

**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your securities in Pacific Plywood Holdings Limited (the “Company”), you should at once hand the Prospectus Documents to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed “Documents delivered to the Registrars of Companies” in Appendix III to this Prospectus has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and has been, or will be filed with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after the publication pursuant to the Companies Act). The Securities and Futures Commission of Hong Kong, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of any of the Prospectus Documents. Dealings in the securities of the Company may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms 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 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.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.



**PACIFIC PLYWOOD HOLDINGS LIMITED**

**太平洋實業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 767)**

**RIGHTS ISSUE ON THE BASIS OF  
TWO RIGHTS SHARES FOR EVERY ONE SHARE  
HELD ON THE RECORD DATE AT HK\$0.56 PER  
RIGHTS SHARE WITH BONUS ISSUE ON THE BASIS OF  
FIVE BONUS SHARES FOR EVERY ONE RIGHTS SHARE  
TAKEN UP UNDER THE RIGHTS ISSUE**

**Underwriters to the Rights Issue**



**KINGSTON SECURITIES LTD.**

**ALLIED SUMMIT INC.**

Capitalized terms used in this cover page shall have the same meanings as those defined in this prospectus.

The Shares have been dealt in on an ex-rights basis from Tuesday, 11 September 2012. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 24 September 2012 to Wednesday, 3 October 2012 (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 Underwriters, 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 Monday, 24 September 2012 to Wednesday, 3 October 2012 (both days inclusive) will accordingly bear the risk that the Rights Issue (with the Bonus Issue) may not become unconditional or may not proceed.

Shareholders and potential investors of the Company should note that the Rights Issue (with the Bonus Issue) is conditional, *inter alia*, upon 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 20 to 22 of this prospectus. In particular, the Rights Issue (with the Bonus Issue) is conditional upon, among other things, the Whitewash Waiver having been granted by the Executive. The Underwriters are 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 24 to 26 of this prospectus. Accordingly, the Rights Issue (with the Bonus Issue) may or may not proceed.

\* For identification purposes only

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## EXPECTED TIMETABLE

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

<b>Events</b>	<b>2012 (Hong Kong time)</b>
First day of dealings in nil-paid Rights Shares. . . . .	Monday, 24 September
Original counter for trading in the Shares in the board lots size of 40,000 (in the form of new share certificates) re-opens . . . . .	9:00 a.m. on Monday, 24 September
Parallel trading in the Shares (in the form of new and existing certificates) commences . . . . .	9:00 a.m. on Monday, 24 September
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Shares . . . . .	9:00 a.m. on Monday, 24 September
Latest time for splitting nil-paid Rights Shares . . . . .	Wednesday, 26 September
Last day of dealings in nil-paid Rights Shares . . . . .	Wednesday, 3 October
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares. . . . .	4:00 p.m. on Monday, 8 October
Rights Issue expected to become unconditional . . . . .	Thursday, 11 October
Announcement of results of acceptance and excess application of the Rights Shares . . . . .	Sunday, 14 October
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before . . . . .	Monday, 15 October
Certificates for the Rights Shares and Bonus Shares expected to be despatched on or before . . . . .	Monday, 15 October
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the Shares . . . . .	4:00 p.m. on Tuesday, 16 October
Temporary counter for trading in board lots of 5,000 Shares (in the form of existing share certificates) closes . . . . .	4:00 p.m. on Tuesday, 16 October
Parallel trading in the Shares (in the form of new and existing certificates) ends . . . . .	4:00 p.m. on Tuesday, 16 October
Expected first day of dealings in fully-paid Rights Shares and Bonus Shares. . . . .	9:00 a.m. on Tuesday, 16 October
Last day of free exchange of existing certificates for new certificate for the Shares. . . . .	Thursday, 18 October

## EXPECTED TIMETABLE

*All times and dates in this prospectus 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 Latest Acceptance Date. 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 Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and 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 does not take place on the Latest Acceptance Date, 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 prospectus, unless the context otherwise requires, capitalized terms used shall have the following meanings:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Agent Option”	an option granted by the Company to Jia Run Investments Limited to subscribe for up to 6,189,626 Shares at the subscription price equivalent to the average closing price of the Shares for the five (5) consecutive trading days immediately prior to the date of exercise of the option, subject to the maximum subscription price of HK\$4.00 and the minimum subscription price of HK\$2.00 (subject to adjustment)
“AGM”	the annual general meeting of the Company held on 12 June 2012
“Allied Summit”	Allied Summit Inc., a company incorporated in the BVI, who in aggregated held 22,500,000 Shares, representing approximately 13.14% of the issued share capital of the Company as at the Latest Practicable Date
“Announcement”	the announcement of the Company dated 10 July 2012 in relation to, <i>inter alia</i> , the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver, the connected transaction in respect of the underwriting commission and the Bye-laws Amendments
“associates(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the issue of Bonus Shares on the basis of five (5) Bonus Shares for every one (1) Rights Share taken up under the Rights Issue
“Bonus Share(s)”	the bonus 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 licenced banks are generally open for business throughout their normal business hours in Hong Kong
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of the Company, as amended from time to time

## DEFINITIONS

“Bye-laws Amendments”	proposal to amend the Bye-laws to facilitate the Bonus Issue
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 14 August 2012 in relation to, among other things, the Rights Issue (with the Bonus Issue) and the Whitewash Waiver (together with the notice of the SGM)
“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
“Concert Group”	Allied Summit, its beneficial owner(s), Kingston Securities, and the parties acting in concert with any of them (including Mr. Ng who is the sole director of Allied Summit)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors(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 Underwriters
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“First Undertaking”	the irrevocable undertaking dated 6 July 2012 given by Allied Summit to the Company and Kingston Securities which has been substituted by the Undertaking
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

## DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	Shareholders other than (i) Concert Group; and (ii) those who are involved or interested in the Underwriting Agreement and/or the Whitewash Waiver
“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
“Issue Mandate”	the issue mandate granted at the AGM to the Directors to allot, issue and deal with a maximum of 34,241,263 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM and adjusted for the effect of the Share Consolidation
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under SFO
“Last Trading Day”	6 July 2012, being the date of the Underwriting Agreement, which is a Stock Exchange trading day, and the last trading day for the Shares prior to the publication of the Announcement
“Latest Acceptance Date”	Monday, 8 October 2012, or such later date as may be agreed in writing between the Company and the Underwriters, being the latest date for acceptance of, and payment for, the Rights Shares
“Latest Practicable Date”	13 September 2012, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information for inclusion herein
“Latest Time For Acceptance”	4:00 p.m. on the Latest Acceptance Date or such later time may be agreed between the Underwriters and the Company in writing, being latest time for acceptance of, and payment for, the Rights Shares
“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 Underwriters and the Company in writing, being the latest time for the Underwriters to terminate the Underwriting Agreement

## DEFINITIONS

“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longjiang Option”	an option 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 up to 6,189,626 Shares at the subscription price equivalent to the average closing price of the Shares for the five (5) consecutive trading days immediately prior to the date of exercise of the option, subject to the maximum subscription price of HK\$4.00 and the minimum subscription price of HK\$2.00 (subject to adjustment)
“Macau SAR”	The Macau Special Administrative Region of the PRC
“Mr. Ng”	Mr. Ng Kwok Fai, being the Chairman of the Company and an executive Director and the sole director and shareholder beneficially owned as to 20% of Allied Summit
“Mr. Su”	Mr. Su Weibiao, the shareholder beneficially owned as to 80% of Allied Summit
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares (with the Bonus Shares) 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
“Old Share(s)”	old share(s) of HK\$0.01 each in the issued share capital of the Company prior to the Share Consolidation becoming effective
“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



## DEFINITIONS

“Posting Date”	Thursday, 20 September 2012 or such other date as the Underwriters 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 to the Non-Qualifying Shareholders (as the case may be)
“PRC”	the People’s Republic of China, but for the purpose of this prospectus, excludes Hong Kong, Macau SAR and Taiwan
“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)
“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”	Wednesday, 19 September 2012 (or such other date as the Underwriters may agree in writing with the Company), as the date by reference to which entitlements of the Shareholders to participate in the Rights Issue (with the 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
“Relevant Period”	the period commencing six months immediately preceding 10 July 2012, being the date of the Announcement, and ending on the Latest Practicable Date
“Rights Issue”	the 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”	342,412,634 new Shares to be issued and allotted under the Rights Issue
“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 held on Friday, 7 September 2012 at which the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver, the Bye-laws Amendments and transactions respectively contemplated thereunder were approved
“Share(s)”	ordinary share(s) of HK\$0.08 each in the share capital of the Company immediately after the effective of the Share Consolidation
“Share Consolidation”	the consolidation of every eight (8) Old Shares into one (1) Share
“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\$0.56 per Rights Share with nominal value of HK\$0.08 each
“Supplemental Announcement”	the announcement of the Company dated 10 August 2012 in relation to, among other things, the revision of the basis of the Share Consolidation, the terms of the Rights Issue (with the Bonus Issue), the expected timetable and the application for the Whitewash Waiver
“Supplemental Underwriting Agreement”	the supplemental underwriting agreement dated 10 August 2012 entered into between the Company and the Underwriters to supplement the Underwriting Agreement
“Takeovers Code”	the Code on Takeovers and Mergers of the SFC
“Undertaking”	the irrevocable undertaking dated 10 August 2012 given by Allied Summit to the Company and Kingston Securities in substitution of the First Undertaking, details of which are set out in the section headed “Undertaking (in substitution of the First Undertaking)” in this prospectus
“Underwriters”	Allied Summit and Kingston Securities

## DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 6 July 2012 entered into between the Company and the Underwriters (as supplemented by the Supplemental Underwriting Agreement) 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 and subscribed by Allied Summit pursuant to the Undertaking) which are fully underwritten by the Underwriters 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
“US\$”	United States dollars, the lawful currency of the United States of America
“Whitewash Waiver”	a waiver by the Executive to Allied Summit pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Allied Summit to make a mandatory general offer for all the securities of the Company not already owned and/or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Rights Shares by Allied Summit pursuant to the Undertaking and the subscription of the Underwritten Shares by the Underwriters pursuant to the underwriting obligation under the Underwriting Agreement
“%” or “per cent.”	percentage or per centum

\* *For identification purposes only*

## TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of any of the Underwriters, 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 any of the Underwriters materially and adversely affect the business or the financial or trading position or prospects 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 any of the Underwriters 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 any of the Underwriters are 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 any of the Underwriters 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 lock-out; 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 any of the Underwriters, 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 the 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,

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

Any of the Underwriters 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 any of the Underwriters; or
- (ii) any Specified Event comes to the knowledge of any of the Underwriters.

Any such notice shall be served by any of the Underwriters 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 any of the Underwriters, 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.



**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. Ng Kwok Fai (*Chairman*)  
Mr. Huang Chuan Fu (*Deputy Chairman*)  
Mr. Liang Jian Hua  
Ms. Jia Hui  
Mr. Jiang Yi Ren

*Non-executive Director:*

Mr. Chan Kin Sang

*Independent non-executive Directors:*

Mr. Cheng Po Yuen  
Mr. Wong Chun Hung  
Mr. Li Sui Yang

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton, HM12  
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

20 September 2012

*To the Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF  
TWO RIGHTS SHARES FOR EVERY ONE SHARE  
HELD ON THE RECORD DATE AT HK\$0.56 PER  
RIGHTS SHARE WITH BONUS ISSUE ON THE BASIS OF  
FIVE BONUS SHARES FOR EVERY ONE RIGHTS SHARE  
TAKEN UP UNDER THE RIGHTS ISSUE**

**INTRODUCTION**

Reference is made to the Announcement, the Supplemental Announcement and the Circular. On 10 July 2012 and 10 August 2012, the Board announced that the Company proposed to raise not less than approximately HK\$191.75 million and not more than approximately HK\$243.97 million, before expenses, by issuing not less than 342,412,634 Rights Shares and not more than 435,653,664 Rights Shares to the Qualifying Shareholders by way of the Rights Issue at the Subscription Price on the basis of two (2) Rights Shares for

\* *For identification purposes only*

## LETTER FROM THE BOARD

every one (1) Share held on the Record Date. Since there was no new Share being issued, no Share being repurchased by the Company and no exercise of each of the Agent Option and the Longjiang Option on or before the Record Date, the total number of issued Shares on the Record Date was 171,206,317 Shares, and accordingly the Company will issue 342,412,634 Rights Shares and 1,712,063,170 Bonus Shares to the Qualifying Shareholders. 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 five (5) Bonus Shares for every one (1) Rights Share taken up under the Rights Issue.

At the SGM held on Friday, 7 September 2012, the relevant resolutions approving, among other things, the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver and the Bye-laws Amendments were duly passed by the Shareholders or the Independent Shareholders (as the case may be) by way of poll. The Share Consolidation became effective on Monday, 10 September 2012.

The Rights Issue (with the Bonus Issue) is fully underwritten by Allied Summit, a substantial Shareholder (as defined under the Listing Rules) and Kingston Securities. As at the Latest Practicable Date, Allied Summit was beneficially interested in 22,500,000 Shares, representing approximately 13.14% of the existing total issued share capital of the Company; whereas Kingston Securities was interested in 72,720 Shares, representing approximately 0.04% of the total issued share capital of the Company. Allied Summit has irrevocably undertaken to the Company and Kingston Securities that, (a) the Shares beneficially owned by it shall remain registered in its name from the date of the 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 Underwriters in writing); and (b) it shall subscribe and pay for, or procure the subscription and payment for, its entitlement of 45,000,000 Rights Shares under the Rights Issue (with the Bonus Issue) prior to the Latest Time For Acceptance. Details of the major terms and conditions of the Underwriting Agreement are set out in the paragraph headed “Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement”) in this letter.

By virtue of a margin loan facility granted by Kingston Securities to Allied Summit, Kingston Securities is deemed to be a party acting in concert with Allied Summit (the “**Margin Loan Facility**”) under the Takeovers Code.

In the event that Allied Summit and Kingston Securities are called upon to subscribe or procure subscription for the Underwritten Shares in full pursuant to their respective obligations under the Underwriting Agreement (net of those 58,750,000 Underwritten Shares that have already been sub-underwritten to sub-underwriter(s), who are Independent Third Parties procured by Kingston Securities), the shareholding of Allied Summit, together with its Concert Group, in the Company would increase to a maximum of approximately 77.48% of the enlarged total issued share capital of the Company immediately upon completion of the Rights Issue (with the Bonus Issue). In such circumstances, under Rule 26 of the Takeovers Code, the acquisition of voting rights by Allied Summit will trigger a mandatory general offer by Allied

## LETTER FROM THE BOARD

Summit for all the securities of the Company other than those already owned or agreed to be acquired by the Concert Group, unless, amongst others, the Whitewash Waiver is obtained from the Executive and approved by the Independent Shareholders at the SGM by way of poll.

Application has been made by Allied Summit to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Kingston Securities has confirmed with the Company that it has procured certain sub-underwriter(s) who are Independent Third Parties, to sub-underwrite 58,750,000 Underwritten Shares (or 352,500,000 Shares (together with the Bonus Shares) upon completion of the Rights Issue (with the Bonus Issue)). 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).

The purpose of this prospectus is to provide you with, amongst others, further information regarding the details of the Rights Issue (with the Bonus Issue).

### **RIGHT ISSUE (WITH THE BONUS ISSUE)**

#### **Issue Statistics (as supplemented by the Supplemental Underwriting Agreement)**

Basis of the Rights Issue	: Two (2) Rights Shares for every one (1) Share held on the Record Date
Basis of the Bonus Issue	: Five (5) Bonus Shares for every one (1) Rights Share taken up
Subscription Price	: HK\$0.56 per Rights Share with nominal value of HK\$0.08 each
Number of Shares in issue as at the Latest Practicable Date	: 171,206,317 Shares
Number of Rights Shares	: 342,412,634 Rights Shares
Number of Bonus Shares	: 1,712,063,170 Bonus Shares

As at the Latest Practicable Date, save as and except for the Agent Option and the Longjiang Option, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. The existing Issue Mandate allows the Company to allot, issue and deal with a maximum of 34,241,263 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM and adjusted for the effect of the Share Consolidation. As at the Latest Practicable Date, the Company had been approached by financial institutions for the utilization of the Issue Mandate, and the Board was looking into the feasibility of placing of new Shares in particular. As at the Latest Practicable Date, no concrete terms have been reached for the utilization of the Issue Mandate. Further announcement will be made by the Company in respect of the utilization of the Issue Mandate (if any) as and when appropriate.



## LETTER FROM THE BOARD

The total number of 2,054,475,804 new Shares based on 342,412,634 Rights Shares and 1,712,063,170 Bonus Shares represents:

- (i) approximately 1,200% of the Company's existing issued share capital as at the Latest Practicable Date; and
- (ii) approximately 92.31% 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, the Directors understand that Allied Summit, being a substantial Shareholder (as defined in the Listing Rules), shall subscribe and pay for or procure the subscription and payment for, its entitlement of 45,000,000 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\$0.56 per Rights Share is payable in full on application. As the subscriber of the Rights Shares is entitled to the Bonus Issue, the effective subscription price per Shares to be issued under the Rights Issue and the Bonus Issue (the "**Effective Subscription Price**") shall be HK\$0.093, being the Subscription Price of HK\$0.56 per Rights Share divided by six Shares. The Effective Subscription Price represents:

- (i) a discount of approximately 83.39% to the adjusted closing price of HK\$0.56 per Share, based on the closing price of HK\$0.07 per Old Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 83.35% to the adjusted average closing price of approximately HK\$0.5584 per Share, based on the closing price of HK\$0.0698 per Old Share for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 28.02% to the theoretical ex-entitlement price of HK\$0.1292 per Share after the Rights Issue (with the Bonus Issue), based on the closing price of HK\$0.07 per Old Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation; and
- (iv) a discount of approximately 52.31% to the closing price of HK\$0.195 per Share on the Latest Practicable Date.

The net subscription price per Rights Share (after deduction of expenses, including the commission to be paid to the Underwriters) will be approximately HK\$0.539.

## LETTER FROM THE BOARD

### **Basis of determining the Subscription Price**

The Subscription Price and the Bonus Issue were determined by the Company and the Underwriters 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 is difficult for the Company to attract the Qualifying Shareholders to further invest in it through the Rights Issue. Accordingly, 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 subscribe for the Rights Shares. The Directors consider the Subscription Price is to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### **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.

### **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 and Bermuda. A copy of each of the Prospectus Documents will be filed with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus Documents pursuant to the Companies Act.

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

Based on the advice 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 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.

## LETTER FROM THE BOARD

Based on the advice 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 the Company's overseas Shareholders whose addresses are in the PRC, 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 Overseas Shareholders with registered addresses located in the PRC as shown on the register of members of the Company as at the Record Date.

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. 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.

Based on the advice 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, one Shareholder, whose registered address was in Singapore, held 505 Shares, representing approximately 0.0003% 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 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.

### **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 342,412,634 Rights Shares. 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.

## LETTER FROM THE BOARD

### **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 aggregated and rounded down to the nearest whole number of Rights Shares and, if a premium (net of expenses) can be achieved, sold in the market. The Company will retain the proceeds from such sale(s), if any, for its own benefit. Any unsold aggregated fractions of nil-paid Rights Shares will be made available for excess application by the Qualifying Shareholders.

### **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.

### **Certificates of the Right Shares and the Bonus Shares**

Subject to the fulfillment or waiver (as the case may be) 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 Monday, 15 October 2012. Share certificates will be issued for the fully-paid Rights Shares and the Bonus Shares.

### **Refund Cheques for Rights 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 Monday, 15 October 2012 by ordinary post to the applicants at their own risk.

### **Application for Listing**

The Company has applied 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

## LETTER FROM THE BOARD

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 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.

### PROCEDURES FOR APPLICATION

#### Application for the Rights Shares

A PAL is enclosed with this prospectus which entitles the Qualifying Shareholder to subscribe for the number of Rights Shares available to the Qualifying Shareholder on an assured basis subject to payment in full on application by not later than 4:00 p.m. on Monday, 8 October 2012. Qualifying Shareholders should note that they may apply for the number of Rights Shares equal to or less than the number set out in the PAL.

If you are a Qualifying Shareholder and you wish to accept all the Rights Shares provisionally allotted to you as specified in the enclosed PAL, you must complete, sign and lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on application in respect of such number of Rights Shares you have applied for with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong by not later than 4:00 p.m. on Monday, 8 October 2012. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier’s orders must be issued by, a licensed bank in Hong Kong and made payable to **“Pacific Plywood Holdings Limited — Rights Issue Account”** and crossed **“Account Payee Only”**.

It should be noted that unless the duly completed and signed PAL, together with the appropriate remittance, has been lodged with the Registrar, Computershare Hong Kong Investor Services Limited, by not later than 4:00 p.m. on Monday, 8 October 2012, that assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If you are a Qualifying Shareholder and you wish to accept only part of your provisional allotment of Rights Shares, or transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you, or to transfer your rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Wednesday, 26 September 2012 with the Registrar, Computershare Hong Kong Investor Services Limited, who will cancel the original PAL and issue new PALs in the denominations required, which will be

## LETTER FROM THE BOARD

available for collection at the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

The PAL contains full information regarding the procedures to be followed if you wish to apply for a number of Rights Shares different from your assured entitlement and the procedures to transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

All cheques or cashier's orders will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled. You must pay the exact amount payable upon application for the Rights Shares, underpaid application will be rejected. In the event of overpaid application, a refund cheque will be made out to you only if the overpaid amount is HK\$100 or above. Completion and return of the PAL together with a cheque or cashier's order in payment for the Rights Shares will constitute a warranty by the subscriber that the cheque or cashier's order will be honoured on first presentation.

If the conditions of the Rights Issue are not fulfilled, the application monies will be refunded, without interests, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the applicant's address specified in the register of members of the Company or the transfer form on or before Monday, 15 October 2012.

Save as described under the paragraph headed "Rights of Overseas Shareholders" above, no action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone receiving the Prospectus Documents outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself/themselves before subscribing for the assured allotted Rights Shares or excess Rights Shares, as to the full observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in any such jurisdiction in connection therewith. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is the Non-Qualifying Shareholder.

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

## LETTER FROM THE BOARD

### Application for excess Rights Shares

Qualifying Shareholders may apply for excess Rights Shares by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar, Computershare Hong Kong Investor Services Limited, by not later than 4:00 p.m. on Monday, 8 October 2012. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Pacific Plywood Holdings Limited — Excess Application Account**" and crossed "**Account Payee Only**".

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by the Registrar.

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 less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings and that such applications are not made with the intention to abuse this mechanism; 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 lesser 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).

There are no restrictions affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.

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.

Shareholders 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.

## **LETTER FROM THE BOARD**

The Qualifying Shareholder(s) will be notified of the allotment result of excess Rights Shares on Sunday, 14 October 2012 by the Company by way of announcement. If no excess Rights Shares are allotted to the Qualifying Shareholder who has applied for excess Rights Shares, it is expected that a cheque for the amount tendered on application in full without interest will be posted to his/her/its registered address by ordinary post at his/her/its own risk on or before Monday, 15 October 2012. If the number of excess Rights Shares allotted to the Qualifying Shareholder is less than that applied for, it is expected that a cheque for the amount of the surplus application monies, without interest, will be posted to his/her/its registered address by ordinary post at his/her/its own risk on or before Monday, 15 October 2012.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interests earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation.

If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

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

If any of the Underwriters exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue (with the Bonus Issue) are not fulfilled or waived (as the case may be), the monies received in respect of applications for excess Rights Shares will be returned, without interest, to the applicants by means of cheques despatched by ordinary post to their respective registered addresses at their own risk on or before Monday, 15 October 2012.

### **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 the case may be):

- (i) the passing of all the necessary resolution(s) by the Board and the Shareholders (where applicable, the Independent Shareholders) at the SGM by way of poll approving, confirming and ratifying (as appropriate):
  - (a) the Share Consolidation;
  - (b) 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;
  - (c) the Underwriting Agreement and the performance of the transactions contemplated thereunder by the Company;
  - (d) the Whitewash Waiver; and



## LETTER FROM THE BOARD

- (e) the Bye-laws Amendments,  
  
each in accordance with the Bye-laws, the Listing Rules and the Takeovers Code on or before the Record Date;
- (ii) the Share Consolidation having become effective;
- (iii) the Executive granting to Allied Summit the Whitewash Waiver and the satisfaction of all conditions (if any) attached thereto and such other necessary waiver or consent as may be required to be obtained from the Executive for the transactions contemplated under the Rights Issue (with the Bonus Issue);
- (iv) 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;
- (v) the delivery and filing of the Prospectus Documents with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus Documents in compliance with the Companies Act;
- (vi) 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;
- (vii) 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;
- (viii) the Underwriting Agreement not being terminated by any of the Underwriters pursuant to the terms thereof on or before the Latest Time For Termination;
- (ix) 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, correct and not misleading in all material respects;
- (x) if required, the Bermuda Monetary Authority granting consent to the issue of the Rights Shares and the Bonus Shares;
- (xi) there being no Specified Event occur prior to the Latest Time For Termination; and

## LETTER FROM THE BOARD

(xii) compliance by Allied Summit with its undertaking and obligations under the Undertaking given to the Company and Kingston Securities on or prior to the Latest Time For Acceptance.

The conditions set out above (other than condition (ix) which can only be waived jointly by the Underwriters) are incapable of being waived. If the above conditions are not satisfied and/or waived in whole (or waived where applicable) by the Latest Time For Termination or such other time and date as the Underwriters 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 shall have any claim against any other party for costs, damages, compensation or otherwise.

As at the date of the Latest Practicable Date, the conditions (i), (ii) and (iii) are satisfied.

### **Undertaking (in substitution of the First Undertaking)**

As at the Latest Practicable Date, Allied Summit was interested in 22,500,000 Shares, representing approximately 13.14% of the issued share capital of the Company. Allied Summit has irrevocably undertaken to the Company and Kingston Securities 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 Underwriters in writing); and (b) it shall subscribe and pay for or procure the subscription and payment for, its entitlement of 45,000,000 Rights Shares, being the rights entitlement which will be provisionally allotted to it under the Rights Issue prior to the Latest Time For Acceptance.

Save for the Undertaking above, no undertaking has been given to the Company and the Underwriters by any of the holders of the Agent Option and the Longjiang Option as to whether they will exercise these options.

## LETTER FROM THE BOARD

### Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement)

- Date : 6 July 2012 (as supplemented by the Supplemental Underwriting Agreement dated 10 August 2012)
- Underwriters : (i) Allied Summit, which is beneficially owned as to 80% by Mr. Su and 20% by Mr. Ng and does not underwrite issues of securities in its ordinary course of business; and
- (ii) Kingston Securities
- Total number of Underwritten Shares : 297,412,634 Rights Shares, which will be underwritten by the Underwriters in the following manner:
- (i) Allied Summit : in priority 202,412,634 Underwritten Shares; and
- (ii) Kingston Securities : the remaining 95,000,000 Underwritten Shares, if any.

Such allocation of underwriting commitment between the Underwriters can be modified by mutual agreement between the Underwriters, provided that (i) other obligations of the Underwriters and all other terms and conditions of the Underwriting Agreement shall remain unchanged; and (ii) both the Underwriters shall notify the Company in writing such modification of underwriting commitment forthwith.

- Underwriting commission : Payable by the Company to Allied Summit at 1.95% and to Kingston Securities at 2.5%, each of the aggregate Subscription Price of the respective portion of the maximum Underwritten Shares mentioned above. The commission rates were determined after arms' length negotiations between the Company and the Underwriters with reference to, among other things, the scale of the Rights Issue (with the Bonus Issue) and the market rate, and the Board (excluding Mr. Ng who is a member of the Concert Group) considers that the underwriting commission rate is fair and reasonable so far as the Company and the Shareholders are concerned.

In the event of the Underwriters being called upon to subscribe for or procure subscribers to subscribe for the Untaken Shares, (1) Kingston Securities has agreed to use its best endeavours to ensure that each of the subscribers: (i) shall be an Independent Third Party, and not acting in concert and not connected with the Directors or chief executive of the Company or substantial Shareholders (as defined in the Listing Rules) or their respective associates; and (ii) none of such subscribers (together with their respective parties acting in concert) will hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue (with

## LETTER FROM THE BOARD

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; and (2) Allied Summit has agreed to use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it, other than any members of the Concert Group or their respective associates, shall be an Independent Third Party and is not acting in concert with the Directors or chief executive of the Company or substantial Shareholders (as defined in the Listing Rules) or their respective associates. As at the Latest Practicable Date, Allied Summit confirmed that it had no intention to procure any Independent Third Parties to subscribe for the Untaken Shares (if any).

Unless the Underwriting Agreement shall have otherwise been terminated by any of the Underwriters pursuant to its right of termination on or before the Latest Time For Termination, if any of the Underwriters 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.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the Latest Practicable Date (i) Kingston Securities and its associates are Independent Third Parties; (ii) Kingston Securities held 72,720 Shares; and (iii) Kingston Securities has procured certain sub-underwriter(s), who are Independent Third Parties, to sub-underwrite 58,750,000 Underwritten Shares (or 352,500,000 Shares upon completion of the Rights Issue (with the Bonus Issue)).

### **Termination of the Underwriting Agreement**

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of any of the Underwriters, 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 any of the Underwriters 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 any of the Underwriters 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

## LETTER FROM THE BOARD

- (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 any of the Underwriters are 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 any of the Underwriters 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 any of the Underwriters, 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 the Circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue and/or 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,

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

Any of the Underwriters 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 any of the Underwriters; or
- (ii) any Specified Event comes to the knowledge of any of the Underwriters.

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Any such notice shall be served by any of the Underwriters 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 any of the Underwriters, 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.

### Effect on the shareholding structure

The shareholding structure of the Company before and after completion of the Rights Issue (with the Bonus issue) (assuming no new Shares will be issued or repurchased by the Company after the Record Date) are as follows:

	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 Allied Summit pursuant to the Undertaking) (Notes 1 & 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Substantial Shareholders</b>						
Allied Summit (Note 3)	22,500,000	13.14	292,500,000	13.14	292,500,000	13.14
Underwriting portion of Allied Summit	—	—	—	—	1,214,475,804	54.57
<i>Sub-total by Allied Summit</i>	<u>22,500,000</u>	<u>13.14</u>	<u>292,500,000</u>	<u>13.14</u>	<u>1,506,975,804</u>	<u>67.71</u>
Kingston Securities (Notes 4 & 5)	72,720	0.04	945,360	0.04	217,572,720	9.77
<i>Sub-total by the Concert Group</i>	<u>22,572,720</u>	<u>13.18</u>	<u>293,445,360</u>	<u>13.18</u>	<u>1,724,548,524</u>	<u>77.48</u>
<b>Public</b>						
Sub-underwriter(s) (Note 4)	—	—	—	—	352,500,000	15.84
Other public Shareholders	<u>148,633,597</u>	<u>86.82</u>	<u>1,932,236,761</u>	<u>86.82</u>	<u>148,633,597</u>	<u>6.68</u>
<b>Total</b>	<u><u>171,206,317</u></u>	<u><u>100.00</u></u>	<u><u>2,225,682,121</u></u>	<u><u>100.00</u></u>	<u><u>2,225,682,121</u></u>	<u><u>100.00</u></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 and 20% by Mr. Ng, who is the chairman of the Company and an executive Director.
4. Kingston Securities has confirmed with the Company that it has sub-underwritten 58,750,000 Rights Shares to sub-underwriter(s), who are Independent Third Parties. Kingston Securities has agreed to use its best endeavours to ensure that each of the subscribers: (i) shall be an Independent Third Party, and not acting in concert with and not connected with the Directors or chief executive of the Company or substantial Shareholders or their respective associates; and (ii) none of such subscribers (together with their respective parties acting in concert) will 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

5. Notwithstanding that Kingston Securities is being deemed as a party acting in concert with Allied Summit, Kingston Securities will be regarded as a public Shareholder as its shareholding in the Company is and will continue to be less than 10%.

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

**Dealings in the Rights Shares in the nil-paid form are expected to take place from Monday, 24 September 2012 to Wednesday, 3 October 2012 (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 (as the case may be) or the Underwriting Agreement is terminated by the Underwriters, 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 Thursday, 11 October 2012, being the time and date by which all the conditions of the Rights Issue (with the Bonus Issue) are to be fulfilled and when the right of the Underwriters to terminate the Underwriting Agreement is to lapse, and any dealings in the Rights Shares in their nil-paid form between Monday, 24 September 2012 and Wednesday, 3 October 2012 (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**

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 through its wholly-owned subsidiary, Joy Wealth Finance Limited (“**Joy Wealth**”). As at the Latest Practicable Date, Joy Wealth had provided a wide variety of loans with an accumulated amount of approximately HK\$600 million with interest rates ranging from 8% to 48% per annum, among which approximately HK\$408 million loan principal had been repaid while approximately HK\$192 million loan principal remained outstanding. The outstanding principal of approximately HK\$192 million consists of approximately HK\$100 million of loans that are not yet matured and the remaining approximately HK\$92 million of loans that are past due as at the Latest Practicable Date. For the past due loans, the Company is in negotiation with the relevant borrowers for revised terms and/or demanding repayments. For the year ended 31 December 2011 and period ended 30 June 2012, the total interest income of the Group amounted to approximately HK\$52.96 million and HK\$23.76 million respectively. Since money lending and provision of credits business constitutes the current major business segment of the Group and being

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acquainted with this business segment, the Board wishes to allocate additional financial resources of the Group for developing this segment continuously and providing loans to high net-worth customers to generate further revenue for the Group.

Up to the Latest Practicable Date, the Board had received five loan proposals for five respective individual borrowers, among which three of them have proposed to pledge securities/convertible securities issued by companies whose shares are listed on the main board of the Stock Exchange as collaterals, and the remaining two potential borrowers have proposed to provide securities issued by companies whose shares are listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange as collaterals. Set out below is a summary of the major terms on the five loan proposals:

	<u>Borrower A</u>	<u>Borrower B</u>	<u>Borrower C</u>	<u>Borrower D</u>	<u>Borrower E</u>
Principal	HK\$70,000,000	HK\$150,000,000	HK\$60,000,000	HK\$30,000,000	HK\$100,000,000
Collaterals	Over 51% equity stake of a main board listed issuer	A convertible notes with principal amount over HK\$400 million issued by a main board listed issuer	Over 51% equity stake of a GEM board listed issuer	Over 30% equity stake of a GEM board listed issuer	the securities issued by a main board listed issuer with market value around HK\$180 million and a convertible notes with principal amount over HK\$200 million issued by a main board listed issuer
Interest rate (per annum)	12%-18%	12%-18%	22%-25%	18%-20%	12%-18%
Term	1 year	1 year	1 year	1 year	1 year
Estimated revenue	HK\$8,400,000 to HK\$12,600,000	HK\$18,000,000 to HK\$27,000,000	HK\$13,200,000 to HK\$15,000,000	HK\$5,400,000 to HK\$6,000,000	HK\$12,000,000 to HK\$18,000,000

The summarized principal terms of the five loan proposals illustrated above are subject to variations upon further negotiations between Joy Wealth and the respective borrowers and may or may not materialize depending on, among other things, whether or not the Group shall have the required funds to make such borrowings. Further announcement(s) will be made by the Company in this regard in accordance with the Listing Rules as and when appropriate.

### *General overview of the finance industry*

The money lending industry in Hong Kong consists of two types of participating lenders: authorised institutions and licensed money lenders. Authorised institutions are regulated by the Hong Kong Monetary Authority (the “HKMA”) and should comply with the Banking Ordinance (Chapter 155 of the laws of Hong Kong), whereas activities of licensed money lenders are governed by the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong). In contrast to authorised institutions which are subject to strict



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capital requirements and lending limits, such as debt servicing ratio for individual customers, licensed money lenders enjoy a greater flexibility in their business operations in terms of loan sizes, requirement of income proof and natures of collaterals.

The following table is extracted from the statistics of loans and advances granted by authorised institutions as reported by the HKMA and used as a proxy to the credit market growth. Loans and advances for use in Hong Kong refer to the credit facilities made available or disbursed in Hong Kong to borrowers with residence or principal place of business in Hong Kong.

	At 31 December							At
	2005	2006	2007	2008	2009	2010	2011	31 March 2012
	<i>HK\$ billion</i>	<i>HK\$ billion</i>	<i>HK\$ billion</i>	<i>HK\$ billion</i>	<i>HK\$ billion</i>	<i>HK\$ billion</i>	<i>HK\$ billion</i>	<i>HK\$ billion</i>
Licensed banks	1,885.6	1,932.8	2,225.3	2,470.2	2,426.2	2,950.5	3,327.6	3,353.4
Restricted licensed banks	24.9	22.4	30.1	32.1	25.5	16.1	16.9	19.6
Deposit taking companies	<u>19.8</u>	<u>18.7</u>	<u>18.9</u>	<u>21.8</u>	<u>19.7</u>	<u>21.8</u>	<u>20.7</u>	<u>20.8</u>
<b>All authorised institutions</b>	<b><u>1,930.3</u></b>	<b><u>1,973.9</u></b>	<b><u>2,274.3</u></b>	<b><u>2,524.1</u></b>	<b><u>2,471.4</u></b>	<b><u>2,988.4</u></b>	<b><u>3,365.2</u></b>	<b><u>3,393.8</u></b>

*Source:* HKMA

As shown in the above table, save for a slight decrease in 2009 during the global financial crisis, the amount of loans and advances for use in Hong Kong have increased steadily from approximately HK\$1,930.3 billion in 2005 to approximately HK\$3,393.9 billion in 31 March 2012, representing a compound annual growth rate of loans and advances of approximately 9.45%. The Board is, therefore, confident that the money lending and provision of credits business will continue to grow and be profitable in the long run.

### *Risk factors associated with the money lending business*

There are a number of risk factors in the money lending and provision of credits business in general, some of which are specifically influential to the Group.

### **Credit risks on unsecured loan portfolio**

The Group's money lending business is exposed to credit risks from its customers, especially the potential default of the unsecured loans. Therefore, higher interest rates are generally charged on those loans which are unsecured to compensate for the higher credit risks. In the event that the unsecured loans are fully repaid, the profitability will be higher. However, losses for unsecured loans are greater in the event of default. To mitigate the credit risks, the Board has adopted the "Procedure Manual for Credit Facilities" (the "**Procedure Manual**"), which sets out the approval procedure for loan applications. The Procedure Manual has been reviewed by one of the Big Four accounting firms on its completeness and effectiveness and the Company has taken up the recommendations suggested by these professionals in regards to possible improvements.

## LETTER FROM THE BOARD

### **Limited history of operations**

As the money lending and provision of credits business is a recently launched business to the Group, the Directors cannot solely rely on past history of repayment to determine the basis for making impairments (if any) on the loans. In order to reflect the credit risks, impairments attributable to individual borrowers have been made on most of the unsecured portion of the loans as disclosed in the annual report of the Company for the year ended 31 December 2011 under an utmost prudence approach and strict compliance with the applicable accounting standards. It has, however, never come to the attention to the Board that the relevant borrowers were unable to repay the respective loans.

As a new entrant to the industry, the Group also has limited its customer base to (i) high net worth individuals; (ii) substantial and/or controlling shareholders of listed companies; and (iii) listed companies. Upon expiry of loans by these major customers, the revenue of the Company could be significantly affected. Therefore, given that the profitability and the credit risks are reasonable, loans made by the Company are generally extendable so far as such is considered in the best interests of the Company and the Shareholders as a whole.

### **Potential decrease in values of collaterals**

The market values of collaterals provided by the Group's customers fluctuate from time to time after the borrowings are made and are not always transparent. In the event that the market value of certain collaterals drops below the principal amount of the underlying loan, the Company will suffer greater credit risk. To protect the Group's interests under such circumstances, Joy Wealth has included a term in its loan agreements and facility letters which allows it to from time to time demand further security and assurances at its discretions; otherwise, the Board might also consider and negotiate with the customers for increasing the applicable interest rates.

### *Loan approval procedure*

The Procedure Manual sets out in details the loan approval processes, including but not limited to, loan application, credit assessment, review and approval, account opening and loan disbursement, loan file documentation, loan repayment, security/collateral taking and releasing procedure, past due collection, early settlement, account maintenance and day end closing report, so as to address key risks and as part of the Group's plan to enhance the standards of the Group's overall corporate governance.

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Also, internal control and credit assessment activities have been performed as follows:

- (a) credit status report was prepared when a loan was granted to assess the credibility of the customer, consider whether granting the loan was profitable to decide whether to approve or reject the loan based on the credit assessment criteria including, but not limited to, on a case-by-case basis, the following criteria:

<u>For personal borrower:</u>	<u>For corporate borrower:</u>
Background and past payment record, with reference (if applicable)	Background and past payment record, with reference (if applicable)
Age	Net asset value, gearing ratio, liquidity, profitability base on the latest audit report and management accounts
Career	Results of company search and legal searches such as litigation, bankruptcy and/or winding up searches
Purpose of the loan	Purpose of the loan
Results of legal searches such as litigation and bankruptcy searches	Statutory record and results of legal searches such as litigation and winding-up searches
Proof of income and repayment ability	Background of the beneficiary owner and guarantors
Credit history	Credit history
Disposable income	The market price of its shares and its volatility, if applicable

- (b) due diligence review of documents and correspondences on all borrowers were kept; and

- (c) all borrowers were reached for repayments by Joy Wealth via posts, emails or telephone calls when due dates approached. Follow up actions were taken when repayment was delayed (e.g. repayment demand letter issued by solicitor).

Generally, for a borrower who is either with unstable income or in a stringent financial position or apply for a large loan principal amount or fails to provide sufficient and objective information as above criteria to support his financial stability, ability and credibility, collateral/security will be requested from a borrower.

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Before accepting a collateral or security, ratios of the loan amount to value of collateral/security, valuation, liquidity, marketability and title-ship of collateral/security are evaluated. The value of collateral/security shall be approximate to or exceed the loan principal amount when the loan is granted. The latest value of the collateral/security shall be reviewed from time to time. Once there is a significant and prolong drop in value comparing to the loan amount, additional collateral/security will be requested. If no qualified collateral/security can be provided, a guarantee will be required and the guarantor will be verified in the same way that has been applied to the borrower.

To assess a borrower's credit history, in general, legal search, company search and analysis on historical and latest financial information are performed. Credit report will be conducted by engaged credit agency in the market as and when considered necessary as the case may be.

Occasionally, a loan is granted without collateral/security or guarantee given that the borrower is with favorable financial status and credit worthiness and accept a high interest rate with short-term repayment period.

With the above policy and procedures, the Board views that the internal control and credit rating assessment procedures are sufficient.

### *Provision Policy of the Group*

The impairments against the Group's loan receivables have been made in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" requirements, by which financial assets are considered to be impaired where there is object evidence of impairments which includes:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

In the event that any incidents as mentioned above happens on any individual borrowers, impairments will be made for the unsecured portion specifically (if any). Loan receivables that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with default on receivables.

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Subsequent recoveries of loan amounts previously provided for impairments are credited to profit or loss. To prevent substantial impairment of loan receivables in the future, the Company will perform tighter credit control on each potential loan customers and require sufficient security/collateral/personal guarantee. The Company will also establish hair-cut ratios for marketable securities to increase the coverage of collaterals. Besides, the Company will keep closer communication with debtors on their cash flow situations and perform tighter assessment on the repayment ability of debtors even before the due dates of loans. As such, the risks of non-repayment by debtors can be minimized.

### *Background of management and senior staff*

The credit assessment on loan applications are prepared by the loan officers of the Group and reviewed by Ms. Tam Hang Yin (“**Ms. Tam**”), the financial controller and company secretary of the Group, and Ms. Lam Pui Sea (“**Ms. Lam**”), the deputy financial controller of the Group.

Ms. Tam is a member of the Hong Kong Institute of Certified Public Accountants and holds Bachelor’s degree in Accountancy from the Chinese University of Hong Kong. Ms. Tam has worked in one of the Big Four accounting firms for four years. She possesses solid corporate secretarial, accounting and auditing experience.

Ms. Lam is a member of the Hong Kong Institute of Certified Public Accountants. She holds a Bachelor degree in Economics and Finance from the University of Hong Kong. She has worked in one of the Big Four accounting firms and various companies in Hong Kong and the United States. Ms. Lam has extensive experience in accounting, internal control, corporate secretarial services and corporate administration.

After the said review on credit assessments, Mr. Liang Jian Hua (“**Mr. Liang**”), the executive director of Company and Joy Wealth, shall be responsible for final review and approval. For loan amounts which do not constitute notifiable transactions, Mr. Liang shall have the authority for granting the final approval. For loan amounts which constitute notifiable transactions for the Company, board approvals of the Company will be required.

Prior to joining the Group, Mr. Liang was an agent who introduced loan clients to a company with Hong Kong money lending license (the “**Licensed Company**”) since January 2008. Also, Mr. Liang assisted in preparing detailed financial and credit analysis on those potential clients and involved in the operating procedures conducted by the Licensed Company for approving the loans.

## LETTER FROM THE BOARD

*Loan portfolio as at 31 December 2011, 30 June 2012 and the Latest Practicable Date*

Set out below is the loan portfolio of the Group as at 31 December 2011, 30 June 2012 and the Latest Practicable Date:

	<b>31 December 2011</b>	<b>As at 30 June 2012</b>	<b>the Latest Practicable Date</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Unaudited)	(Unaudited)
Total amount of loan receivables before impairment	382,704	201,632	208,211
Total amount of impairment made ( <i>Note</i> )	(109,483)	(76,514)	(76,514)
Total carrying amount of loan receivables	273,221	125,118	131,697

*Note:* Among which, as at the Latest Practicable Date, approximately HK\$32,969,000 had been recovered due to the repayment from a borrower.

As illustrated in the above table, total carrying amount of loan receivables as at the Latest Practicable Date is HK\$131,697,000; set out below is the summary of such carrying amount in respect of principal amount of each loan, the collateral(s) provided by the borrower, the maturity profile and the interest rate:

	Principal	Collateral(s)	Nature and Further Assurance	Maturity	Interest Rate
Loan A	HK\$45 million	issued shares of a listed company on the main board of the Stock Exchange	corporate loan	(Please refer to <i>Note 1</i> )	12% per annum
Loan B	HK\$75 million	issued shares and warrants of a listed company on the main board of the Stock Exchange	corporate loan with third party personal guarantee	23 December 2012	24% per annum
Loan C	HK\$15 million	N/A	personal loan with third party personal guarantee	(Please refer to <i>Note 2</i> )	24% per annum
Loan D	HK\$15 million	N/A	personal loan	(Please refer to <i>Note 3</i> )	48% per annum
Loan E	HK\$16.55 million	N/A	personal loan	(Please refer to <i>Note 4</i> )	14.4% per annum

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	Principal	Collateral(s)	Nature and Further Assurance	Maturity	Interest Rate
Loan F	HK\$10 million	N/A	personal loan	28 November 2012	14.4% per annum
Loan G	HK\$5.85 million	49% issued share capital of a company which in turn holds another company with capital of US\$1,500,000	personal loan	27 December 2012	15% per annum
Loan H	HK\$5.02 million	N/A	personal loan	30 November 2012	14.4% per annum
Loan I	HK\$3 million	N/A	personal loan	4 November 2012	36% per annum
Loan J	HK\$2.92 million	N/A	corporate loan	30 November 2012	14.4% per annum
Others	ranging from HK\$5,000 to HK\$50,000	N/A	personal loans	pending for extension to 21 September 2012	ranging from 8% to 12% per annum

*Notes:*

1. Loan A was past due on 26 May 2012 and the Company has sent demand letters to demand the borrower to repay the principal (with accrued interests). In response to the Company's demand, the borrower has expressed its intention to further extend the loan by repaying the shortfall between the market value of collaterals and the outstanding amount of the loan. As at the Latest Practicable Date, the market value of the collaterals amounted to approximately HK\$34.4 million. The Company is currently consulting its legal adviser as to whether it is more favorable and prudent for the Company to accept the borrower's partial repayment and provide further extension, or dispose of the collaterals or appropriate the collaterals for its own use and benefit.
2. Loan C was past due on 21 March 2012 and the Company has sent demand letters and issued a statutory demand to demand the borrower to repay the principal (with accrued interests) immediately. As the loan is unsecured, relevant impairment has been made for the financial year ended 31 December 2011. On 3 July 2012, the borrower has settled the outstanding interests and requested for further extension of the loan. After receipt of the request from the borrower, the Company is now in negotiation with the borrower to enter into an extension agreement with stricter terms (including but not limited to, increasing the interests rate and requesting for collaterals). If the terms of the loan are finalized, the Company will enter into the extension agreement with the borrower to extend the loan and in case the borrower disagrees with the revised terms on the loan, the Company will issue a statutory demand immediately.
3. Loan D was past due on 21 March 2012 and the Company has sent demand letters and issued a statutory demand to demand the borrower to repay the principal (with accrued interests) immediately. As the loan is unsecured, relevant impairment has been made for the financial year ended 31 December 2011. On 3 July 2012, the borrower has settled the outstanding interests and requested for further extension of the loan. After receipt of the request from the borrower, the Company is now in negotiation with the borrower to enter into an extension agreement (including but not limited to, increasing the interests rate and requesting for collaterals). If the terms of the loan are finalized, the Company will enter into the extension agreement with the borrower to extend the loan and in case the borrower disagrees with the revised terms on the loan, the Company will issue a statutory demand immediately.
4. Loan E was past due on 16 March 2012 and the Company have started its actions to demand repayments and on 20 March 2012, the borrower has settled the outstanding interests and the borrower has also confirmed that he is not willing to extend the loan further and will settle the relevant outstanding principals (with accrued interests).

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### *Actions to demand repayments for past due loans*

For all past-due accounts, Joy Wealth will demand the customers for repayments by phone calls and by sending reminders and final demand notices on different past-due day intervals. If the customers do not make repayments after receiving final demand notices, Joy Wealth will arrange its solicitor to issue repayment demand letters to the defaulting customers and their respective guarantor (if any). In the event that there is still no response to the repayment demand letters, Joy Wealth will arrange its solicitors to issue statutory demands in accordance with the Bankruptcy Ordinance (Chapter 6 of the laws of Hong Kong) or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as the case may be), which shall enable the Group to file a creditor's petition or to begin the bankruptcy procedure on the defaulting customers.

For the past-due accounts as at the Latest Practicable Date, the Company had been negotiating with the respective borrowers on the revised terms on the loans and additional collaterals (if required). Subject to the financial ability of the borrowers, the Company will consider to extend the relevant loans with the borrowers. Otherwise, the Company will demand the borrowers to return all the outstanding amounts with accrued interests immediately. Once the said terms are finalized, the Company will issue an announcement to inform the Shareholders if such extension constitutes a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

### **Securities Investments Business**

As at the Latest Practicable Date, the Group had invested in Simsen International at an aggregate consideration of approximately HK\$80,190,000 as a strategic investment, with the intention to utilize the platform provided by Simsen International to further promote the finance business of Joy Wealth. The Group had also invested in Huili Resources (Group) Limited ("**Huili Resources**") (stock code: 1303) at a consideration of approximately HK\$12,020,000 with the view that the investment has valuable potential in its profitability in January 2012.

As at 31 December 2011, the amount of impairment loss recognized and net book value after impairment of the investment in Simsen International was approximately HK\$54,990,000 and HK\$25,200,000 respectively while as at 30 June 2012, the amount of accumulated impairment loss recognized and net book value after impairment was approximately HK\$72,798,000 and HK\$7,392,000 respectively.

No impairment loss is recognized in respect of the investment in Huili Resources as at 30 June 2012 as the market value exceeded the investment cost and the net book value was approximately HK\$13,930,000.

On 26 June 2012, the Company entered into a subscription agreement with 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), to subscribe for the convertible notes in the principal sum of HK\$95 million (the "**Convertible Notes**") proposed to be issued by China Environmental (the "**Subscription**"). The Directors consider that the Subscription enables the Group to



## LETTER FROM THE BOARD

participate in the development of China Environmental and provides the Group with an opportunity to share the returns generated from the business of China Environmental, which will allow the Company to tap into the recycling industry, and 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. The Directors also consider the Subscription as a good opportunity to further develop its finance business with an option for the Company to invest in a certain stake of China Environmental as a listed company in Hong Kong. If the Convertible Notes are not converted, the Group will receive attractive interest income from the Convertible Notes semi-annually. Details of the Subscription have been disclosed in the joint announcement of the Company and China Environmental dated 26 June 2012 and the circular of the Company dated 14 September 2012.

To further develop the money lending business of the Group as well as to enjoy the potential upside of the price of the shares of China Environmental or the financial performance of China Environmental, the Board intends to utilize approximately HK\$95 million from the Rights Issue (with the Bonus Issue) to satisfy the consideration for the Subscription.

### **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.

After its establishment in November 2011, Pacific Vision has successfully identified and has been providing on-going corporate secretarial services to four listed clients in Hong Kong. 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 expand this business segment into the PRC, the Group will allocate around HK\$20 million to recruit a team of experienced professionals, to set up and equip the PRC subsidiaries and branch offices as well as 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 “**Acquisition**”) of 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 total consideration for the Acquisition of HK\$310 million was satisfied as to (i) HK\$33 million by the issue of the convertible bonds in the principal amount of HK\$33 million with conversion price of HK\$0.087; (ii) HK\$82 million in cash; and (iii) HK\$195 million by the issue of a 10% promissory note in the principal sum of HK\$195 million (the “**Promissory Note**”). Details of the Acquisition have been disclosed in the circular of the

## LETTER FROM THE BOARD

Company dated 29 February 2012 (the “**Acquisition Circular**”). As at the Latest Practicable Date, an aggregate amount of HK\$10 million under the Promissory Note was still outstanding.

Currently, the Group has successfully been granted the foreign enterprise certificate. As advised by the Company’s legal advisers, the application for official licenses and approvals, namely, the environment impact statement, the Forestry Industry Participant and the Clearance Authority, are in progress and are expected to be obtained by late 2012/ early 2013. As disclosed in the Acquisition Circular, after the Clearance Authority has been duly obtained, it is the Company’s intention to exercise the option to further acquire the remaining 70% of the equity interest in Profit Grand (the “**Option**”) under the option price of HK\$700 million or 70% of the second valuation on the value of Profit Grand and its subsidiary (the “**Option Price**”), and the Board expects to satisfy it as to not more than 20% in cash (which will be about HK\$140 million) and not less than 80% by procuring the Company to issue a promissory note, subject to negotiations between the Company and the vendors of the Acquisition in the future.

In order to shorten the payback period of the investment and to generate income to the Group, the Company intends to incur early stage capital expenditure as soon as possible after exercising the Option. As illustrated in the Acquisition Circular, early stage expenditure on plant and machinery necessary for commencement of the logging business was estimated at approximately US\$7 million (equivalent to approximately HK\$54.32 million), which shall be financed by the Company by means of internal resources and any shortfall thereof by appropriate debt/equity financing.

### **Fund raising methods comparison**

In view of the financing needs as aforementioned, the Board has from time to time considered and discussed with financial institutions regarding various 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 and open offer as they are relatively larger in scale as compared to placing of new shares under a general mandate. However, the Board will not rule out the possibilities of utilizing the general mandate of the Company as and when such opportunity arise to fulfil the capital requirements of the Company. In respect of debt financing, the Board will not consider debt financing at this stage as the expected finance costs are high and additional borrowings would only narrow the profit margin of the Group given that its forestry business has not yet commenced production.

In comparison, the Rights Issue (with the Bonus Issue) is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation into the Rights Issue (with the Bonus Issue). 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 the Rights Shares or (b) decrease its interests in the shareholding

## LETTER FROM THE BOARD

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 and accordingly, the Rights Issue (with the Bonus Issue) is preferred.

### **Intended use of proceeds**

The gross proceeds from the Rights Issue (with the Bonus Issue) will be approximately HK\$191.75 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 approximately HK\$184.69 million. After the completion of the Rights Issue (with the Bonus Issue), it is noted that the proceeds from the Rights Issue (with the Bonus Issue) will not be able to satisfy the financial needs of the Group in full. Therefore, the Board will prioritize the financial needs of different business segments and utilize such proceeds with care in order to optimize the outcome of each investment.

The Board intends to apply the net proceeds of HK\$184.69 million as to (i) HK\$95 million to satisfy the consideration of the Subscription; (ii) around HK\$20 million on the development and provision of corporate secretarial and consultancy services business in the PRC, and (iii) the remaining HK\$69.69 million on the development of the money lending and provision of credits business. In case the Clearance Authority can be duly obtained in advance to the current schedule and the Option is exercised, the Company will allocate the internal resources of the Group, in particular, the proceeds apportioned to the money lending and provision of credits business will be reallocated to pay up the cash portion of the consideration for exercising the Option.

In utilizing the remaining proceeds from the Rights Issue (with the Bonus Issue) on the development on the money lending and provision of credits business as herein mentioned, the Board shall weigh and select among the loan proposals then available to the Group, which are expected to include the five loan proposals as set out on page 28. The Directors will consider various factors in respect of the loan proposals when determining which loans to make, including but not limited to, the underlying credit risk, value of collaterals and expected revenue. As the proceeds from the Rights Issue (with the Bonus Issue) are expected to be insufficient for accommodating all five loan proposals presently available, the Board shall undergo the profitability index approach, which gives ranking to each investment opportunity and is particularly indicative when resources are limited and choices are to be made in selecting investments, in order to discover the optimal combinations of loan proposals to be accepted.

As abovementioned, in the event that the Company could exercise the Option at an early stage, the Company intends to reallocate the net proceeds from the Rights Issue (with the Bonus Issue) apportioned to the money lending and provision of credits business to pay up the cash portion of the consideration for exercising the Option. Since the Group is still in the process of obtaining all the licenses and permits necessary for commencing the operation of its forestry business, which are subject to a number of factors, and in

## LETTER FROM THE BOARD

particular, the time required for processing the relevant approvals by the relevant PNG government authorities is beyond the Board's control, it is currently premature to estimate the exact time for exercising the Option.

### **Future fund raising exercises**

As at the Latest Practicable Date, save for the Rights Issue (with the Bonus Issue) and the Company being approached by financial institutions for the utilization of Issue Mandate, the Company had not identified any concrete fund raising plan with any financial institutions. As the proceeds from the Rights Issue (with the Bonus Issue) will not satisfy the upcoming financing needs when the Company is implementing all of the aforesaid business development plans (including exercising the Option) in full, the Board does not rule out the possibility that on the top of the Rights Issue (with the Bonus Issue), the Company will conduct further debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future developments of the Group as aforementioned. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

### **Independent Shareholders and Qualifying Shareholders**

The 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 the Bonus Issue on the basis of five (5) Bonus Shares 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 the 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 (effective price per Rights Share is HK\$0.0933) as compared to the historical and prevailing market price 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).

## LETTER FROM THE BOARD

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) and the long term commercial justification of the Rights Issue (with the Bonus Issue) set out in the paragraph headed “Reasons for the Rights Issue (with the Bonus Issue), Financial and Trading Prospect and Proposed Use of Proceeds” of this letter, the Board 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.**

### FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for disclosed below, the Company had not conducted any other fund raising exercises in the past twelve months immediately prior to the Latest Practicable Date.

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of proceeds	Actual use of proceeds
19 October 2011	(i) placing of new shares under a general mandate; (ii) subscription of new shares under a specific mandate; and (iii) placing of convertible notes under a specific mandate	HK\$157.1 million	As to (i) not less than 60% of the proceeds for the development of the Group’s finance businesses and securities investments; and (ii) not more than 40% of the proceeds for financing the acquisition of a forest project and/or financing any other acquisition opportunities identified/to be identified by the Company, including but not limited to the other forestry businesses	Approximately HK\$95 million has been utilized for the development of the Group’s finance business and the remaining balance of approximately HK\$62.1 million for financing the Acquisition

**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

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

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

**A. SUMMARY OF FINANCIAL INFORMATION**

The financial information of the Group (i) for the six months ended 30 June 2012 has been disclosed on pages 1 to 21 of the interim report of the Company for the six months ended 30 June 2012 published on 6 September 2012; (ii) 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; (iii) 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; and (iv) for the year ended 31 December 2009 has been disclosed on pages 23 to 84 of the annual report of the Company for the year ended 31 December 2009 published on 27 April 2010. All the above reports of the Company have been published on the website of the Stock Exchange ([www.hkexnews.hk](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 July 2012, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this prospectus, the Group had no borrowings other than a promissory note with outstanding principal amount of HK\$10,000,000, which is unguaranteed and unsecured.

**Commitment and contingent liabilities**

As at 31 July 2012, 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\$3,488,000.

At the close of business on 31 July 2012, the Group had no material contingent liabilities.

**Pledge of assets**

At the close of business on 31 July 2012, the Group did not pledge any asset to banks or other financial institutions.

**Disclaimer**

Save as disclosed in the paragraphs headed “Borrowings” and “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 July 2012, 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 July 2012.

### C. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources of the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this prospectus, in the absence of unforeseeable circumstances.

### D. MATERIAL ADVERSE CHANGE

It is noted that the fair value of the Group's investment in Simsen International have been changed since 31 December 2011 as a result of the decrease in price of the Simsen Shares from HK\$0.6 per Simsen Share (as adjusted for the capital reorganization of Simsen International) as at 30 December 2011 to HK\$0.156 per Simsen Share as at the Latest Practicable Date, resulting to an impairment loss of approximately HK\$18,648,000. An impairment loss on such investment will be made to the financial statements of the Company if such decrease is prolonged. The actual amount of impairment loss for current year end in respect of Simsen International, if any, will be subject to the share price of Simsen Shares as at the current year end date.

Save for the above, as at the Latest Practicable Date, 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 2011, the date to which the latest published audited financial statements of the Group were made up.

### E. FINANCIAL INFORMATION OF THE PGE GROUP INCORPORATED BY REFERENCE

The financial statements of the Profit Grand Enterprises Limited and its wholly owned subsidiaries (collectively referred to as the "PGE Group") for the period from 5 January 2011 (date of incorporation) to 31 October 2011, including the notes thereto, has been disclosed in the circular of the Company dated 29 February 2012 (pages 72 to 89), which is available on the Company's website at <http://www.irasia.com/listco/hk/pphl/> and the website of the Stock Exchange at <http://www.hkexnews.hk>.



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 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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\$0.56 each for every one (1) Share with Bonus Issue on basis of five (5) Bonus Shares for every one (1) Rights Share as details stated on the announcement dated 10 August 2012, on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 31 December 2011.

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 audited consolidated statement of financial position of the Group as at 31 December 2011, extract from the annual report of the Group for the year ended 31 December 2011 which can be accessed on the website of the Stock Exchange, with adjustments described below:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2011 <i>HK\$'000</i> <i>(Note 2)</i>	Add: Estimated net proceeds from the Rights Issue (with the Bonus Issue) <i>HK\$'000</i> <i>(Note 3)</i>	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 <i>HK\$'000</i>	Audited consolidated net tangible asset per share attributable to the owners of the Company as at 31 December 2011 before the Rights Issue <i>HK\$</i> <i>(Note 4)</i>	Unaudited pro forma adjusted consolidated net tangible assets per adjusted share attributable to the owners of the Company immediately after the completion of Rights Issue <i>HK\$</i> <i>(Note 6)</i>
Rights Issue of 342,412,634 Rights Shares <i>(Note 1)</i>	410,111	184,691	594,802	0.041	0.267

*Notes:*

1. The Rights Issue of not less than 342,412,634 Rights Shares which assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date.
2. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2011 is extracted from the published annual report of the Company for the year ended 31 December 2011 which can be accessed on the website of the Stock Exchange.
3. The estimated net proceeds from the Rights Issue (with the Bonus Issue) is calculated based on 342,412,634 Rights Shares to be issued at the subscription price of HK\$0.56 per each Rights Share. The estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue (with the Bonus Issue) of approximately HK\$191.751 million less the estimated related expenses of approximately HK\$7.060 million.
4. The number of shares used for the calculation of audited consolidated net tangible asset per share of the Company is 9,903,401,934 as at 31 December 2011.
5. According to the Company's announcement dated 19 March 2012, the capital reorganization comprising, inter alia, share consolidation, capital reduction and increase in authorised share capital, has been passed by Shareholders at the special general meeting of the Company held on 19 March 2012 at 9:00 a.m. (details please refer to the Company's circular dated 23 February 2012). The Company's shares being consolidated by every ten issued and unissued shares into one consolidated share. The number of shares of the Company decreased from 9,903,401,934 to 990,340,193 accordingly.

Subsequently, in April 2012, there was a conversion of convertible notes and a total of 379,310,344 shares had been issued. The number of shares increased from 990,340,193 to 1,369,650,537 accordingly.

Furthermore, according to the Company's announcement dated 7 September 2012, the share consolidation has been passed by Shareholders at the special general meeting of the Company held on 7 September 2012 at 9:30 a.m. (details please refer to the Company's circular dated 14 August 2012). The Company's shares being consolidated by every eight issued and unissued shares into one consolidated share and with effective from 9:00 a.m. on 10 September 2012, the number of shares of the Company decreased from 1,369,650,537 to 171,206,317 accordingly (the movement in shares of the Company during the period from 31 December 2011 to 20 September 2012 (the date of this Prospectus) collectively referred to as the "**Share Adjustments**").

The audited consolidated net tangible asset as at 31 December 2011 per adjusted share after the Share Adjustments attributable to the owners of the Company immediately before the completion of the Rights Issue is HK\$2.395.

6. After the Share Adjustment, the unaudited pro forma adjusted consolidated net tangible assets per adjusted share attributable to the owners of the Company immediately after the completion of 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 of HK\$594.802 million and number of shares of 2,225,682,121.

**ACCOUNTANT'S REPORT ON THE 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

20 September 2012

**To the directors of Pacific Plywood Holdings Limited**

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (“**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 45 to 46 in Appendix II to the prospectus dated 20 September 2012 (the “**Prospectus**”), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed rights issue on the basis of two rights shares for every one consolidated share held on the record date (collectively the “**Rights 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 Prospectus.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND  
REPORTING ACCOUNTANTS**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 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**”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**BASIS OF OPINION**

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting

the adjustments and discussing the Unaudited Pro forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2011 or any future date.

#### OPINION

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group so far as such policies related to the transactions; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,  
**ZHONGLEI (HK) CPA Company Limited**  
*Certified Public Accountants (Practising)*  
**Ho Yiu Hang, Ricky**  
Practising Certificate Number: P05494  
Hong Kong

Suites 313–317, 3/F  
Shui On Centre  
6–8 Harbour Road  
Wanchai, Hong Kong

## 1. RESPONSIBILITY STATEMENT

This prospectus, 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 prospectus (other than the information relating to Allied Summit) 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 this prospectus (other than the information relating to Allied Summit) or this prospectus misleading.

This prospectus includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this prospectus have been arrived at after due and careful consideration and there are no other facts not contained in this prospectus, the omission of which would make any statement in this prospectus 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) (assuming no new Shares will be issued or repurchased by the Company after the Record Date) are set out as follows:

### As at the Latest Practicable Date

Authorized share capital:		<i>HK\$</i> <i>(approximately)</i>
<u>5,000,000,000</u> Shares		<u>400,000,000</u>
Issued and paid-up Share capital:		
<u>171,206,317</u> Shares		<u>13,696,505.36</u>

**Immediately after completion of the Rights Issue (with the Bonus Issue)**

	<i>HK\$</i>
Authorized share capital:	<i>(approximately)</i>
<u>5,000,000,000</u> Shares	<u>400,000,000</u>
Issued and paid-up share capital:	
171,206,317 Shares	13,696,505.36
342,412,634 Rights Shares	27,393,010.72
<u>1,712,063,170</u> Bonus Shares	<u>136,965,053.60</u>
<u>2,225,682,121</u> Total	<u>178,054,569.68</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.

During the period from 31 December 2011 to the Latest Practicable Date, save and except for the Capital Reorganization (as defined in the circular of the Company dated 23 February 2012) and the Share Consolidation, there has been no alteration to the capital of any member of the Group since 31 December 2011 and up to the Latest Practicable Date.

The Company issued and allotted 379,310,344 conversion Old Shares on 12 April 2012 upon conversion of the convertible bonds in the aggregate principal amount of HK\$33,000,000 at a conversion price of HK\$0.087 per conversion Old Share. Save for the above, the Company has not issued any new Shares since 31 December 2011 and up to the Latest Practicable Date.

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

Save for the Agent Option and the Longjiang Option, as at the Latest Practicable Date, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option.

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, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 interests and 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### *Interest in the Shares/underlying Shares*

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Number of Shares/underlying Shares held</b>	<b>Approximate percentage of issued share capital of the Company</b>
Mr. Ng ( <i>Note 1</i> )	Interested in controlled corporation	1,506,975,804	67.71% ( <i>Note 2</i> )

#### *Notes:*

- Mr. Ng is the sole director of and holds 20%, which of the equity interest in Allied Summit. Allied Summit is interested in 1,506,975,804 Shares, which is calculated based on the assumptions that none of the Rights Shares are subscribed by the Qualifying Shareholders except for Allied Summit pursuant to the Undertaking. Mr. Ng is therefore deemed to be interested in 1,506,975,804 Shares.
- The issued share capital of the Company for calculating the percentages in this column refers to the issued share capital as enlarged by the Rights Shares and the Bonus Shares to be issued under the Rights Issue (with the Bonus Issue).

As at the Latest Practicable Date, save as disclosed above, 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, 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*

<b>Name of substantial Shareholders</b>	<b>Nature of interest</b>	<b>Number of Shares/ underlying shares held (Note 3)</b>	<b>Approximate percentage of issued share capital of the Company (Note 4)</b>
Allied Summit (Notes 1 & 5)	Beneficial owner	1,506,975,804	67.71%
Mr. Su (Note 2)	Interests in controlled corporation	1,506,975,804	67.71%
Kingston Securities (Note 5)	Beneficial owner	570,072,717	25.61%
Galaxy Sky Investments Limited (Note 5)	Interests in controlled corporation	570,072,717	25.61%
Kingston Capital Asia Limited (Note 5)	Interests in controlled corporation	570,072,717	25.61%
Kingston Financial Group Limited (Note 5)	Interests in controlled corporation	570,072,717	25.61%
Active Dynamic Limited (Note 5)	Interests in controlled corporation	570,072,717	25.61%



Name of substantial Shareholders	Nature of interest	Number of Shares/ underlying shares held (Note 3)	Approximate percentage of issued share capital of the Company (Note 4)
Chu Yuet Wah	Interests in controlled corporation	570,072,717	25.61%

*Notes:*

1. Allied Summit is beneficially owned as to 80% to by Mr. Su and 20% by Mr. Ng, who is the chairman of the Company and an executive Director.
2. As at the Latest Practicable date, Mr. Su holds 80% of the equity interest in Allied Summit and is therefore deemed to be interested in 1,506,975,804 Shares.
3. The interests are based on (i) the Rights Issue (with the Bonus Issue) has completed; and (ii) a maximum of 2,225,682,121 Shares in issue after completion of the Rights Issue (with the Bonus Issue).
4. The issued share capital of the Company for calculating the percentages in this column refers to the issued share capital as enlarged by the Rights Shares and the Bonus Shares to be issued under the Rights Issue (with the Bonus Issue).
5. As at the Latest Practicable Date, except Mr. Ng is the sole director of Allied Summit, none of the Directors is a director or employee of Allied Summit, Kingston Securities, Galaxy Sky Investments Limited, Kingston Capital Asia Limited, Kingston Financial Group Limited and Active Dynamic Limited.

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.

#### 4. ADDITIONAL DISCLOSURE OF INTERESTS

- (i) As at the Latest Practicable Date, save as disclosed in the paragraph headed “Effect on the shareholding structure” in the “Letter from the Board” of this prospectus and in the paragraphs headed “Share capital” and “Disclosure of interests” in this appendix, none of the Directors, the sole director of Allied Summit, Allied Summit or any member of the Concert Group owned or controlled or were interested in any Shares, convertible securities, warrants, options or derivatives of the Company.

- (ii) Mr. Su disposed of 1,000,000, 480,000 and 12,720,000 Old Shares at HK\$0.0861, HK\$0.0844 and HK\$0.0980 per Old Share on 10 April 2012, 11 April 2012 and 13 April 2012 respectively. Save as disclosed herein and save for the entering into of the Underwriting Agreement, none of the Directors, Allied Summit, the director of Allied Summit or any member of the Concert Group had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (iii) As at the Latest Practicable Date, Allied Summit is beneficially owned as to 80% by Mr. Su and 20% by Mr. Ng. Save as disclosed in the paragraph headed “Disclosure of interests” above, none of the Company and the Directors were interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of Allied Summit as at the Latest Practicable Date. None of the Company nor the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of Allied Summit during the Relevant Period.
- (iv) Save for Kingston Securities, which was interested in 72,720 Shares as at the Latest Practicable Date, none of the advisers to the Company as specified in class (2) of the definition of associate in the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date nor had any of them dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (v) None of the subsidiaries of the Company, or pension fund of the Company or of a subsidiary of the Company owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date nor had any of them dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (vi) No fund managers (other than exempt fund managers) connected with the Company managed on a discretionary basis any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date nor had any of them dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis during the Relevant Period.
- (vii) As at the Latest Practicable Date, save for the Underwriting Agreement and the Margin Loan Facility, there was no agreement, arrangement or understanding between Allied Summit and any other persons whereby the Rights Shares subscribed and acquired under the Rights Issue (with the Bonus Issue) would be transferred, charged or pledged to any persons.
- (viii) As at the Latest Practicable Date, the principal members of the Concert Group were Allied Summit, Mr. Ng, Mr. Su and Kingston Securities. The registered office of Allied Summit is at OMC Chambers Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and its correspondence address is at Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong. The

sole director of Allied Summit is Mr. Ng. The corresponding address of Mr. Ng is the same as Allied Summit's corresponding address. Mr. Su's corresponding address is at No. 17 Qian Jin Cun Che Zhan Area, Shitang Town, Wenling City, Zhejiang Province, PRC. The registered office of Kingston Securities is at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

- (ix) As at the Latest Practicable Date, save for the Underwriting Agreement and the Margin Loan Facility, there was (a) no agreement, arrangement or understanding (including any compensation arrangement) between the members of the Concert Group and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependence upon the Rights Issue (with the Bonus Issue), the Underwriting Agreement and/or the Whitewash Waiver; and (b) no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Rights Issue (with the Bonus Issue), the Underwriting Agreement and the Whitewash Waiver or otherwise connected with the Rights Issue (with the Bonus Issue) and the Whitewash Waiver.
- (x) As at the Latest Practicable Date, save for the underwriting commission payable to Allied Summit, Mr. Ng being 20% shareholder of Allied Summit, under the Underwriting Agreement, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue (with the Bonus Issue) and/or the Underwriting Agreement and/or the Whitewash Waiver.
- (xi) As at the Latest Practicable Date, save for the Underwriting Agreement, no material contracts had been entered into by Allied Summit in which any Director had a material personal interest.
- (xii) As at the Latest Practicable Date, save for the Underwriting Agreement and the Undertaking, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which includes any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to such securities which may be an inducement to deal or refrain from dealing) with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code and no person had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (xiii) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which includes any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to such securities which may be an inducement to deal or refrain from dealing) with any member of the Concert Group.

- (xiv) As at the Latest Practicable Date, none of the Company and the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.
- (xv) As at the Latest Practicable Date, none of the members of the Concert Group had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.
- (xvi) Save for the Underwriters, no persons who owned or controlled any shareholding in the Company had irrevocably committed themselves to accept or reject the Rights Issue (with the Bonus Issue) or to vote in favour or against the Rights Issue (with the Bonus Issue), the Underwriting Agreement and the Whitewash Waiver prior to the posting of this prospectus.
- (xvii) Save and except for the Margin Loan Facility, there was no arrangement to which Allied Summit was a party (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Rights Issue (with the Bonus Issue).
- (xviii) It is the intention of Allied Summit to continue the existing businesses of the Group and the employment of the employees of the Group after completion of the Rights Issue (with the Bonus Issue). Allied Summit has no intention to introduce major changes to the businesses of the Group including redeployment of the fixed assets of the Group upon completion of the Rights Issue (with the Bonus Issue).

## 5. MARKET PRICES

The table below shows the closing prices of the Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) 6 July 2012, being the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period (as adjusted for the effect of the Share Consolidation):

<b>Date</b>	<b>Closing price per Shares HK\$</b>
31 January 2012	0.2400A
29 February 2012	0.1780A
30 March 2012	0.1370A
30 April 2012	0.1450A
31 May 2012	0.1300A
29 June 2012	0.1290A
6 July 2012, being the Last Trading Day	0.1290A
31 July 2012	0.1160A
31 August 2012	0.1110A
13 September 2012, being the Latest Practicable Date	0.1950

The highest and lowest closing price per Share (as adjusted for the effect of the Share Consolidation) as quoted on the Stock Exchange during the Relevant Period were HK\$0.2520 per Share on 27 January 2012 and 30 January 2012 respectively and HK\$0.1030 per Share on 10 September 2012.

## 6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group within the two years preceding the date of the Announcement and which are or may be material:

- (i) the Underwriting Agreement and the Supplemental Underwriting Agreement;
- (ii) the subscription agreement dated 26 June 2012 and the supplemental agreement dated 4 September 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;
- (iii) the supplementary facility letter and supplemental share mortgage dated 1 July 2012 entered into between the Company as the lender and Super Century Investments Limited as the borrower in relation to revise the key terms of the original facility letter and share mortgage;
- (iv) 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;
- (v) 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 the Independent State of Papua New Guinea (“**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;
- (vi) 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 purpose only

- (vii) the share placing agreement dated 18 October 2011 entered into between the Company and Roofers Securities Limited (“**Roofers**”) 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;
- (viii) the subscription agreement dated 18 October 2011 entered into between the Company and Allied Summit Inc. 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;
- (ix) the convertible notes placing agreement dated 18 October 2011 entered into between the Company and United Simsen Securities Limited (“**United Simsen**”) 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;
- (x) the conditional sale and purchase agreement dated 13 October 2011 entered into between Best Harvest Asia Limited (“**Best Harvest**”) as vendor (a wholly-owned subsidiary of the Company) and Favor Way Investments Limited (“**Favor Way**”) as purchaser in relation to the disposal of 51% interest in Delta Wealth Finance Limited (formerly Head & Shoulders Finance Limited (“**Head & Shoulders**”)) at a total consideration of HK\$52,000,000;
- (xi) a series of subscription agreements entered into among the Company and independent placees in relation to the subscription of the placing convertible notes in an aggregate amount of HK\$100,000,000 which is completed on 16 May 2011;
- (xii) the placing agreement dated 8 March 2011 entered into between the Company and United Simsen as the placing agent in relation to the placing of placing convertible notes in an aggregate amount of HK\$100,000,000;
- (xiii) the underwriting agreement dated 8 March 2011 entered into between the Company and Kingston Securities as the underwriter in relation to the rights issue on the basis of thirty (30) rights shares on every one (1) share held on the record date of 26 April 2011;
- (xiv) the supplemental agreement dated 24 January 2011 entered into between the Company and Roofers as the placing agent for revising the placing price of HK\$0.73 per placing share pursuant to the placing agreement dated 21 January 2011 to HK\$0.74 per placing share;
- (xv) the placing agreement dated 21 January 2011 entered into between the Company and Roofers as the placing agent with regard to the placement of 15,400,000 shares of the Company at the placing price of HK\$0.73 per placing share;
- (xvi) the placing agreement dated 30 November 2010 entered into between the Company and Roofers as the placing agent with regard to the placement of 321,000,000 shares of the Company at the placing price of HK\$0.105 per placing share;

- (xvii) the sale and purchase agreement dated 29 October 2010 entered into between the Company as vendor and Global Axis Limited as purchaser in respect of the disposal with a total consideration of HK\$5 million of the entire share capital of Ankan Holdings Limited, Georich Trading Limited and SMI Global Corporation, which are direct wholly-owned subsidiaries of the Company. Ankan Holdings Limited is an investment holding company, subsidiaries of which are: (1) SMI Management & Co., Pte. Limited; (2) Manuply Wood Industries (S) Sdn Bhd; (3) Glowing Schemes Sendirian Berhad; (4) Daunting Services Limited; (5) Sevier Pacific Limited; and (6) Pacific Plywood Limited; and an associated company, Segereka Sendirian Berhad;
- (xviii) the facility letter granted to Head & Shoulders dated 27 October 2010 pursuant to which the Company agreed to provide a facility of HK\$12,000,000 to Head & Shoulders; and
- (xix) the sale and purchase agreement dated 24 September 2010 between Best Harvest as purchaser (a wholly-owned subsidiary of the Company) and Favor Way as vendor in respect of the acquisition of 51% interest in Head & Shoulders at a total consideration of HK\$52,000,000.

## 7. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company, any member of the Group or associated companies of the Company which:

1. (including continuous and fixed term contracts) have been entered into or amended within six months before the date of the Announcement;
2. are continuous contracts with a notice period of 12 months or more;
3. are fixed term contracts with more than 12 months to run irrespective of the notice period; or
4. are not determinable by any member of the Group within one year without payment of compensation (other than statutory compensation).

## 8. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualification</b>
Kingston Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity 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 prospectus 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 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## **9. LITIGATION**

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

## **10. DIRECTORS' COMPETING INTERESTS**

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and the proposed Directors and their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group.

## **11. DIRECTORS' INTERESTS IN CONTRACTS**

Save for the Underwriting Agreement, there is no contract or arrangement entered into by any member of the Group, subsisting as at the date of this prospectus, in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

## **12. DIRECTORS' INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors and the proposed Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2011, being the latest published audited consolidated financial statements of the Group 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.

## **13. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any Business Day from the date of this prospectus up to and including 8 October 2012 (i) at the head office and principal place of business of the Company in Hong Kong at Units 3301–3303, 33/F, West Tower Shun Tak Centre, 168–200



Connaught Road Central, Sheung Wan, Hong Kong; (ii) on the website of the Securities and Futures Commission of Hong Kong at [www.sfc.hk](http://www.sfc.hk); and (iii) on the website of the Company at <http://www.irasia.com/listco/hk/pphl>:

- (i) the Bye-laws;
- (ii) the bye-laws of Allied Summit;
- (iii) the letter referred to in the section headed “Letter from the Board” in this prospectus;
- (iv) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group in Appendix II in this prospectus;
- (v) the annual reports of the Company each of the two financial years ended 31 December 2010 and 2011;
- (vi) the interim report of the Company for the six months ended 30 June 2012;
- (vii) the material contracts referred to under the paragraph headed “Material contracts” in this appendix;
- (viii) the written consent referred to under the paragraph headed “Experts and consents” in this appendix;
- (ix) a copy of each circular of the Company pursuant to the requirements set out in Chapter 14 and Chapter 14A of the Listing Rules which has been issued since the date to which the latest published audited consolidated financial statements of the Group were made up;
- (x) the Circular; and
- (xi) this Prospectus.

#### **14. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE (WITH THE BONUS ISSUE)**

<b>Registered office</b>	Canon’s Court, 22 Victoria Street, Hamilton, HM 12 Bermuda
<b>Head office and principal place of business in Hong Kong</b>	Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong

<b>Authorised representatives in Hong Kong</b>	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
<b>Company secretary</b>	Ms. Tam Hang Yin
<b>Underwriters of the Rights Issue (with the Bonus Issue)</b>	<i>Allied Summit</i> OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands  <i>Kingston Securities</i> Suite 2801, 28th Floor One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
<b>Financial adviser to the Company in respect of the Rights Issue (with the Bonus Issue)</b>	<i>Kingston Corporate Finance Limited</i> Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
<b>Legal advisers to the Company in respect of the Rights Issue (with the Bonus Issue)</b>	As to Bermuda law: <i>Conyers Dill &amp; Pearman</i> 2901 One Exchange Square 8 Connaught Place, Central Hong Kong  As to Hong Kong law: <i>Angela Ho &amp; Associates</i> 1109, Tower 1, Lippo Centre 89 Queensway, Hong Kong

<b>Auditors</b>	<i>SHINEWING (HK) CPA Limited</i> Chartered Accountants Certified Public Accountants 43/F., The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong
<b>Reporting accountants</b>	<i>ZHONGLEI (HK) CPA Company Limited</i> Suites 313–317, 3/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong
<b>Principal share registrar and transfer agent in Bermuda</b>	<i>RBC Dexia Corporate Services Hong Kong Limited</i> 51/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
<b>Branch share registrar and transfer office in Hong Kong</b>	<i>Computershare Hong Kong Investor Services Limited</i> Shops 1712–1716 17/F., Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong
<b>Principal banker</b>	<i>DBS Bank (Hong Kong) Limited</i> G/F, The Center, 99 Queen’s Road Central, Central, Hong Kong
<b>Stock code</b>	00767
<b>Website</b>	<a href="http://www.irasia.com/listco/hk/pphl">http://www.irasia.com/listco/hk/pphl</a>

## 15. EXPENSES

The expenses in connection with the Rights Issue (with the Bonus Issue), including financial advisory fees, underwriting commission (based on the scenario that 390,653,664 Rights Shares are underwritten), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$7.06 million, which are payable by the Company.

## 16. PARTICULARS OF DIRECTORS

## (a) Name and address of Directors

Name	Address
<i>Executive Directors</i>	
Mr. Ng Kwok Fai	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
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>Non-executive Director</i>	
Mr. Chan Kin Sang	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
<i>Independent non-executive Directors</i>	
Mr. Cheng Po Yuen	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong

Name	Address
Mr. Wong Chun Hung	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong
Mr. Li Sui Yang	Units 3301–3303, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong

**(b) Profiles of Directors***Executive Directors*

Mr. Ng Kwok Fai, chairman, aged 40, joined the Group since 24 November 2011. He is also the director of two subsidiaries of the Company. He has extensive experience in the financial markets of Hong Kong and the PRC and is mainly responsible for providing advice to a wide spectrum of clients, including private and institutional investors, Hong Kong listed companies and the PRC enterprises, in a comprehensive approach. He has originated and handled numerous corporate transactions throughout the Asia-Pacific region. Such includes securities dealing, investment portfolio management and accounting and financial advisory. His insight and acumen in these areas, along with his substantial experience in international business development, has aptly assisted the management of his clients in the oversight of their companies' businesses. He also has in-depth knowledge in due diligence review and internal control advisory which provides him with the expertise in corporate governance. He is a member of the American Institute of Certified Public Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Chartered Secretaries, and a member of the Institute of Chartered Secretaries and Administrators. He also acts as an independent non-executive director of China Information Technology Development Limited which is a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Huang Chuan Fu, deputy chairman, aged 38, 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 42, 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.

Ms. Jia Hui, aged 44, 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 45, 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.

*Non-executive Director*

Mr. Chan Kin Sang, aged 61, is currently the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitor and Notaries. He was appointed as an independent non-executive director of the Company on 22 April 2010 and was re-designated as an non-executive Director on 16 December 2011. He has been a practicing solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Law degree in 1979. He was admitted as a Notary Public in 1997 and as a China-appointed Attesting Officer in 2000. He is currently a Fellow of the Hong Kong Institute of Directors. Mr. Chan currently acts as an independent non-executive director of two listed companies in the Singapore, namely People's Food Holdings Limited and Luxking Group Holdings Limited. Mr. Chan also acts as independent non-executive director of two Hong Kong listed companies, namely China Precious Metal Resources Holdings Co., Limited and International Taifeng Holdings Limited. Mr. Chan is also a non-executive director of Pan Hong Property Group Limited which is listed in Singapore, United Pacific Industries Limited and Combest Holdings Limited which are listed in Hong Kong. He is also an alternate director of Zhongda International Holdings Limited which is listed in Hong Kong.

*Independent Non-executive Directors*

Mr. Wong Chun Hung, aged 39, 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. He was also the independent non-executive director of two listed companies in Hong Kong, namely Bao Yuan Holdings Limited and Tech Pro Technology Development Limited, until 30 June 2011 and 7 January 2011, respectively.

Mr. Cheng Po Yuen, aged 36, holds a Bachelor of Business Administration degree, majoring in accounting. He joined the Group since 24 November 2010. He is a practicing accountant in Hong Kong and is a member of The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England and Wales, The Institute

of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries and The Taxation Institute of Hong Kong. He has over 10 years of experience in auditing, accounting and finance.

Mr. Li Sui Yang, aged 54, holds a master degree in economic administration from North-West China University. He joined the Group since 16 December 2011. Prior to that, he was a lecturer at Xi'an Statistics College. He also has vast experience in the retail, real estate and electronics industry in the PRC. He is currently the Chairman of Jian ePayment Systems Limited.

#### **17. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES**

A copy of this prospectus, together with copies of the PAL and the EAF and the written consent referred to in the paragraphs headed "Experts and Consents" in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 342C of Companies Ordinance and has been, or will be filed with the Registrar of Companies in Bermuda, prior to or as soon as reasonably practicable after publication of the Prospectus Documents as required by the Companies Act.

#### **18. LEGAL EFFECT**

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all person concerned bound by the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance.

#### **19. 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 prospectus shall prevail over the Chinese text in the event of inconsistency.