Longjiang Option on or before the Record Date.

Assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date, the total number of 2,225,682,120 Shares based on 1,112,841,060 Rights Shares and 1,112,841,060 Bonus Shares represents:

- (i) approximately 400.00% of the Company's existing issued share capital as at the Latest Practicable Date; and
- (ii) approximately 80.00% of the Company's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

LETTER FROM THE BOARD

Assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date, the total number of 2,238,618,436 Shares based on 1,119,309,218 Rights Shares and 1,119,309,218 Bonus Shares represents:

- (i) approximately 402.32% of the Company's existing issued share capital as at the Latest Practicable Date; and
- (ii) approximately 80.00% of the Company's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

As at the Latest Practicable Date, Allied Summit, being a controlling Shareholder (as defined in the Listing Rules), shall subscribe and pay for or procure the subscription and payment for, its entitlement of 648,487,902 Rights Shares, being the rights entitlement which will be provisionally allotted to it under the Rights Issue prior to the Latest Time For Acceptance pursuant to the Undertaking.

Subscription Price

The Subscription Price of HK\$0.18 per Rights Share is payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 33.33% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.78% to the average closing price of approximately HK\$0.276 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 42.86% over the theoretical ex-entitlement price of HK\$0.126 per Share after the Rights Issue (after taking into consideration of the Bonus Issue), based on the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 86.47% to the net asset value per Share of approximately HK\$1.33 as at 30 June 2013, which is calculated based on the number of Shares of 556,420,530 in issue as at the Latest Practicable Date and the net asset value of approximately HK\$740,641,000 attributable to the owners of the Company as at 30 June 2013;
- (v) a discount of approximately 16.28% to the closing price of HK\$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 56.52% over the theoretical ex-entitlement price of approximately HK\$0.115 per Share after the Rights Issue (after taking into consideration of the Bonus Issue), based on the closing price of HK\$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

Since every one (1) Bonus Share will be issued upon the subscription of one (1) Rights Share, for illustrative purpose, the average price for each Share to be allotted and issued under the Rights Issue (with the Bonus Issue) will be HK\$0.09, which represents:

- (i) a discount of approximately 66.67% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 67.39% to the average closing price of approximately HK\$0.276 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 28.57% to the theoretical ex-entitlement price of approximately HK\$0.126 per Share after the Rights Issue (after taking into consideration of the Bonus Issue), based on the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 93.23% to the net asset value per Share of approximately HK\$1.33 as at 30 June 2013, which is calculated based on the number of Shares of 556,420,530 in issue as at the Latest Practicable Date and the net asset value of approximately HK\$740,641,000 attributable to the owners of the Company as at 30 June 2013;
- (v) a discount of approximately 58.14% to the closing price of HK\$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 21.74% to the theoretical ex-entitlement price of approximately HK\$0.115 per Share after the Rights Issue (after taking into consideration of the Bonus Issue), based on the closing price of HK\$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis of determining the Subscription Price and the Bonus Issue

The Subscription Price and the Bonus Issue were determined by the Company and the Underwriter after arm's length negotiations with reference to the historical prices and trading liquidities of the Shares. Since the Shares were generally illiquid in the open market and the historical closing price of the Shares showed a sliding trend during the past twelve months, it is difficult for the Company to attract the Qualifying Shareholders to further invest in it through the Rights Issue. Furthermore, the Group is in urgent need for capital to satisfy the Escrow Money for the Proposed Acquisition. Details of the Proposed Acquisition are set out below in the section headed "Reasons for the Rights Issue (with the Bonus Issue), Financial and trading prospect and Proposed use of proceeds" below of this circular.

Given that the Bonus Issue can (i) effectively reduce the average price per Rights Share taken up; and (ii) provide incentives to the Qualifying Shareholders to subscribe for the Rights Shares, the Directors consider the Subscription Price fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Qualifying Shareholders

The Rights Issue (with the Bonus Issue) is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus to the Non-Qualifying Shareholders for information purposes only.

To qualify for the Rights Issue (with the Bonus Issue), a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of the Shares must lodge any transfers of the Shares (together with the relevant share certificates) with the Registrar, being Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 9 October 2013.

Closure of Register of Member

The register of members of the Company will be closed from Thursday, 10 October 2013 to Tuesday, 15 October 2013, both dates inclusive and the Record Date will be on Tuesday, 15 October 2013. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. A copy of the Prospectus will be filed with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus.

According to the register of members of the Company, as at the Latest Practicable Date, there were five Shareholders with registered addresses in four jurisdictions outside Hong Kong as shown on such register, namely, the BVI, Macau SAR, the PRC and Singapore.

Based on the advices provided by the legal advisers on the laws of Macau SAR, the offering of the Rights Shares (with the Bonus Shares) by the Company to its Shareholders with registered addresses in Macau SAR pursuant to the Rights Issue (with the Bonus Issue) is not subject to any regulatory requirements or procedures in Macau SAR. It would be lawful and will not contravene Macau laws or regulations for the Company to offer the Rights Shares (with the Bonus Shares) to those Shareholders with registered addresses in Macau SAR, even though the Prospectus Documents will not be registered in Macau SAR. Therefore, the Directors have decided to extend the Rights Issue (with the Bonus Issue) to such Overseas Shareholders with registered addresses located in Macau SAR as shown on the register of members of the Company as at the Record Date. As at the Latest Practicable Date, there was one Shareholder, whose registered address was in Macau SAR.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there was one Shareholder with registered address in the PRC, who is an individual. Based on the advices provided by the legal advisers on the laws of the PRC, PRC laws impose no restrictions on the offering of the Rights Shares (with the Bonus Shares) to such individual Shareholder, and the Company is not required to obtain any approvals from PRC governmental authorities in connection with such Rights Issue (with the Bonus Issue). Therefore, the Directors have decided to extend the Rights Issue (with the Bonus Issue) to such individual Shareholder with registered address in the PRC as shown on the register of members of the Company as at the Record Date. Should there be any corporate Shareholders with registered address(es) in the PRC on the Record Date, the Company will, if necessary, make further enquiries with PRC legal advisers regarding the feasibility of extending the Rights Issue (with the Bonus Issue) to such corporate Shareholders on the Record Date and make relevant disclosures in the Prospectus.

Based on the advice provided by the legal advisers on the laws of the BVI, the offering of the Rights Shares and the Bonus Shares by the Company to its Shareholders with registered addresses in the BVI pursuant to the Rights Issue (with the Bonus Issue) is not subject to any regulatory requirements or procedures under the laws of the BVI. It would be lawful for the Company to offer the Rights Shares and the Bonus Shares to those Shareholders with registered addresses in the BVI, even though the Prospectus Documents will not be registered in the BVI provided that as long as the securities being offered by the Company are not within the BVI, such securities may be acquired by BVI persons/entities who receive the offering of the Rights Shares and Bonus Shares by the Company (the “Offer”) outside the BVI (in a manner which does not contravene the laws of the jurisdiction in which the Offer is received) and who meet the Company’s eligibility criteria for the Offer. Therefore, the Directors have decided to extend the Rights Issue (with the Bonus Issue) to such Overseas Shareholders with registered addresses located in the BVI as shown on the register of members of the Company as at the Record Date. As at the Latest Practicable Date, there were two Shareholders, whose registered addresses were in the BVI.

Based on the advices provided by the legal advisers on the laws of Singapore and having regard the likely costs and time involved if overseas compliance were to be observed, the Directors are of the opinion that it would be necessary or expedient to exclude such Overseas Shareholders whose registered addresses are in Singapore as shown on the register of members of the Company as at the Record Date. Accordingly, the Overseas Shareholders whose registered addresses are in Singapore will be regarded as Non-Qualifying Shareholders. As at the Latest Practicable Date, there was one Shareholder, whose registered address was in Singapore, held 126 Shares, representing approximately 0.00% of the issued share capital of the Company and such Shareholder will be regarded as a Non-Qualifying Shareholder.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of the Non-Qualifying Shareholders, together with any Rights Shares provisionally

LETTER FROM THE BOARD

allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares, will be made available for excess application on EAFs by the Qualifying Shareholders.

The Company will continue to ascertain whether there are any other Overseas Shareholders on the Record Date and will, if necessary, make further enquiries with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue (with the Bonus Issue) to such other Overseas Shareholders on the Record Date and make relevant disclosures in the Prospectus. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue (with the Bonus Issue), to be despatched to the Qualifying Shareholders on the Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them on the Posting Date.

Basis of Provisional Allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) Share held on Record Date, being not less than 1,112,841,060 Rights Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 1,119,309,218 Rights Shares (assuming no new Share being issued other than full exercises of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date). Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by no later than the Latest Time For Acceptance.

Fractions of Rights Shares (if any)

The Company will not provisionally allot fractions of the Rights Shares in nil-paid form. All fractions of the Rights Shares will be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market. The Company will retain the proceeds from such sale(s) for its own benefit. Any unsold aggregated fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders.

Application for Excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

LETTER FROM THE BOARD

Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for by no later than the Latest Time For Acceptance. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

1. preference will be given to applications for topping-up odd lots holdings to whole lot holdings; and
2. subject to availability of excess Rights Shares after allocation under principle (1) above, any further remaining excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied for by them (i.e. the Qualifying Shareholders applying for smaller numbers of the Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas the Qualifying Shareholders applying for larger numbers of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares).

In the event that the Company discovered certain applications may have been made with the intention to abuse the mechanism whereby preference would have been given to applications for topping up odd-lot holdings, the Company will change the allocation method for the excess Rights Shares on a fair and equitable basis.

Investors with their Shares held by a nominee company (including HKSCC) should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

Investors whose Shares are held by their nominee(s) (including HKSCC) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Wednesday, 9 October 2013.

Status of the Rights Shares and the Bonus Shares

The Rights Shares and the Bonus Shares, when allotted and fully paid, will rank *pari passu* in all respects among themselves and with the Shares then in issue. Holders of fully-paid Rights Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of the allotment of the Rights Shares and the Bonus Shares, both in their fully-paid forms.

LETTER FROM THE BOARD

Certificates of the Rights Shares and the Bonus Shares

Subject to the fulfillment or waiver (as appropriate) of the conditions of the Rights Issue (with the Bonus Issue), certificates for all fully-paid Rights Shares and the Bonus Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Thursday, 7 November 2013. Share certificates will be issued for the fully-paid Rights Shares and the Bonus Shares.

Refund Cheques for Rights Issue (with the Bonus Issue)

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 7 November 2013 by ordinary post to the applicants at their own risk.

Application for Listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and the Bonus Shares to be issued and allotted pursuant to the Rights Issue (with the Bonus Issue).

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) and the Bonus Shares on the Stock Exchange, the Rights Shares (in both their nil-paid and fully-paid forms) and the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in each of their nil-paid and fully-paid forms, the Bonus Shares on the Stock Exchange or such other dates 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.

All necessary arrangements will be made to enable the Rights Shares (in both their nil-paid and fully-paid forms) and the Bonus Shares to be admitted into CCASS.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 40,000) and the Bonus Shares which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

Conditions of the Rights Issue (with the Bonus Issue)

The Rights Issue (with the Bonus Issue) is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of all the necessary resolution(s) by the Board and the Shareholders (where applicable, the Independent Shareholders) at the SGM approving, confirming and ratifying (as appropriate):
 - (a) the Rights Issue (with the Bonus Issue) and the transactions contemplated thereunder and authorising the Directors to allot and issue the Rights Shares (in their nil-paid and fully-paid forms) and the Bonus Shares; and
 - (b) the Underwriting Agreement and the performance of the transactions contemplated thereunder by the Company;

each in accordance with the Bye-laws and the Listing Rules on or before the Record Date;

- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively not later than the Posting Date one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (iii) the delivery and filing of the Prospectus with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue (with the Bonus Issue), on or before the Posting Date;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) and the Bonus Shares by no later than the first day of their dealings;
- (vi) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time For Termination;
- (vii) the compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true and correct and not misleading in all material respects;

LETTER FROM THE BOARD

- (viii) if required, the Bermuda Monetary Authority granting consent to the issue of the Rights Shares and the Bonus Shares;
- (ix) there being no Specified Event occur prior to the Latest Time For Termination; and
- (x) compliance by Allied Summit with its undertaking and obligations under the Undertaking given by Allied Summit to the Company and the Underwriter from the date of the Undertaking up to the Latest Time for Acceptance.

The conditions set out above (other than condition (vii) which can only be waived by the Underwriter) are incapable of being waived. If the above conditions are not satisfied and/or waived in whole or in part by the Latest Time For Termination or such other time and date as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (save for any antecedent breach of the Underwriting Agreement and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise.

Undertaking

As at the Latest Practicable Date, Allied Summit, the controlling Shareholder, is interested in 324,243,951 Shares, representing approximately 58.27% of the issued share capital of the Company. Pursuant to the Undertaking, Allied Summit has irrevocably undertaken to the Company and the Underwriter that (a) all the Shares legally and beneficially owned by it as at the date of the Undertaking shall remain registered in its name up to and including the date on which dealings in the fully-paid Rights Shares and the Bonus Shares are expected to commence on the Stock Exchange (or such later date as may be agreed between the Company and the Underwriter in writing); and (b) it shall subscribe and pay for or procure the subscription and payment for, its entitlement of 648,487,902 Rights Shares, being the rights entitlement which will be provisionally allotted to it under the Rights Issue prior to the Latest Time For Acceptance.

Underwriting Agreement

Date : 19 August 2013 (after trading hours)

Underwriter : Kingston Securities Limited

Total number of Rights Shares : not less than 1,112,841,060 Rights Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 1,119,309,218 Rights Shares (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date)

LETTER FROM THE BOARD

- Total number of Bonus Shares : not less than 1,112,841,060 Bonus Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 1,119,309,218 Bonus Shares (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date)
- Total number of Underwritten Shares : not less than 464,353,158 Rights Shares (having taken into account the Undertaking and on the basis that no new Share being issued, and no Share being repurchased, on or before the Record Date) and not more than 470,821,316 Rights Shares (having taken into account the Undertaking and on the basis that no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date), being the total number of Rights Shares less 648,487,902 Rights Shares that Allied Summit has undertaken to subscribe and pay for or procure subscription and payment for pursuant to the Undertaking
- Underwriting commission : payable by the Company to the Underwriter at 3.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares. The commission rates were determined after arms' length negotiations between the Company and the Underwriter with reference to, among other things, the scale of the Rights Issue (with the Bonus Issue) and the market rate, and the Board considers that the underwriting commission rate is fair and reasonable and in the interests of the Company and the Shareholders as a whole

In the event of the Underwriter being called upon to subscribe for or procure subscribers to subscribe for the Untaken Shares, the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it to exceed 16.5% of the voting rights of the Company upon the completion of the Rights Issue (with the Bonus Issue); and the Underwriter has agreed to use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be an Independent Third Party and not acting in concert with the Directors or chief executive of the Company or substantial Shareholders of the Company or their respective associates; and (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue (with the Bonus Issue) such that the Company will be able to comply with the minimum public float requirement sets out under Rule 8.08(1) of the Listing Rules.

LETTER FROM THE BOARD

The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue (with the Bonus Issue).

As at the Latest Practicable Date, the Underwriter has not entered into any sub-underwriting agreement.

Unless the Underwriting Agreement shall have otherwise been terminated by the Underwriter pursuant to its right of termination on or before the Latest Time For Termination, if the Underwriter shall default in complying with any of its obligations under the Underwriting Agreement, the Company shall be entitled to claim against the defaulting underwriter for loss and damage.

Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue and/or the Bonus Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Rights Issue and/or the Bonus Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue and/or the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue and/or the Bonus Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue and/or the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue and/or the Bonus Issue; or

LETTER FROM THE BOARD

- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue and/or the Bonus Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this circular and the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue (with the Bonus Issue); or
- (viii) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time For Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time For Termination.

If prior to the Latest Time For Termination, any such notice as referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

LETTER FROM THE BOARD

Shareholding structure of the Company in respect of the Rights Issue (with the Bonus Issue)

Set out below is the shareholding structure of the Company (as extracted from the Disclosure of Interests forms posted on the website of the Stock Exchange) immediately before and after completion of the Rights Issue (with the Bonus Issue):

(i) *Assuming there is no new Share being issued and no Share being repurchased by the Company on or before the Record Date:*

	Immediately after completion of the Rights Issue (with the Bonus Issue)					
	As at the Latest Practicable Date		All Rights Shares are subscribed by the Qualifying Shareholders		None of the Rights Shares are subscribed by the Qualifying Shareholders (except for the Underwriter and Allied Summit) (Notes 1 & 2)	
	<i>Number of Shares</i>	<i>(Note 5) %</i>	<i>Number of Shares</i>	<i>(Note 5) %</i>	<i>Number of Shares</i>	<i>(Note 5) %</i>
Substantial Shareholder:						
Allied Summit (Note 3)	324,243,951	58.27	1,621,219,755	58.27	1,621,219,755	58.27
Public:						
Underwriter (Note 4)	3	0.00	15	0.00	928,706,319	33.38
Other public Shareholders	<u>232,176,576</u>	<u>41.73</u>	<u>1,160,882,880</u>	<u>41.73</u>	<u>232,176,576</u>	<u>8.35</u>
Total	<u>556,420,530</u>	<u>100.00</u>	<u>2,782,102,650</u>	<u>100.00</u>	<u>2,782,102,650</u>	<u>100.00</u>

LETTER FROM THE BOARD

(ii) *Assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date:*

	Immediately after completion of the Rights Issue (with the Bonus Issue)					
As at the Latest Practicable Date (assuming full exercise of the Longjiang Option) <i>Number of (Note 5) Shares %</i>	All Rights Shares are subscribed by the Qualifying Shareholders <i>Number of (Note 5) Shares %</i>		None of the Rights Shares are subscribed by the Qualifying Shareholders (except for the Underwriter and Allied Summit) <i>(Notes 1 & 2) Number of (Note 5) Shares %</i>			
Substantial Shareholder:						
Allied Summit <i>(Note 3)</i>	324,243,951	57.94	1,621,219,755	57.94	1,621,219,755	57.94
Public:						
Underwriter <i>(Note 4)</i>	3	0.00	15	0.00	941,642,635	33.65
Other public Shareholders	<u>235,410,655</u>	<u>42.06</u>	<u>1,177,053,275</u>	<u>42.06</u>	<u>235,410,655</u>	<u>8.41</u>
Total	<u>559,654,609</u>	<u>100.00</u>	<u>2,798,273,045</u>	<u>100.00</u>	<u>2,798,273,045</u>	<u>100.00</u>

Notes:

1. The above scenario is for illustrative purpose only and will unlikely occur.
2. The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue (with the Bonus Issue).
3. Allied Summit is beneficially owned as to 80% by Mr. Su Weibiao and 20% by Mr. Ng Kwok Fai.
4. In the event of the Underwriter being called upon to subscribe for or procure subscription for the Untaken Shares:
 - (i) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it to exceed 16.5% of the voting rights of the Company upon the completion of the Rights Issue (with the Bonus Issue); and
 - (ii) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be an Independent Third Party and not acting in concert with the Directors or chief executive of the Company or substantial Shareholders of the Company or their respective associates ; and (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue (with the Bonus Issue) such that the Company will be able to comply with the minimum public float requirement sets out under Rule 8.08(1) of the Listing Rules.
5. The percentages are subject to rounding differences, if any.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The last day of dealing in the Shares on a cum-rights basis is Monday, 7 October 2013. The Shares will be dealt in on an ex-rights basis commencing from Tuesday, 8 October 2013. Dealings in the Rights Shares in the nil-paid form are expected to take place from Friday, 18 October 2013 to Friday, 25 October 2013 (both days inclusive). Shareholders and potential investors should note that dealing in the Shares and/or nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. If the conditions of the Underwriting Agreement are not fulfilled or waived (where applicable) or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue (with the Bonus Issue) will not proceed.

Any dealings in the Shares from the date of the Announcement and up to 4:00 p.m. on Monday, 4 November 2013, being the time and date by which all the conditions of the Rights Issue (with the Bonus Issue) are to be fulfilled or waived (where applicable) and when the right of the Underwriter to terminate the Underwriting Agreement is to lapse, and any dealings in the Rights Shares in their nil-paid form between Friday, 18 October 2013 and Friday, 25 October 2013, both days inclusive, are accordingly subject to the risk that the Rights Issue (with the Bonus Issue) may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or the Rights Shares in their nil-paid form and, if they are in any doubt about their position, they should consult their professional adviser(s).

REASONS FOR THE RIGHTS ISSUE (WITH THE BONUS ISSUE), FINANCIAL AND TRADING PROSPECT AND PROPOSED USE OF PROCEEDS

Existing businesses of the Group

Set out below are the major business segments of the Group:

Money Lending and Provision of Credits Business

The Group is principally engaged in money lending and provision of credits business. As at the Latest Practicable Date, its wholly-owned subsidiary, Joy Wealth Finance Limited (“**Joy Wealth**”) had provided a wide variety of loans with an accumulated amount of approximately HK\$684 million with interest rates ranging from 8% to 48% per annum, among which approximately HK\$518 million loan principal had been repaid while approximately HK\$166 million loan principal remained outstanding.

As set out in the annual report of the Company for the year ended 31 December 2012, the money lending segment recorded revenue of approximately HK\$29,981,000 for the year ended 31 December 2012, representing approximately 86.35% of the total revenue of the Group. As announced on 29 August 2013, this segment generated revenue of approximately HK\$10,558,000, representing approximately 59.80% of the total revenue of the Group for the six months ended 30 June 2013. Since money lending and provision of credit business is the major business segment of the Group and contributed stable interest income to the Group, the Board will continue to expand this segment and continue

LETTER FROM THE BOARD

to seek for high net-worth customers to generate further revenues for the Group. Further details of the latest loan proposals received by Joy Wealth are set out in the latter section of this circular.

Securities Investments Business

As at the Latest Practicable Date, the Group had invested in Simsen International Corporation Limited (Stock Code: 993) as a strategic investment, with the intention to utilize the platform provided by Simsen International Corporation Limited to further promote the finance business of Joy Wealth and Million Wealth (as defined below).

In order to expand its money lending platform to further promote and develop its money lending business and broaden its existing customer base, on 11 October 2012, Perpetual Master Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe for the redeemable convertible preference shares of Million Wealth Capital Investment Limited (“**Million Wealth**”) at the subscription price of HK\$90,000,000, details of which are disclosed in the Company’s announcement dated 11 October 2012.

The Company has subscribed the convertible notes issued by China Environmental Energy Investment Limited (the “**China Environmental**”), a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 986), in the principal sum of HK\$95,000,000 (the “**Convertible Notes**”). On 12 October 2012, the Company entered into a call option deed with the option holder, pursuant to which, the option holder can purchase from the Company the Convertible Notes up to a principal amount of HK\$60,000,000 (the “**Call Option Deed**”), details of which are disclosed in the Company’s announcement dated 12 October 2012. As at the Latest Practicable Date, the Convertible Notes with aggregate principal amount of HK\$68,405,000 are held by the Company. The Directors consider that this investment enables the Group to participate in the development of China Environmental and provides the Group with an opportunity to enjoy the potential upside of the share price performance of the shares of China Environmental through the possible conversion of part or whole of the Convertible Notes. Furthermore, through the Call Option Deed, the Company could realize the Convertible Notes at the pre-agreed selling price with a reasonable profit margin. If the Convertible Notes are not converted, the Group will receive attractive interest income from the Convertible Notes semi-annually. Details of this investment have been disclosed in the joint announcement of the Company and China Environmental dated 26 June 2012.

Looking forward, the Company will closely monitor its existing securities investments and explore all means to control the investment risks and gain a positive profit. In the meantime, the Group will keep looking for other suitable securities investment opportunities to broaden the Group’s income sources.

LETTER FROM THE BOARD

Provision of Corporate Secretarial and Consultancy Services Business

The Group has been conducting the provision of corporate secretarial and consultancy services business through a wholly-owned subsidiary, namely Pacific Vision Advisory Services Limited (“**Pacific Vision**”), and has recruited a team of professionals in the areas of accounting, finance and company secretaries to provide services to its clients which include listed companies in Hong Kong.

Since its establishment in November 2011, Pacific Vision has successfully identified and has been providing on-going corporate secretarial services to both listed and corporate clients in Hong Kong. Pacific Vision also has successfully provided the consultancy services to several corporate investors. Although this business is flourishing gradually, due to keen competition in the market, the Group is struggling to identify sufficient new clients.

Looking for a period of two years ahead, it is expected there would be increasing demand for financial advisory and corporate consultancy services in the PRC under the economic environment and situation of the PRC. In order to capture this valuable business opportunity and to identify new clients, the Group planned to set up a branch office in the PRC to market, promote, develop and maintain the provision of corporate secretarial and consultancy services business in the PRC.

Forestry Business

On 12 April 2012, the Group has completed the acquisition (the “**Forest Acquisition**”) of 30% equity interest in Profit Grand Enterprises Limited (“**Profit Grand**”), which through its subsidiary has the harvesting right within a forest sized approximately 65,800 hectares in the PNG. The Company also holds an option to purchase the remaining 70% equity interest in Profit Grand Enterprises Limited.

The Group has from time to time been following up with the relevant government authorities regarding the outstanding necessary licenses and approvals required for the commencement of the forestry logging and harvesting in the PNG. The Company was informed by the PNG legal adviser that the outstanding necessary licenses and approvals are more likely to be obtained in 2014. Up to the Latest Practicable Date, the Group has been successfully granted the foreign enterprise certificate and the Environment Impact Statement (the “**EIS**”) has been submitted to the Department of Environment and Conservation (the “**DEC**”). The officer of the DEC has confirmed that all council members were satisfied with the submitted EIS. Environment Permit would be probably granted after the completion of several formality procedures before the end of 2013. The submission of the Clearance Authority had been delayed due to the Commission of Enquiry into the Special Agricultural Business Lease system. But currently, the Clearance Authority was in preparation for submission. The PNG legal adviser has confirmed that such enquiry is not a legal impediment as the Law of the PNG is clear that if the Clearance Authority application is in order, then the Forestry Authority must consider the application. As further advised by the PNG legal adviser, on the assumption that the

LETTER FROM THE BOARD

applications for the Clearance Authority are in order and in the absence of any unforeseen circumstances, it is expected that there is no material legal impediment for the Group to obtain the Clearance Authority.

The management of the Group will keep closely following up the obtainment for all the necessary approvals, licenses, registrations, confirmation and/or permits as may be required to conduct forestry related business and to enjoy and exploit the logging concession under the laws and regulations in PNG.

Latest business plan of the Group

Apart from the existing businesses as mentioned above, the Group has been actively seeking for prospective investment opportunities. On 23 July 2013, a wholly-owned subsidiary of the Company, Alpha Riches Limited, entered into a framework agreement (the “**Framework Agreement**”) in relation to a possible acquisition of a parcel of land in Beijing, the PRC, details of which are disclosed in the Company’s announcement dated 23 July 2013. A refundable earnest money of HK\$20 million has been paid according to the terms of the Framework Agreement. The entering into of a formal agreement is subject to the deposit of the Escrow Money of HK\$180 million in cash to an escrow account by Alpha Riches Limited.

The parcel of land is situated in the innermost ring known as the Imperial City and surrounded by historic building such as the Forbidden City, the Tiananmen and Drum Tower. The supreme location at the heart of the country’s capital city marks its residents with the greatest social and political status while the nearby subway station and main streets provide easy access to various neighborhoods of Beijing, the PRC. The Proposed Acquisition provides an opportunity for the Group to tap into the recovering property market in the PRC and to generate diversified income and additional cash flow for the Group’s continuous development. The Company has engaged a PRC legal adviser to carry out the due diligence on the Proposed Acquisition and an independent valuer to prepare the valuation on the parcel of land.

As at the Latest Practicable Date, the Group has approximately HK\$39 million cash on hand and is reserved for monthly operating expenses of approximately HK\$2 million each for the coming 12 months, which is insufficient for the payment of Escrow Money and thus the Group requires additional source of fund. If the Group is not be able to pay the Escrow Money by the long stop date of the Framework Agreement, the Group will not be able to enter into the formal agreement with the vendor and miss out such valuable investment opportunity.

Fund raising methods comparison

The Company has attempted to seek for debt financing from both commercial banks and financial institutions. However, the Company was unable to obtain any debt financing at terms acceptable to the Company.

Given that debt financing is not available to the Company, the Board has considered other fund raising methods available to the Group. Among different fund raising methods, the Directors have focused on evaluating the possibilities of carrying out fund raising through rights issue or open offer as they are relatively larger in scale as compared to placing of new shares in view of the recent market capitalization of the Company. In addition, rights issue or

LETTER FROM THE BOARD

open offer are pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation and causes no interests burden to the Group.

In comparison between rights issue and open offer, the Rights Issue (with the Bonus Issue) allows the Qualifying Shareholders who participate to (a) increase its interests in the shareholding of the Company by (i) acquiring additional rights entitlement in the open market (subject to the availability); and/or (ii) applying through excess applications for rights shares; or (b) decreasing its interests in the shareholding of the Company by disposing their rights entitlements in the open market (subject to availability). As an open offer does not allow the trading of rights entitlements, a rights issue is preferred.

Intended use of proceeds

The gross proceeds from the Rights Issue (with the Bonus Issue) will be not less than approximately HK\$200.31 million and not more than HK\$201.48 million before expenses. The estimated expenses in relation to the Rights Issue (with the Bonus Issue), including the financial, legal, and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue (with the Bonus Issue) will be not less than approximately HK\$193.85 million and not more than approximately HK\$195.01 million. The Company intends to apply the net proceeds from the Rights Issue (with the Bonus Issue) as to (i) HK\$180 million for the payment of the Escrow Money and (ii) the remaining for money lending and provision of credit business and/or corporate and general working capital of the Group.

In the event that the Proposed Acquisition does not proceed, the Company will reallocate the net proceeds from the Rights Issue (with the Bonus Issue) as to (i) not less than HK\$180 million for the money lending and provision of credit business; (ii) not more than HK\$20 million on the securities investments business and corporate and general working capital of the Group.

At present, the Group has received 6 loan proposals, among which, 5 proposals are from 5 respective borrowers which have proposed to pledge securities/convertible securities issued by companies whose shares are listed on the Stock Exchange as collaterals. Set out below is a summary of the major terms on the 5 loan proposals:

	Borrower A	Borrower B	Borrower C	Borrower D	Borrower E
Principal	HK\$60 million to HK\$100 million	HK\$270 million	HK\$100 million	HK\$200 million	HK\$100 million
Interest rate (per annum)	36%	36%	36%	48%	36%
Term	1 year	1 year	1 year	1 year	1 year

LETTER FROM THE BOARD

The summarized principal terms of the five loan proposals illustrated above are subject to further negotiations with the respective borrower and may or may not materialize. Further announcement(s) will be made by the Company in this regard in accordance with the Listing Rules as and when appropriate.

Independent Shareholders and Qualifying Shareholders

The proposed Rights Issue (with the Bonus Issue) shall be conducted on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date with Bonus Issue on the basis of one (1) Bonus Share for every one (1) Rights Share taken up. The Board considers that any potential dilution impact should be balanced against by the following factors:

- Independent Shareholders are given the chances to express their views on the terms of the Rights Issue (with Bonus Issue) and the Underwriting Agreement through their votes at the SGM;
- Qualifying Shareholders have their choices whether to accept the Rights Issue (with the Bonus Issue) or not;
- Qualifying Shareholders have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market;
- the Rights Issue offers Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market price of the Shares; and
- those Qualifying Shareholders who choose to accept the Rights Issue (with Bonus Issue) in full can maintain their respective existing shareholding interests in the Company after the Rights Issue (with Bonus Issue).

Having considered the above, the Board considers the potential dilution effect on the shareholding interests of the Qualifying Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

Having taken into account the terms of the Rights Issue (with the Bonus Issue), the Board (after taking into account the advice of Proton Capital) considers that the Rights Issue (with the Bonus Issue) is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Furthermore, it also offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company to participate in the future development of the Company should they wish to do so. In addition, the Bonus Issue will be an additional incentive for the Qualifying Shareholders to take part in the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares (with the Bonus Shares) to which they are entitled should note that their shareholdings in the Company will be diluted.**

LETTER FROM THE BOARD

So far as the Directors are aware, there is no restriction affecting the remittance of profit or repatriation of capital into Hong Kong from outside Hong Kong other than the PRC and PNG, which the Group is required to comply with the relevant PRC and PNG laws and regulations before the remittance of profit or repatriation of capital into Hong Kong.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any other fund raising exercise in the past twelve months immediately prior to the date of the Latest Practicable Date.

GENERAL

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue (with the Bonus Issue) must be made conditional on approval of the Independent Shareholders by way of poll at the SGM. As at the Latest Practicable Date, Allied Summit holding 324,243,951 Shares, representing approximately 58.27% of the issued share capital of the Company, and being entitled to exercise control over the voting right of all its Shares, is a controlling Shareholder. Allied Summit and its associates will abstain from voting in favour of the resolution approving the Rights Issue (with the Bonus Issue) and the transactions contemplated thereunder at the SGM. To the best information and knowledge of the Directors, as at the Latest Practicable Date, the aforementioned party has no intention to vote against the resolution approving the Rights Issue (with the Bonus Issue) and the transaction contemplated thereunder at the SGM.

The Rights Issue (with the Bonus Issue) is conditional on, among other things, the Rights Issue (with the Bonus Issue) being approved by the Independent Shareholders at the SGM.

Subject to, among other things, the Rights Issue (with the Bonus Issue) being approved at the SGM, the Prospectus Documents or the Prospectus, where appropriate, will be despatched to the Qualifying Shareholders, and for information only, to the Non-Qualifying Shareholders in due course.

THE SGM

A notice for convening the SGM to be held at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 4 October 2013 at 9:30 a.m. or any adjournment is set out from pages 73 to 75 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 33 to 34 of this circular which contains its recommendation to the Independent Shareholders, and the letter from Proton Capital set out on pages 35 to 54 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (with the Bonus Issue).

The Independent Board Committee, having taken into account the advice of Proton Capital, considers that the terms of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue (with the Bonus Issue) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the Rights Issue (with the Bonus Issue) and the Underwriting Agreement at the SGM.

The Directors consider that the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolutions approving the Rights Issue (with the Bonus Issue) at the SGM.

ADDITIONAL INFORMATION

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

By order of the Board
Pacific Plywood Holdings Limited
Huang Chuan Fu
Executive Director and Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue (with the Bonus Issue).



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 767)

16 September 2013

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO
RIGHTS SHARES FOR EVERY ONE SHARE HELD
ON THE RECORD DATE AT HK\$0.18 PER RIGHTS SHARE
WITH BONUS ISSUE ON THE BASIS OF ONE BONUS SHARE
FOR EVERY ONE RIGHTS SHARE TAKEN UP UNDER
THE RIGHTS ISSUE**

We refer to the circular dated 16 September 2013 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the Rights Issue (with the Bonus Issue) and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue (with the Bonus Issue) and to recommend whether or not the Independent Shareholders should vote on the resolution to be proposed at the SGM to approve the Rights Issue (with the Bonus Issue). Proton Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regards.

We wish to draw your attention to the letter from Proton Capital as set out in the Circular which contains, inter alia, its advice and recommendation to us and the Independent Shareholders regarding the terms and conditions of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement with the principal factors and reasons for its advice and recommendation.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice and recommendation of Proton Capital, we consider that the terms of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue (with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Rights Issue (with the Bonus Issue), the Underwriting Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Wong Chun Hung

Mr. Wong Sze Kai
Independent non-executive Directors

Mr. Zheng Zhen

LETTER FROM PROTON CAPITAL

Set out below is the text of a letter received from Proton Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue (with the Bonus Issue) for the purpose of inclusion in this circular.



普頓資本有限公司
PROTON CAPITAL LIMITED

Suite 06–07, 28/F.
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

16 September 2013

*To: The independent board committee and the independent shareholders
of Pacific Plywood Holdings Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE AT HK\$0.18 PER RIGHTS SHARE WITH BONUS ISSUE ON THE BASIS OF ONE BONUS SHARE FOR EVERY ONE RIGHTS SHARE TAKEN UP UNDER THE RIGHTS ISSUE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (with the Bonus Issue), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 16 September 2013 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 20 August 2013, the Company announced the proposed Rights Issue to raise not less than approximately HK\$200.31 million and not more than approximately HK\$201.48 million, before expenses, by issuing not less than 1,112,841,060 Rights Shares and not more than 1,119,309,218 Rights Shares to the Qualifying Shareholders, at the Subscription Price of HK\$0.18 per Right Share on the basis of two Rights Shares for every one Share held on the Record Date. Subject to the satisfaction (or waiver as the case maybe) of the conditions of the Rights Issue, the Bonus Shares will be issued to the first registered holders of the Rights Shares on the basis of one Bonus Share for every one Rights Share taken up under the Rights Issue. On the basis of not less than 1,112,841,060 Rights Shares and not more than 1,119,309,218 Rights Shares to be issued under the Rights Issue, not less than 1,112,841,060 Bonus Shares and not more than 1,119,309,218 Bonus Shares will be issued. The Rights Issue (with the Bonus Issue) (other than the Rights Shares that will be provisionally allotted to Allied Summit pursuant to the Undertaking) will be fully underwritten by the Underwriter.

LETTER FROM PROTON CAPITAL

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue (with the Bonus Issue) must be made conditional on approval of the Independent Shareholders by way of poll at the SGM. Accordingly, Allied Summit, who is a controlling shareholder (as defined in the Listing Rules) of the Company, and its associates will abstain from voting in favour of the resolution approving the Rights Issue (with the Bonus Issue) and the transactions contemplated thereunder at the SGM.

An Independent Board Committee comprising Mr. Wong Chun Hun, Mr. Wong Sze Kai and Mr. Zheng Zhen, all being independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue (with the Bonus Issue and including the Underwriting Agreement) is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution(s) to approve the Rights Issue (with the Bonus Issue), the Underwriting Agreement and the respective transactions contemplated thereunder at the SGM. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, that having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriter, Allied Summit or their respective subsidiaries or associated companies, nor have

LETTER FROM PROTON CAPITAL

we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue (with the Bonus Issue). Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue (with the Bonus Issue), we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for the Rights Issue (with the Bonus Issue)

Business overview of the Group

The Group is principally engaged in money lending and provision of credits business, provision of corporate secretaries and consultancy services, securities investments and forestry business. As extracted from the Company's annual report for the year ended 31 December 2012 (the "**2012 Annual Report**"), the Group has undergone several significant investments with an aim of improving its financial performance and position, including (i) the completion of acquisition of interests in a forest in PNG, as announced by the Company on 12 April 2012; (ii) the subscription of 8% coupon convertible notes (the "**Convertible Notes**") issued by China Environmental Energy Investment Limited (Stock Code: 986) ("**China Environmental**") with an aggregate principal amount of HK\$95,000,000, as announced by the Company on 26 June 2012 and the conversion price of which was fixed at HK\$0.592 upon its completion, as announced by the Company on 12 October 2012; and (iii) the subscription of 90 redeemable convertible preference shares of Million Wealth Capital Investment Limited ("**Million Wealth**") at the subscription price of HK\$90,000,000 by the Group, as announced by the Company on 11 October 2012.

LETTER FROM PROTON CAPITAL

Set out below are the financial information of the Group for the six months ended 30 June 2013 as extracted from the interim results announcement of the Company for the six months ended 30 June 2013 (the “**2013 Interim Results**”) and the two years ended 31 December 2012 as extracted from the 2012 Annual Report:

	For the six months ended 30 June 2013 (unaudited) HK\$'000	For the year ended 31 December 2012 (audited) HK\$'000	For the year ended 31 December 2011 (audited) HK\$'000	% change from 2011 to 2012
Turnover	32,706	48,640	53,369	(8.86)
— Money lending	10,558	29,981	52,958	(43.39)
— Consultancy services	4,978	5,211	411	1,167.88
— Securities investments	17,170	13,448	—	Not applicable
— Forestry business	—	—	—	Not applicable
Profit/(Loss) for the year	48,466	62,279	(144,959)	Not applicable
	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000	As at 31 December 2011 HK\$'000	% change from 2011 to 2012
Bank balances and cash	41,761	44,477	78,781	(43.54)
Net assets	740,821	690,087	410,111	68.27

We noted from the above table that despite that the turnover of the Group decreased by approximately 8.9% as compared to the prior year, the Group recorded a profit of approximately HK\$62.3 million for the year ended 31 December 2012 as compared to a loss of approximately HK\$145.0 million for the year ended 31 December 2011. With reference to the 2012 Annual Report, the profit was primarily attributable to the reversal of impairment loss on loan and interest receivables of approximately HK\$65.4 million. As also referred to in the 2013 Interim Results, the Group continued its profit making position in the first half of 2013 mainly due to the fair value gain of convertible instruments designated as financial assets at fair value through profit and loss.

As for the asset position of the Group, we noted that the Group’s bank balances and cash as at 31 December 2012 reduced substantially by approximately 43.5% as compared to the prior year which was due to the repayment of debts, acquisition and capital investments and increase in operating expenses resulting from the development of the businesses of the Group. As at 30 June 2013, there was a slight further reduction in the Group’s bank balances and cash.

LETTER FROM PROTON CAPITAL

Money lending and provision of credits business

The Group is conducting its principal business of money lending and provision of credits business through Joy Wealth Finance Limited (“**Joy Wealth**”). As extracted from the Board Letter, Joy Wealth had provided a wide variety of loans with an accumulated amount of approximately HK\$684 million with interest rates ranging from 8% to 48% per annum, among which approximately HK\$518 million loan principal had been repaid while approximately HK\$166 million loan principal remained outstanding as at the Latest Practicable Date. Since money lending and provision of credits business is the major business segment of the Group and has contributed stable interest income to the Group, the Board will continue to expand this segment and seek for high net-worth customers to generate further revenues for the Group. As at the Latest Practicable Date, the Group received six loan proposals, among which five proposals have proposed to pledge securities/convertible securities issued by companies whose shares are listed on the Stock Exchange as collaterals and carry interest rates ranging from 36% to 48% per annum. However, as advised by the Directors, the Group should be unable to satisfy any of those new loan proposals due to the lack of internal resources as at the Latest Practicable Date.

Securities investments business

The Group has invested in Simsen International Corporation Limited (Stock code: 993), Million Wealth and China Environmental. On 12 October 2012, the Company entered into a call option deed with an option holder, pursuant to which the option holder can purchase from the Company the Convertible Notes up to a principal amount of HK\$60 million (the “**Call Option Deed**”), details of which are disclosed in the Company’s announcement dated 12 October 2012. The Directors consider that this investment enables the Group to participate in the development of China Environmental and provides the Group with an opportunity to enjoy the potential upside of the share price performance of the shares of China Environmental while the Call Option Deed would enable the Group to realise the Convertible Notes at the pre-agreed selling price with a reasonable profit margin. If the Convertible Notes are not converted, the Group will receive attractive interest income from the Convertible Notes semi-annually.

Looking forward, the Company will closely monitor its existing securities investments and explore all means to control the investment risks and gain a positive profit. In the meantime, the Group will keep looking for other suitable securities investment opportunities to broaden the Group’s income sources.

Provision of corporate secretarial and consultancy services business

The Group has been conducting the provision of corporate secretarial and consultancy services business through Pacific Vision Advisory Services Limited, and has recruited a team of professionals in the areas of accounting, finance and company secretaries to provide services to its clients which include listed companies in Hong Kong. Looking for a period of two years ahead, the Directors expect that there would be increasing demand for financial advisory and corporate consultancy services in the

LETTER FROM PROTON CAPITAL

PRC under the economic environment and situation of the PRC. According to the Directors, in order to capture this valuable business opportunity and to identify new clients, the Group planned to set up a branch office in the PRC to market, promote, develop and maintain the provision of corporate secretarial and consultancy services business in the PRC.

Forestry business

On 12 April 2012, the Group completed the acquisition of 30% equity interest in Profit Grand Enterprises Limited (“**Profit Grand**”), which through its subsidiary has the harvesting right within a forest sized approximately 65,800 hectares in PNG. The Company also holds an option to purchase the remaining 70% equity interest in Profit Grand. As extracted from the Board Letter, the Group has from time to time been following up with the relevant government authorities regarding the outstanding necessary licenses and approvals required for the commencement of the forestry logging and harvesting in PNG. The Company was informed by its legal advisers as to PNG laws that the outstanding necessary licenses and approvals are likely to be obtained in 2014.

Latest business plan of the Group

On 23 July 2013, the Group entered into a framework agreement (the “**Framework Agreement**”) in relation to a possible acquisition of a parcel of land in Beijing, the PRC, details of which are disclosed in the Company’s announcement dated 23 July 2013. The parcel of land is situated in the innermost ring known as the Imperial City and surrounded by historic building such as the Forbidden City, the Tiananmen and Drum Tower. The Proposed Acquisition provides an opportunity for the Group to tap into the recovering property market in the PRC and to generate diversified income and additional cash flow for the Group’s continuous development. A refundable earnest money of HK\$20 million has been paid in accordance with the terms of the Framework Agreement. The entering into of a formal agreement is subject to the deposit of the Escrow Money of HK\$180 million in cash to an escrow account by the Group.

Shareholders may refer to the section headed “Reasons for the Rights Issue (with the Bonus Issue), financial and trading prospect and proposed use of proceeds” of the Board Letter for further details regarding the business overview and latest business plan of the Group.

Reasons for the Rights Issue (with the Bonus Issue) and use of proceeds

As referred to in the Board Letter, the Group had approximately HK\$39 million cash on hand as at the Latest Practicable Date and is reserved for monthly operating expenses of approximately HK\$2 million each for the coming 12 months, which is insufficient for the payment of Escrow Money and thus the Group requires additional source of fund. If the Group is unable to pay the Escrow Money by the long stop

LETTER FROM PROTON CAPITAL

date of the Framework Agreement, i.e. 23 November 2013, the Group will be unable to enter into the formal agreement with the vendor and will miss out such valuable investment opportunity.

With reference to the Board Letter, the estimated net proceeds of the Rights Issue (with the Bonus Issue) will be not less than approximately HK\$193.85 million and not more than approximately HK\$195.01 million. The Directors have confirmed that the Company intends to apply the net proceeds from the Rights Issue (with the Bonus Issue) as to (i) HK\$180 million for the payment of the Escrow Money; and (ii) the remaining for the money lending and provision of credits business and/or corporate and general working capital of the Group. In the event that the Proposed Acquisition does not proceed, the Company will reallocate the net proceeds from the Rights Issue (with the Bonus Issue) as to (i) not less than HK\$180 million for the money lending and provision of credits business; and (ii) not more than HK\$20 million for the securities investments business and corporate and general working capital of the Group.

We noted that the Group's financial performance has been improving recently leveraging on its latest business development. In view of the fact that the Group's cash on hand is shrinking whilst the Company has different short term financing needs to further expand its businesses as aforementioned, including but not limited to the payment of the Escrow Money as well as the provision of credits to the secured loan proposals which carry attractive interest income, we concur with the Directors that the reasons for the Rights Issue (with the Bonus Issue) are justifiable.

Financing alternatives available to the Group

As confirmed by the Directors, save for the proposed Rights Issue (with the Bonus Issue), the Group had not conducted any fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

As advised by the Directors, the Company has attempted to seek for debt financing from both commercial banks and financial institutions. However, the Company was unable to obtain any debt financing at terms acceptable to the Company. Given that debt financing is not available to the Company, the Board has considered other fund raising methods available to the Group. Among the various fund raising methods, given the considerable fund raising need of the Group, the Directors have focused on evaluating the possibilities of carrying out fund raising through rights issue or open offer as they are relatively larger in scale as compared to placing of new Shares in view of the recent market capitalisation of the Company. Moreover, rights issue or open offer are pre-emptive in nature, allowing the Qualifying Shareholders to maintain their respective pro-rata shareholdings in the Company through their participation and causes no interests burden to the Group.

In comparison between rights issue and open offer, the Rights Issue (with the Bonus Issue) allows the Qualifying Shareholders who participate to (a) increase their respective interests in the shareholding of the Company by (i) acquiring additional rights entitlement in the open market (subject to the availability); and/or (ii) applying

LETTER FROM PROTON CAPITAL

through excess applications for the Rights Shares; or (b) decrease their respective interests in the shareholding of the Company by disposing of their rights entitlement in the open market (subject to availability). As an open offer does not allow the trading of rights entitlement in the open market, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to raise fund through the Rights Issue (with the Bonus Issue).

Having taken into consideration the aforesaid weaknesses of the other financing alternatives and the possible benefits of the Rights Issue (with the Bonus Issue), we concur with the Directors that the Rights Issue (with the Bonus Issue) is an appropriate and feasible financing method currently available to the Company and the Rights Issue (with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole.

(2) Principal terms of the Rights Issue (with the Bonus Issue)

The table below summarises the major terms of the Rights Issue (with the Bonus Issue):

Basis of the Rights Issue:	Two Rights Shares for every one Share held on the Record Date
Basis of the Bonus Issue:	One Bonus Share for every one Rights Share taken up
The Subscription Price:	HK\$0.18 per Rights Share with nominal value of HK\$0.001 each
Number of Shares in issue as at the Latest Practicable Date:	556,420,530 Shares
Number of Shares in issue (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date)	559,654,609 Shares

LETTER FROM PROTON CAPITAL

Number of Rights Shares: Not less than 1,112,841,060 Rights Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 1,119,309,218 Rights Shares (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date)

Number of Bonus Shares: Not less than 1,112,841,060 Bonus Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 1,119,309,218 Bonus Shares (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date)

The Subscription Price/Effective Subscription Price

The Subscription Price of HK\$0.18 per Rights Share represents:

- (i) a discount of approximately 16.28% to the closing price of HK\$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 56.52% over the theoretical ex-entitlement price of approximately HK\$0.115 per Share after the Rights Issue (after taking into consideration of the Bonus Issue), based on the closing price of HK\$0.215 per Share on the Latest Practicable Date;
- (iii) a discount of approximately 33.33% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 34.78% to the average closing price of approximately HK\$0.276 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 42.86% over the theoretical ex-entitlement price of approximately HK\$0.126 per Share after the Rights Issue (after taking into consideration of the Bonus Issue), based on the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day; and

LETTER FROM PROTON CAPITAL

- (vi) a discount of approximately 86.47% to the net asset value per Share of approximately HK\$1.33 as at 30 June 2013, which is calculated based on 556,420,530 Shares in issue as at the Latest Practicable Date and the net asset value of approximately HK\$740,641,000 attributable to the owners of the Company as at 30 June 2013.

Taking into account of the Bonus Issue, the effective subscription price of the Rights Issue (with the Bonus Issue) would be HK\$0.09 per Share (the “**Effective Subscription Price**”) and it represents:

- (i) a discount of approximately 58.14% to the closing price of HK\$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 21.74% to the theoretical ex-entitlement price of approximately HK\$0.115 per Share after the Rights Issue (after taking into consideration of the Bonus Issue), based on the closing price of HK\$0.215 per Share on the Latest Practicable Date;
- (iii) a discount of approximately 66.67% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 67.39% to the average closing price of approximately HK\$0.276 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 28.57% to the theoretical ex-entitlement price of approximately HK\$0.126 per Share after the Rights Issue (after taking into consideration of the Bonus Issue), based on the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**Theoretical Ex-rights Price**”); and
- (vi) a discount of approximately 93.23% to the net asset value per Share of approximately HK\$1.33 as at 30 June 2013, which is calculated based on 556,420,530 Shares in issue as at the Latest Practicable Date and the net asset value of approximately HK\$740,641,000 attributable to the owners of the Company as at 30 June 2013.

According to the Board Letter, the Subscription Price and the Bonus Issue were determined by the Company and the Underwriter after arm’s length negotiations with reference to the historical prices and trading liquidity of the Shares. Since the Shares were generally illiquid in the open market and the historical closing price of the Shares showed a sliding trend during the past twelve months, it would be difficult for the Company to attract the Qualifying Shareholders to further invest in the Company through the Rights Issue. In addition, the Group is in need for capital to satisfy the Escrow Money for the Proposed Acquisition. As such, the Directors consider that the Bonus Issue can (i) effectively reduce the average price per Rights Share taken up; and (ii) provide incentives to the Qualifying Shareholders to

LETTER FROM PROTON CAPITAL

subscribe for the Rights Shares. As further advised by the Directors, the Board also considers that the discount of the Effective Subscription Price would encourage Shareholders to participate in the Rights Issue (with the Bonus Issue) and thereby to maintain their proportional shareholdings in the Company and participate in the potential future growth of the Group.

Analyses on the Subscription Price/Effective Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price/Effective Subscription Price, we set out the following informative analyses for illustrative purpose:

(i) Review on Share prices

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 1 August 2012 up to and including the Last Trading Day (the “**Review Period**”) are shown as follows:

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days in each month
2012				
August	0.4640	0.4320	0.4494	23
September	0.8400	0.4120	0.6330	20
October	0.6560	0.3280	0.4598	20
November	0.3480	0.3160	0.3245	22
December	0.3280	0.3120	0.3194	19
2013				
January	0.5040	0.3320	0.4009	22
February	0.4600	0.3600	0.4176	17
March	0.4080	0.3640	0.3836	20
April	0.3920	0.3480	0.3674	20
May	0.3920	0.3600	0.3731	21
June	0.4120	0.3280	0.3520	19
July	0.3400	0.1920	0.2718	22
August (up to and including the Last Trading Day)	0.2800	0.2560	0.2713	12

Source: the Stock Exchange web-site (www.hkex.com.hk)

LETTER FROM PROTON CAPITAL

Note: The Company conducted two share consolidations during the Review Period: (i) effective from 10 September 2012 onwards, every eight shares of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.08 each; and (ii) effective from 15 August 2013 onwards, every four shares of the Company of HK\$0.08 each are consolidated into one consolidated share of HK\$0.32 each, which is then reduced to HK\$0.001 each following the capital reduction. The share prices above have been adjusted for the effect of the said two share consolidations.

During the Review Period, the average daily closing price of the Shares ranged from HK\$0.2713 to HK\$0.6330 per Share in each month. The lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.192 per Share on 17 July 2013 and HK\$0.840 per Share recorded on 12 September 2012. The highest closing price represented a premium of more than 338% over the lowest closing price of the Shares, which may imply a high volatility of the Share prices during the Review Period. Moreover, we also noted that the closing prices of the Shares have shown an overall persistent sliding trend in 2013.

(ii) Review on trading liquidity of the Shares

The average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Last Trading Day; and (ii) the total number of issued Shares as at the Last Trading Day during the Review Period are tabulated as follows:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Last Trading Day <i>(Note 2)</i> %	% of the Average Volume to total number of issued Shares as at the Last Trading Day <i>(Note 3)</i> %
2012				
August	23	773,102	0.33	0.14
September	20	3,989,738	1.72	0.72
October	20	4,725,613	2.04	0.85
November	22	2,125,455	0.92	0.38
December	19	1,075,319	0.46	0.19

LETTER FROM PROTON CAPITAL

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Last Trading Day <i>%</i> <i>(Note 2)</i>	% of the Average Volume to total number of issued Shares as at the Last Trading Day <i>%</i> <i>(Note 3)</i>
2013				
January	22	13,278,940	5.72	2.39
February	17	7,659,544	3.30	1.38
March	20	2,389,613	1.03	0.43
April	20	3,017,484	1.30	0.54
May	21	1,356,735	0.58	0.24
June	19	3,948,616	1.70	0.71
July	22	15,316,793	6.60	2.75
August (up to and including the Last Trading Day)	12	3,910,768	1.68	0.70

Source: the Stock Exchange web-site (www.hkex.com.hk)

Notes:

1. The Company conducted two share consolidations during the Review Period: (i) effective from 10 September 2012 onwards, every eight shares of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.08 each; and (ii) effective from 15 August 2013 onwards, every four shares of the Company of HK\$0.08 each are consolidated into one consolidated share of HK\$0.32 each, which is then reduced to HK\$0.001 each following the capital reduction. The trading volumes above have been adjusted for the effect of the said two share consolidations.
2. Based on 232,176,576 Shares held by the public as at the Last Trading Day.
3. Based on 556,420,530 Shares in issue as at the Last Trading Day.

The above table illustrates that the average daily trading volume of the Shares per month had been thin during the Review Period. Save for January 2013, February 2013 and July 2013, the volume of Shares traded during the Review Period was below 1% of the total number of issued Shares as at the Last Trading Day. Since the Shares have been highly illiquid in the open market, we concur with the Directors that it would be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue (with the Bonus Issue) if the Subscription Price/Effective Subscription Price was not set at discount to the historical closing prices of the Shares.

LETTER FROM PROTON CAPITAL

With the thin trading volume of the Shares being the case together with the fact that as demonstrated under the sub-section headed “Review on Share prices” of this letter, the closing prices of the Shares have shown an overall persistent sliding trend in 2013, we are of the view that the discount to the Share price as represented by the Subscription Price/Effective Subscription Price is justifiable.

(iii) Comparison with other rights issue or open offer transactions

As part of our analyses, we have identified the rights issue and open offer transactions (the “**Comparables**”) from 1 May 2013 up to the Last Trading Day, being the approximately four-month period prior to and including the Last Trading Day representing the latest available information, by companies listed on the Stock Exchange. To the best of our knowledge, we found 11 companies which met the said criteria, and they are exhaustive. We consider that the Comparables are fair and representative samples to demonstrate the recent market practice with regards to rights issue and open offer transactions as they were carried out under similar stock market conditions and sentiments. Nevertheless, Shareholders should note that the businesses, operations and prospects of the Company are not exactly the same as the Comparables. Summarised below is our relevant finding:

Company name	Stock code	Date of announcement	Premium/(Discount) of the subscription price over/to closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issues/ open offers %	Premium/(Discount) of the subscription price over/to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/ on the date of the announcement in relation to the respective rights issues/ open offers %	Underwriting commission %
Qin Jia Yuan Media Services Company Limited	2366	16 May 2013	(76.00)	(34.45)	2.50
PICC Property and Casualty Company Limited	2328	20 May 2013	(47.30)	(44.70)	Information not available
First Pacific Company Limited	142	27 May 2013	(29.60)	(27.20)	2.30
Merdeka Resources Holdings Limited	8163	11 June 2013	11.11	7.82	3.50

LETTER FROM PROTON CAPITAL

Company name	Stock code	Date of announcement	Premium/(Discount) of the subscription price over/to closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issues/ open offers %	Premium/(Discount) of the subscription price over/to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/ on the date of the announcement in relation to the respective rights issues/ open offers %	Underwriting commission %
Vision Values Holdings Limited	862	13 June 2013	(36.30)	(27.50)	2.50
ICube Technology Holdings Limited	139	25 June 2013	(20.63)	(8.00)	2.50
Sustainable Forest Holdings Limited <i>(Note)</i>	723	5 July 2013	(90.34)	(82.34)	2.50
National Investments Fund Limited	1227	8 July 2013	(42.37)	(32.81)	3.00
Uni-Bio Science Group Limited <i>(Note)</i>	690	10 July 2013	(49.37)	(24.53)	2.50
Hao Wen Holdings Limited	8019	11 July 2013	(61.50)	(15.30)	3.00
China Environmental Resources Group Limited	1130	15 August 2013	(50.00)	(18.92)	2.50
Range of premium (discount)/ underwriting commission			(90.34) to 11.11	(82.34) to 7.82	2.30 to 3.50
Average			(44.75)	(27.99)	2.68
The Company	767	20 August 2013	(66.67)	(28.57)	3.50

Source: the relevant announcements posted on the Stock Exchange web-site (www.hkex.com.hk)

Note: The open offer was conducted with bonus issue and the effect of which has been taken into account in calculating the effective subscription price of the subscription shares.

LETTER FROM PROTON CAPITAL

As shown by the above table, the subscription prices of the Comparables ranged from discount of approximately 90.34% to premium of approximately 11.11% to/over the respective closing prices of their shares on the last trading days prior to/on the dates of the release of the respective rights issue/open offer announcements (the “**LTD Market Range**”). The discount of approximately 66.67% to the closing price of the Shares on the Last Trading Day as represented by the Effective Subscription Price is hence within the LTD Market Range.

On the other hand, the subscription prices of the Comparables ranged from discounts of approximately 82.34% to premium of approximately 7.82% to/over the respective theoretical ex-rights prices of their shares on the last trading days prior to/on the dates of the release of the respective rights issue/open offer announcements (the “**TERP Market Range**”). The discount of approximately 28.57% to the Theoretical Ex-rights Price as represented by the Effective Subscription Price hence falls within the TERP Market Range.

Given the results of the above market comparison together with the fact that (i) the discount of the Effective Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue (with the Bonus Issue) especially when the historical closing prices of the Shares have shown an overall persistent sliding trend in 2013 and the Shares had been illiquid in the open market during the Review Period; and (ii) as represented by the Directors, the Bonus Issue can effectively reduce the average price per Rights Share taken up to provide incentives to the Qualifying Shareholders to subscribe for the Rights Shares, and thereby to maintain their proportional shareholdings in the Company and participate in the potential future growth of the Group, we concur with the Directors that the Subscription Price/Effective Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(3) The Underwriter and the underwriting arrangements

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite not less than 464,353,158 Rights Shares (having taken into account the Undertaking and on the basis that no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 470,821,316 Rights Shares (having taken into account the Undertaking and on the basis that no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date).

The underwriting commission payable by the Company to the Underwriter is 3.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares as just mentioned (the “**Underwriting Commission**”).

LETTER FROM PROTON CAPITAL

From the table under the sub-section headed “Comparison with other rights issue or open offer transactions” of this letter, we noted that the Underwriting Commission is at the upper range of the commissions of 2.3% to 3.5% received by underwriters in other rights issue or open offer transactions. Therefore, we are of the opinion that the Underwriting Commission is in line with the common market practice.

(4) Application for excess Rights Shares

As stated in the Board Letter, Qualifying Shareholders may apply, by way of excess application, for any unsold entitlement of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for by no later than the Latest Time For Acceptance. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles: (i) preference will be given to applications for topping-up odd lots holdings to whole lot holdings; and (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, any further remaining excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied for by them (i.e. the Qualifying Shareholders applying for smaller numbers of the Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas the Qualifying Shareholders applying for larger numbers of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares).

Taking into account the above terms of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement, we consider that the terms of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(5) Potential dilution of the shareholding interests of the public Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares (with the Bonus Issue). For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue (with the Bonus Issue), their proportional shareholding interests in the Company will remain unchanged after the Rights Issue (with the Bonus Issue).

Qualifying Shareholders who do not accept the Rights Issue (with the Bonus Issue) can, subject to the then prevailing market condition, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriter is obligated to take up the unsubscribed Rights Shares (other than the Rights Shares that will be provisionally allotted to Allied Summit pursuant to the Undertaking), the proportional shareholding interests of the Qualifying Shareholders in the Company will be diluted by a maximum of 33.38 percent point (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date). Details of such dilution effect are

LETTER FROM PROTON CAPITAL

presented in the table for scenario 1 under the sub-section headed “Shareholding structure of the Company in respect of the Rights Issue (with the Bonus Issue)” of the Board Letter.

Meanwhile, those Qualifying Shareholders who wish to increase their proportional shareholding interests in the Company through the Rights Issue (with the Bonus Issue) may, subject to availability, (i) acquire additional nil-paid rights in the market; and (ii) apply for the excess Rights Shares since the Rights Issue (with the Bonus Issue) also allows for excess application of the Rights Shares.

We are aware of the aforementioned potential dilution to the Independent Shareholders’ proportional shareholding interests in the Company. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement through their votes at the SGM;
- Qualifying Shareholders have their choice whether to accept the Rights Issue (with the Bonus Issue) or not;
- Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares (with the Bonus Issue) in the market;
- the Rights Issue (with the Bonus Issue) offers Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares; and
- those Qualifying Shareholders who choose to accept the Rights Issue (with the Bonus Issue) in full can maintain their respective existing shareholding interests in the Company after the Rights Issue (with the Bonus Issue).

Having considered the above, we consider the potential dilution effect on the shareholding interests of the Independent Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

(6) Financial effects of the Rights Issue (with the Bonus Issue)

Effect on NTAV

An unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the Shareholders based on the unaudited consolidated net tangible asset value (“NTAV”) of the Group attributable to the Shareholders as at 30 June 2013 as if the Rights Issue had taken place on 30 June 2013 is set out in Appendix II to the Circular (the “**Statement**”).

LETTER FROM PROTON CAPITAL

The unaudited pro forma consolidated NTAV of the Group attributable to owners of the Company was approximately HK\$434.62 million as at 30 June 2013 with adjustments of (i) HK\$193.85 million (assuming no new Shares being issued and no Share being repurchased by the Company on or before the Record Date); or (ii) HK\$195.01 million (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date) according to the Statement. Upon completion of the Rights Issue (with the Bonus Issue), the unaudited pro forma adjusted consolidated NTAV of the Group attributable to owners of the Company would increase to not less than approximately HK\$628.47 million (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than approximately HK\$655.51 million (assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date) according to the Statement.

Effect on gearing position

The gearing level of the Group (calculated based on net debt to total capital) was approximately (6)% as at 30 June 2013 according to the 2013 Interim Results. The net debt would remain relatively constant while the total capital of the Group would be enlarged upon completion of the Rights Issue (with the Bonus Issue). Consequently, the gearing position of the Group would be even more relieved due to the Rights Issue (with the Bonus Issue).

Effect on working capital

With reference to the 2013 Interim Results, the bank balances and cash of the Group were approximately HK\$41.76 million as at 30 June 2013. The Directors have confirmed that the Company intends to apply the net proceeds from the Rights Issue (with the Bonus Issue) as to (i) HK\$180 million for the payment of the Escrow Money; and (ii) the remaining for the money lending and provision of credits business and/or corporate and general working capital of the Group. In the event that the Proposed Acquisition does not proceed, the Company will reallocate the net proceeds from the Rights Issue (with the Bonus Issue) as to (i) not less than HK\$180 million for the money lending and provision of credits business; and (ii) not more than HK\$20 million for the securities investments business and corporate and general working capital of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue (with the Bonus Issue).

LETTER FROM PROTON CAPITAL

RECOMMENDATION ON THE RIGHTS ISSUE (WITH THE BONUS ISSUE)

Having taken into account the above principal factors and reasons, as summarise below:

- (i) the Rights Issue (with the Bonus Issue) would increase the capital base of the Company and fulfil the estimated capital requirements for the future business development of the Group, in particular for the Proposed Acquisition;
- (ii) the Rights Issue (with the Bonus Issue) is an appropriate financing method currently available to the Company;
- (iii) the Subscription Price/Effective Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned;
- (iv) the potential dilution of the shareholding interests of the Qualifying Shareholders who do not subscribe for their pro-rata Rights Shares is acceptable; and
- (v) the overall favourable financial effects of the Rights Issue,

we consider that the terms of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. In addition, the Rights Issue (with the Bonus Issue and including the Underwriting Agreement) is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the SGM to approve the Rights Issue (with the Bonus Issue), the Underwriting Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Graham Lam

Managing Director — Corporate Finance

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the six months ended 30 June 2013 has been disclosed in the interim results announcement of the Company for the six months ended 30 June 2013 published on 29 August 2013 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0829/LTN201308291285.pdf>); (ii) for the year ended 31 December 2012 has been disclosed on pages 46 to 156 of the annual report of the Company for the year ended 31 December 2012 published on 18 April 2013 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0418/LTN20130418364.pdf>); (iii) for the year ended 31 December 2011 has been disclosed on pages 26 to 98 of the annual report of the Company for the year ended 31 December 2011 published on 20 April 2012 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0420/LTN20120420264.pdf>); and (iv) for the year ended 31 December 2010 has been disclosed on pages 24 to 86 of the annual report of the Company for the year ended 31 December 2010 published on 14 April 2011 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0414/LTN20110414420.pdf>). All the above reports of the Company have been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.irasia.com/listco/hk/pphl>).

B. INDEBTEDNESS STATEMENT**Borrowings**

At the close of business on 31 August 2013, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had no borrowings

Commitment and contingent liabilities

As at 31 August 2013, the Group had the total future aggregate minimum lease payments under various non-cancellable operating leases in respect of office properties amounting to approximately HK\$1,710,000. At the close of business on 31 August 2013, the Group had no material contingent liabilities.

Pledge of assets

At the close of business on 31 August 2013, the Group did not pledge any asset to banks or other financial institutions.

Disclaimer

Save as disclosed in the paragraphs headed “Commitment and contingent liabilities” in this section, and apart from intra-group liabilities and normal trade payables in normal course of business, as at the close of business on 31 August 2013, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 August 2013.

C. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources presently available to the Group and the estimated net proceeds from the Rights Issue, which is subject to the shareholders' approval in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements that is for at least the next twelve months following the date of this circular.

D. MATERIAL ADVERSE CHANGE

The Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of a proposed Rights Issue (with the Bonus Issue) on the basis of two (2) Rights Shares at HK\$0.18 each for every one (1) Share with Bonus Issue on basis of one (1) Bonus Share for every one (1) Rights Share as details stated on the Company’s announcement dated 20 August 2013, on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 30 June 2013.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group attributable to owners of the Company as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013, extract from the interim results announcement of the Group for the six months ended 30 June 2013 which can be accessed on the website of the Stock Exchange, with adjustments described below:

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 HK\$'000 (Note 3)	Add: Estimated net proceeds from the Rights Issue (with the Bonus Issue) HK\$'000 (Note 4)	Add: Estimated net proceeds from the exercise of Longjiang Option in full HK\$'000 (Note 5)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Rights Issue (with the Bonus Issue) HK\$'000	Unaudited consolidated net tangible asset per share attributable to the owners of the Company as at 30 June 2013 before the Rights Issue (with the Bonus Issue) HK\$ (Note 6)	Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the owners of the Company as at 30 June 2013 immediately after the completion of Rights Issue (with the Bonus Issue) HK\$ (Note 7)
Scenario I Rights Issue (with the Bonus Issue) of 1,112,841,060 Rights Shares and 1,112,841,060 Bonus Shares (Note 1)	434,622	193,845	—	628,467	0.195	0.141
Scenario II Rights Issue (with the Bonus Issue) of 1,119,309,218 Rights Shares and 1,119,309,218 Bonus Shares (Note 2)	434,622	195,010	25,873	655,505	0.195	0.147

Notes:

1. The Rights Issue (with the Bonus Issue) of not less than 1,112,841,060 Rights Shares and 1,112,841,060 Bonus Shares which assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date (the “Scenario I”).
2. The Rights Issue (with the Bonus Issue) of not more than 1,119,309,218 Rights Shares and 1,119,309,218 Bonus Shares which assuming no new Share being issued other than the Longjiang Option have been exercised in full and no Share being repurchased by the Company on or before the Record Date (the “Scenario II”).
3. The difference of the unaudited consolidated total net assets of the Group attributable to the owners of the Company amounting HK\$740,641,000 and goodwill amounting HK\$306,019,000 as at 30 June 2013 which are extracted from the interim results announcement of the Company for the six months ended 30 June 2013 published on 29 August 2013 which can be accessed on the website of the Stock Exchange.
4. The estimated net proceeds from the Rights Issue (with the Bonus Issue) is calculated based on 1,112,841,060 Rights Shares (the Scenario I) or 1,119,309,218 Rights Shares (the Scenario II) to be issued at the subscription price of HK\$0.18 per each Rights Share. For the Scenario I, the estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue (with the Bonus Issue) of approximately HK\$200.3 million less the estimated related expenses of approximately HK\$6.5 million. For the Scenario II, the estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue (with the Bonus Issue) of approximately HK\$201.5 million less the estimated related expenses of approximately HK\$6.5 million.
5. According to the Company’s announcement dated 14 August 2013, the capital reorganisation comprising, inter alia, share consolidation, capital reduction and increase in authorised share capital (collectively referred to as the “Capital Reorganisation”), has been passed by Shareholders at the special general meeting of the Company held on 14 August 2013 at 10:00 a.m. and then has become effective since 15 August 2013 (details have been stated in the Company’s circular dated 22 July 2013).

Under Scenario II, excluded the effect of the Capital Reorganisation, the estimated net proceeds from the exercise of Longjiang Option in full is calculated based on 12,936,318 new Shares to be issued at the subscription price of HK\$2.00 per each new Shares.

Upon the Capital Reorganisation becoming effective, 3,234,079 new Shares would be issued at the subscription price of HK\$8.00 per each new Share.

6. As at 30 June 2013 when the Capital Reorganisation is yet to be effective, the number of shares used for the calculation of unaudited consolidated net tangible asset per share attributable to the owners of the Company is 2,225,682,121.
7. The unaudited pro forma adjusted consolidated net tangible assets per adjusted share as at 30 June 2013 immediately after completion of the Rights Issue (with the Bonus Issue) is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Rights Issue (with the Bonus Issue) of approximately HK\$628.5 million (for the Scenario I) and of approximately HK\$655.5 million (for the Scenario II) and number of shares of 4,451,364,241 in issue (for the Scenario I) and number of shares of 4,467,534,636 in issue (for the Scenario II) assuming that 3,234,079 new Shares to be issued upon Longjiang Option have been exercised in full.
8. Upon the Capital Reorganisation becoming effective, the number of Shares would be decreased from 2,225,682,121 to 556,420,530 accordingly and the unaudited consolidated net tangible assets per share attributable to the owners of the Company as at 30 June 2013 before the Rights Issue (with Bonus Issue) would be HK\$0.78.

After the Capital Reorganisation becoming effective and the completion of the Rights Issue (with Bonus Issue), the number of Shares would be adjusted to 2,782,102,650 and 2,798,273,045 for Scenario I and Scenario II respectively. Accordingly, the unaudited pro forma adjusted consolidated net tangible assets per adjusted share would be HK\$0.226 and HK\$0.234 for Scenario I and Scenario II respectively.

**ACCOUNTANT'S REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA
STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE
GROUP**

中磊 (香港) 會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

16 September 2013

The Board of Directors
Pacific Plywood Holdings Limited
Units 3301-03, 33/F
West Tower Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

TO THE BOARD OF DIRECTORS OF PACIFIC PLYWOOD HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Pacific Plywood Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), as set out on pages 57 to 58 in Appendix II to the circular dated 16 September 2013 (the “Circular”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purpose only, to provide information about how the proposed rights issue on the basis of two rights shares for every one share held on the record date (collectively the “Rights Issue”) with bonus issue on basis of one bonus share for every one rights share (the “Bonus Issue”) might have affected the financial information of the Group presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in accompanying notes to the Unaudited Pro Forma Financial Information included in Appendix II of this Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Rights Issue on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2013. As part of this process, information about this Group’s consolidated net tangible assets has been extracted by the Directors from the Group’s unaudited condensed consolidated results for the six months ended 30 June 2013.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling 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 with reference to 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”).

Reporting Accountant's Responsibility

Our responsibility is to express an opinion, as required by paragraph 4.29(7) 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled 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.

ZHONGLEI (HK) CPA Company Limited

Certified Public Accountants (Practising)

Chan Mei Mei

Practising Certificate Number: P05256

Suites 313–317, 3/F

Shui On Centre

6–8 Harbour Road

Wanchai, Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorized and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately after completion of the Rights Issue (with the Bonus Issue) is set out as follows:

(I) Assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date:

(i) As at the Latest Practicable Date

HK\$

Authorized:

<u>400,000,000,000</u>	Shares	<u>400,000,000.00</u>
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Issued and fully paid:

<u>556,420,530</u>	Shares	<u>556,420.53</u>
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(ii) Immediately after completion of the Rights Issue (with the Bonus Issue)

HK\$

Authorized:

<u>400,000,000,000</u>	Shares	<u>400,000,000.00</u>
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Issued and fully paid:

556,420,530	Shares	556,420.53
1,112,841,060	Rights Shares	1,112,841.06
<u>1,112,841,060</u>	Bonus Shares	<u>1,112,841.06</u>
<u>2,782,102,650</u>	Total	<u>2,782,102.65</u>

(II) Assuming no new Share being issued other than full exercise of the Longjiang Option and no Share being repurchased by the Company on or before the Record Date:

(i) *As at the Latest Practicable Date*

HK\$

Authorized:

<u>400,000,000,000</u> Shares	<u>400,000,000.00</u>
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Issued and fully paid:

<u>556,420,530</u> Shares	<u>556,420.53</u>
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(ii) *Immediately after completion of the Rights Issue (with the Bonus Issue)*

HK\$

Authorized:

<u>400,000,000,000</u> Shares	<u>400,000,000.00</u>
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Issued and fully paid:

556,420,530 Shares	556,420.53
3,234,079 Shares issued under the Longjiang Option	3,234.08
1,119,309,218 Rights Shares	1,119,309.22
<u>1,119,309,218</u> Bonus Shares	<u>1,119,309.22</u>
<u>2,798,273,045</u> Total	<u>2,798,273.05</u>

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares and the Bonus Shares (when allotted, issued and fully-paid) will rank *pari passu* with the then existing Shares in issue in all respects. Holders of fully-paid Rights Shares and Bonus Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares and Bonus Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or Bonus Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save for the Longjiang Option, as at the Latest Practicable Date, the Company did not have any outstanding warrants, options or securities convertible into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Interest in the Shares/underlying Shares

Name of substantial Shareholders	Nature of Interest	Number of Shares/ underlying shares held	Approximate percentage of issued share capital of the Company
Allied Summit (<i>Note</i>)	Beneficial owner	324,243,951	58.27%
Mr. Su Weibiao (<i>Note</i>)	Interested in controlled corporation	324,243,951	58.27%

Note: Allied Summit is owned as to 80% by Mr. Su Weibiao and as to the remaining 20% by Mr. Ng Kwok Fai.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, 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 members of the Group or had any option in respect of such capital.

As at the Latest Practicable Date, none of the Directors is a director or employee of Allied Summit.

4. DIRECTORS' INTERESTS IN CONTRACT AND ASSETS

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

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

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. LITIGATION

No member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular or has given opinions, letter or advice contained in this circular:

Name	Qualification
Proton Capital	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Zhonglei (HK) CPA Company Limited	Certified Public Accountants

Each of above experts has given and has not withdrawn his/her written consent to the issue of this circular with the inclusion therein of its reports and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of above experts was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Tam Hang Yin, who is a member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor's degree in Accountancy from the Chinese University of Hong Kong.
- (b) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

9. MATERIAL CONTRACTS

The Group had entered into the following contracts within two years immediately preceding the date of this Circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Company or may be material:

- (i) the Underwriting Agreement;
- (ii) the Framework Agreement;

- (iii) the call option deed dated 12 October 2012 entered between the Company and the optionholder pursuant to which an option was granted to the optionholder to purchase from the Company the convertible notes (in whole or in part) up to HK\$60 million issued by China Environmental at the price equivalent to 120% of the principal amount;
- (iv) the subscription agreement dated 11 October 2012 entered between Perpetual Master Limited (a wholly-owned subsidiary of the Company) as subscriber, Million Wealth as issuer and a guarantor pursuant to which Perpetual Master Limited has conditionally agreed to subscribe for and Million Wealth has conditionally agreed to issue and allot 90 redeemable preference shares at the subscription price of HK\$90 million;
- (v) the underwriting agreement dated 6 July 2012 and the supplemental underwriting agreement dated 10 August 2012 entered into between the Company, Allied Summit Inc. and Kingston Securities Limited in relation to the rights issue on the basis of two rights shares for every one consolidated share held on the record date at HK\$0.56 per rights share with the bonus issue on the basis of five bonus shares for every one rights share taken up under the rights issue;
- (vi) the subscription agreement dated 26 June 2012 entered into between the Company as subscriber and China Environmental as issuer in relation to the proposed subscription of convertible notes in the aggregate principal amount of HK\$95 million at a total consideration of HK\$95 million in cash and the supplemental agreement dated 4 September 2012 to confirm the adjustment to the initial conversion price;
- (vii) the agreement dated 2 December 2011 entered into between Century Praise Limited as purchaser (a wholly-owned subsidiary of the Company), Able Famous Limited and Peak Sino Limited as vendors, and Ms. To Yuk Fung as guarantor in relation to the acquisition of 30% of the entire issued share capital in Profit Grand Enterprises Limited at a total consideration of HK\$310 million;
- (viii) the strategic cooperation agreement dated 2 December 2011 entered into between the Company and 中國龍江森林工業(集團)總公司 (China Longjiang Forest Industry (Group) General Corporation*) (“**Longjiang**”) in respect of the development and management of a forest in PNG, at a consideration of the conditional granting of an option to Longjiang to subscribe for not more than 5% of the issued share capital of the Company as at the date of the strategic cooperation agreement;
- (ix) the agent agreement dated 2 December 2011 entered into between the Company and Jia Run Investments Limited (“**Jia Run**”) to facilitate the formation of strategic alliance between the Company and Longjiang, at a consideration of an option to Jia Run to subscribe for not more than 5% of the issued share capital of the Company as at the date of the agent agreement;

* For identification purposes only

- (x) the share placing agreement dated 18 October 2011 entered into between the Company and Roofers Securities Limited as the share placing agent in relation to the placing of 817,233,655 placing Shares at the share placing price of HK\$0.032 per placing share;
- (xi) the subscription agreement dated 18 October 2011 entered into between the Company and Allied Summit as the subscriber in relation to the subscription of 1,800,000,000 subscription Shares at the share subscription price of HK\$0.025 per subscription Share;
- (xii) the convertible notes placing agreement dated 18 October 2011 entered into between the Company and United Simsen Securities Limited as the convertible notes placing agent in relation to the placing of placing convertible notes in the principal amount of HK\$89,600,000 and a placing conversion price of HK\$0.028 per placing conversion Share; and
- (xiii) the conditional sale and purchase agreement dated 13 October 2011 entered into between Best Harvest Asia Limited as vendor (a wholly-owned subsidiary of the Company) and Favor Way Investments Limited as purchaser in relation to the disposal of 51% interest in Delta Wealth Finance Limited (formerly Head & Shoulders Finance Limited) at a total consideration of HK\$52,000,000.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE (WITH THE BONUS ISSUE)

Registered office	Canon's Court, 22 Victoria Street, Hamilton, HM 12 Bermuda
Head office and principal place of business in Hong Kong	Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
Authorised representatives in Hong Kong	Mr. Huang Chuan Fu Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
	Ms. Tam Hang Yin Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
Company secretary	Ms. Tam Hang Yin

Underwriter of the Rights Issue (with the Bonus Issue)	<i>Kingston Securities Limited</i> Suite 2801, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Legal advisers to the Company in respect of the Rights Issue (with the Bonus Issue)	As to Bermuda law: <i>Conyers Dill & Pearman</i> 2901 One Exchange Square 8 Connaught Place, Central Hong Kong As to Hong Kong law: <i>Angela Ho & Associates</i> 1109, Tower 1, Lippo Centre 89 Queensway, Hong Kong
Auditors and Reporting accountants	<i>ZHONGLEI (HK) CPA Company Limited</i> Suites 313–317, 3/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Proton Capital Limited Suites 06–07, 28/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong
Principal share registrar and transfer agent in Bermuda	<i>RBC Dexia Corporate Services Hong Kong Limited</i> 51/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Branch share registrar and transfer office in Hong Kong	<i>Computershare Hong Kong Investor Services Limited</i> Shops 1712–1716 17/F., Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong
Principal banker	<i>DBS Bank (Hong Kong) Limited</i> G/F, The Center, 99 Queen’s Road Central, Central, Hong Kong
Stock code	00767
Website	http://www.irasia.com/listco/hk/pphl

11. EXPENSES

The expenses in connection with the Rights Issue (with the Bonus Issue), including financial advisory fees, underwriting commission (based on the scenario that 119,309,218 Rights Shares is underwritten), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$6.47 million, which are payable by the Company.

12. PARTICULARS OF DIRECTORS**(a) Name and address of Directors**

Name	Address
<i>Executive Directors</i>	
Mr. Huang Chuan Fu	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
Mr. Liang Jian Hua	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
Ms. Jia Hui	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
Mr. Jiang Yi Ren	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
<i>Independent non-executive Directors</i>	
Mr. Wong Chun Hung	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
Mr. Wong Sze Kai	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong

Name	Address
Mr. Zheng Zhen	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong

(b) Profiles of Directors

Executive Directors

Mr. Huang Chuan Fu, chairman, aged 39, joined the Group since 13 April 2010. He is also the director of twelve subsidiaries of the Company. He has around 10 years of working experience. He was the vice president of Nanping Wang Jia Wood Bamboo & Wood Industry Co., Ltd from 2002 to 2005.

Mr. Liang Jian Hua, aged 43, joined the Group since 29 April 2010. He is also a director of one subsidiary of the Company. He has around 18 years of working experience in trading and property investment. Currently, he is the vice president of Zhejiang Shunfeng Steel Co., Ltd. and has been a non-executive director of China Environmental since 29 January 2013.

Ms. Jia Hui, aged 45, joined the Group since 13 April 2010. She has around 20 years of working experience in area of merchandising and project management. Since 2003, she has been appointed as the business development manager of Beijing International Trade Corporation.

Mr. Jiang Yi Ren, aged 46, joined the Group since 29 April 2010. He has around 20 years of working experience in area of manufacturing and property investment. Currently, he is the vice president of Wenling City Zhong Fa Precision Steel Parts Co., Ltd.

Independent non-executive Directors

Mr. Wong Chun Hung, aged 40, graduated from Hong Kong Baptist University with an honors degree in accounting in 1995. He joined the Group since 22 April 2010. He is an associate of the Hong Kong Institute of Certified Public Accountants and has over 10 years' experience in accounting, auditing and consulting. Since November 2005, he has been the managing director of B&C Finance and Corporate Advisory Limited. He also acts as non-executive director of King Stone Energy Group Limited, a Hong Kong listed company. Moreover, he was a financial controller of General Nice Group and its associate Abterra Limited, which is a listed company in Singapore until April 2011. Mr. Wong was also a non-executive director of King Stone Energy Group Limited (Stock Code: 663), an independent non-executive director of two listed companies in Hong Kong, namely

China Household Holdings Limited (formerly known as Bao Yuan Holdings Limited, Stock Code: 692) and Tech Pro Technology Development Limited (Stock Code: 3823), until 12 March 2013, 30 June 2011 and 7 January 2011, respectively.

Mr. Wong Sze Kai, aged 27, holds a Bachelor Degree of Business Administration (Finance Investment Concentration) from The University of Southern California, U.S.A. He was a director of Ellafanny Brands (Shenzhen) Limited steering the business development and managing the business operation and brand building. Besides, he possesses of corporate finance, accounting and corporate secretarial experiences in various listed companies in Hong Kong.

Mr. Zheng Zhen, aged 37, graduated from Southwestern University of Finance and Economics, majoring in Accounting. He possesses of over 10 years experiences in accounting and finance in various industries. Currently, he is the financial controller of Zuoquan Xinrui Metallurgy & Mine Co. Limited* (左權鑫瑞冶金礦山有限公司) which is indirectly owned as to 22.8% by Abterra Limited, a listed company in Singapore.

13. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours in any weekday (excluding Saturdays, Sundays and public holidays) at the office of the Company at Units 3301–3303, 33/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the Bye-laws;
- (b) the annual reports of the Company for the years ended 31 December 2011 and 2012;
- (c) the letter issued by ZHONGLEI (HK) CPA Company Limited regarding the unaudited pro forma financial information as set out in appendix II of this circular;
- (d) the written consent given by ZHONGLEI (HK) CPA Company Limited and Proton Capital referred to in the paragraph headed “Experts and Consents” in this appendix;
- (e) the letter from the Independent Board Committee;
- (f) the letter from Proton Capital;
- (g) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (h) this circular.

* For identification purposes only



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 767)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Pacific Plywood Holdings Limited (the “**Company**”) will be held at Unit 3301-03, 33/F., West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 4 October 2013 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution with or without amendment:

ORDINARY RESOLUTION

“THAT

- (a) subject to and conditional upon (i) the fulfillment or waiver (as applicable) of the conditions of the Underwriting Agreement (as defined below); (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Rights Shares (as defined below) (in their nil-paid and fully-paid forms) and the Bonus Shares (as defined below); and (iii) the Underwriting Agreement not being terminated in accordance with its terms, the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;

For the purpose of this resolution, “Rights Issue” means the proposed issue by way of right of not less than 1,112,841,060 new Shares and not more than 1,119,309,218 new Shares (the “**Rights Shares**”) at a subscription price of HK\$0.18 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company at the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Non-Qualifying Shareholders**”) with addresses on the register of members of the Company are outside Hong Kong whom the directors of the Company (the “**Director(s)**”), after making enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of two (2) Rights Shares for every one (1) Share held and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**”) (a copy of which has been produced to this meeting marked “A” and initialed by the chairman of this meeting for the purpose of identification) dated 19 August 2013 and entered into between the Company and Kingston Securities Limited (“**Kingston**”);

* For identification purposes only

NOTICE OF SGM

- (b) any Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (a) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws of the Company (“**Bye-laws**”) or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (b) Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;
- (c) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by Kingston) be and are hereby approved;
- (d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder;
- (e) the issue (the “**Bonus Issue**”) of new Shares (the “**Bonus Shares**”), credited as fully paid, to the first registered holder of the Rights Share(s) on the basis of one (1) Bonus Share for every one (1) Rights Share taken up under the Rights Issue be and is hereby approved;
- (f) any Director be and is hereby authorised to allot and issue the Bonus Shares pursuant to or in connection with the Bonus Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the existing shareholders of the Company and, in particular, the Directors be and are hereby authorised to make such exclusion or other arrangements in relation to fractional entitlements or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

NOTICE OF SGM

- (g) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Bonus Issue (including the appropriation of such sum from the Company's reserve accounts or funds or credits of the profits and loss account in paying up in full the Bonus Shares) or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Bonus Issue and the transactions contemplated thereunder.”

By order of the Board
Pacific Plywood Holding Limited
Huang Chuan Fu
Executive Director and Chairman

Hong Kong, 16 September 2013

Notes:

- (1) Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.
- (2) The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (3) Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
- (4) Where there are joint Shareholders any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.
- (5) The form of proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.