THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

PPHL

PACIFIC PLYWOOD HOLDINGS LIMITED
太 平 洋 實 業 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 767)

(I) PROPOSED SHARE CONSOLIDATION (II) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE AT HK$0.56 PER RIGHTS SHARE WITH BONUS ISSUE ON THE BASIS OF FIVE BONUS SHARES FOR EVERY ONE RIGHTS SHARE TAKEN UP UNDER THE RIGHTS ISSUE (III) APPLICATION FOR WHITEWASH WAIVER (IV) PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY AND (V) NOTICE OF SPECIAL GENERAL MEETING

Underwriters to the Rights Issue

KINGSTON SECURITIES LTD.

ALLIED SUMMIT INC.

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

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

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

A letter from the Board is set out on pages 11 to 55 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 56 to 57 of this circular. A letter from Bridge Partners, the Independent Financial Adviser, containing its advice in respect of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders is set out on pages 58 to 83 of this circular.

A notice convening the SGM to be held at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 7 September 2012 at 9:30 a.m. is set out on pages 186 to 190 of this circular. A proxy form for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

Shareholders and potential investors of the Company should note that the Rights Issue (with the Bonus Issue) is conditional, *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 27 to 28 of this circular. In particular, the Rights Issue (with the Bonus Issue) is conditional upon, among other things, (i) the Whitewash Waiver having been granted by the Executive; and (ii) the approval of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. 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 9 to 10 of this circular. Accordingly, the Rights Issue (with the Bonus Issue) may or may not proceed.

The Consolidated Shares will be 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.

* *For identification purposes only*

14 August 2012

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

Events	**2012 (Hong Kong time)**
Latest time for lodging transfer of Shares in order to qualify for attendance and voting at the SGM	4:30 p.m. on Monday, 3 September
Register of members closes (both days inclusive)	Tuesday, 4 September to Friday, 7 September
Record date for attendance and voting at the SGM	Tuesday, 4 September
Latest time for return of form of proxy for the SGM (not less than 48 hours before the SGM)	9:30 a.m. on Wednesday, 5 September
Expected date of the SGM	9:30 a.m. on Friday, 7 September
Announcement of results of the SGM	Friday, 7 September
Effective date of the Share Consolidation	Monday, 10 September
Commencement of dealings in Consolidated Shares	9:00 a.m. on Monday, 10 September
First day for free exchange of existing share certificates for Shares into new share certificates for Consolidated Shares	Monday, 10 September
Original counter for trading in existing Shares in the board lots size of 40,000 temporarily closes	9:00 a.m. on Monday, 10 September
Temporary counter for trading in Consolidated Shares in the board lots size of 5,000 (in the form of existing share certificates) opens	9:00 a.m. on Monday, 10 September
Last day of dealings in the Consolidated Shares on a cum-rights basis	Monday, 10 September
First day of dealings in the Consolidated Shares on an ex-rights basis	Tuesday, 11 September
Latest time for lodging transfer of the Consolidated Shares in order to be qualified for the Rights Issue (with the Bonus Issue)	4:30 p.m. on Wednesday, 12 September
Register of members closes (both days inclusive)	Thursday, 13 September to Wednesday, 19 September

Events	2012 (Hong Kong time)
Record Date	Wednesday, 19 September
Register of members re-opens	Thursday, 20 September
Prospectus Documents expected to be despatched	Thursday, 20 September
First day of dealings in nil-paid Rights Shares	Monday, 24 September
Original counter for trading in Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Shares	4:00 p.m. on Tuesday, 16 October
Temporary counter for trading in board lots of 5,000 Consolidated Shares (in the form of existing share certificates) closes	4:00 p.m. on Tuesday, 16 October

Events	**2012 (Hong Kong time)**
Parallel trading in the Consolidated 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 Consolidated Shares	Thursday, 18 October

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

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

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

1. a tropical cyclone warning signal number 8 or above; or

2. a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the 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.

In this circular, 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 49,517,009 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$0.05 and the minimum subscription price of HK$0.025 (subject to adjustment) (or 6,189,626 Consolidated Shares upon the Share Consolidation becoming effective)
"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 180,000,000 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 *inter alia*, 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 proposed 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 Consolidated Shares to be allotted and issued pursuant to the Bonus Issue
"Bridge Partners" or "Independent Financial Adviser"	Bridge Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver

"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
"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
"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
"Consolidated Share(s)"	share(s) of HK$0.08 each in the issued share capital of the Company upon the Share Consolidation becoming effective
"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
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising Mr. Chan Kin Sang, a non-executive Director, and Mr. Cheng Po Yuen, Mr. Wong Chun Hung, and Mr. Li Sui Yang, all independent non-executive Directors, was formed on 19 July 2012 to make recommendations to the Independent Shareholders in relation to the fairness and reasonableness of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver
"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 273,930,107 new Shares (equivalent to 34,241,263 Consolidated Shares upon the Share Consolidation becoming effective), representing 20% of the issued share capital of the Company as at the date of the AGM
"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"	10 August 2012, being the latest practicable date prior to the printing of this circular 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
"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 49,517,009 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$0.05 and the minimum subscription price of HK$0.025 (subject to adjustment) (or 6,189,626 Consolidated Shares upon the Share Consolidation becoming effective)
"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
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
"PAL(s)"	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue (with the Bonus Issue)
"PNG"	the Independent State of Papua New Guinea
"Posting Date"	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 (as the case may be) to the Non-Qualifying Shareholders
"PRC"	the People's Republic of China, but for the purpose of this circular, 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 proposed issue of the Rights Shares by way of rights issue to the Qualifying Shareholders for subscription at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
"Rights Shares"	Consolidated Shares to be issued and allotted under the Rights Issue, being not less than 342,412,634 new Consolidated Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 435,653,664 new Consolidated Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver, the Bye-laws Amendments and transactions respectively contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company and the Consolidated Share(s) (where applicable)
"Share Consolidation"	the proposed consolidation of every eight (8) Shares into one (1) Consolidated Share
"Shareholder(s)"	the holder(s) of issued Share(s) and/or Consolidated Share(s) (as the case may be)

"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 circular
"Underwriters"	Allied Summit and Kingston Securities
"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*

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

(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 this circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue (with the Bonus Issue); or

(viii) any moratorium, suspension or material restriction on trading of the Shares/ Consolidated 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

14 August 2012

To the Shareholders

Dear Sir or Madam,

(I) PROPOSED SHARE CONSOLIDATION (II) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE AT HK$0.56 PER RIGHTS SHARE WITH BONUS ISSUE ON THE BASIS OF FIVE BONUS SHARES FOR EVERY ONE RIGHTS SHARE TAKEN UP UNDER THE RIGHTS ISSUE (III) APPLICATION FOR WHITEWASH WAIVER (IV) PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY AND (V) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement and the Supplemental Announcement in relation to, among other things, 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.

* *For identification purposes only*

As disclosed in the Supplemental Announcement, the Company proposed to implement the Share Consolidation on the basis that every eight (8) issued and unissued Shares of HK$0.01 each will be consolidated into one (1) issued and unissued Consolidated Share of HK$0.08 each.

The Company also 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 every one (1) Consolidated Share held on the Record Date. Subject to the satisfaction (or waiver as the case maybe) of the conditions of the Rights Issue, the Bonus Shares will be issued to the first registered holders of the Rights Shares on the basis of five (5) Bonus Shares for every one (1) Rights Share taken up under the Rights Issue. On the basis of not less than 342,412,634 Rights Shares and not more than 435,653,664 Rights Shares to be issued under the Rights Issue, not less than 1,712,063,170 Bonus Shares and not more than 2,178,268,320 Bonus Shares will be issued.

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 180,000,000 Shares, representing approximately 13.14% of the existing total issued share capital of the Company; whereas Kingston Securities was interested in 581,737 Shares, representing approximately 0.04% of the existing 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) (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and all Qualifying Shareholders (other than Allied Summit pursuant to the Undertaking) do not accept their respective provisional allotment of the Rights Shares nor apply for any excess Rights Shares), the shareholding of Allied Summit, together with its

Concert Group, in the Company would increase to a maximum of approximately 80.65% 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 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. Further details of the Whitewash Waiver are set out in the paragraph headed "Whitewash Waiver" in this letter.

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 Consolidated 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).

Pursuant to the Underwriting Agreement, the underwriting commission payable by the Company to Allied Summit, being one of the Underwriters thereof and a substantial Shareholder (as defined in the Listing Rules), is approximately HK$3.23 million and the applicable percentage ratios as defined in the Listing Rules are less than 25% and the amount is less than HK$10,000,000. Such payment of underwriting commission to Allied Summit is therefore subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver and to recommend whether or not the Independent Shareholders should vote on the resolutions to be proposed at the SGM to approve the Rights Issue (with the Bonus Issue) and the Whitewash Waiver pursuant to Rule 2.8 of the Takeovers Code. Bridge Partners has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the matters aforesaid.

The purpose of this circular is to provide you with, amongst others, (i) further information regarding the details about the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver and the proposed Bye-laws Amendments; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue (with the Bonus Issue) and the Whitewash Waiver; and (iv) a notice convening the SGM.

(I) PROPOSED SHARE CONSOLIDATION

Share Consolidation

The Company proposed in the Announcement to implement the share consolidation on the basis that every two (2) issued and unissued Shares of HK$0.01 each be consolidated into one (1) issued and unissued consolidated share of HK$0.02 each (the "**Existing Consolidation Basis**").

In view of the recent decrease in the market price of the Shares traded on the Stock Exchange, the Directors expect that after the proposed rights issue (with the bonus issue) is completed under the Existing Consolidation Basis, the market price of the Shares may become less than HK$0.1, being an extremity as referred to under Rule 13.64 of the Listing Rules. In order to continually comply with Rule 13.64 of the Listing Rules, the Board proposes to revise the basis of the Share Consolidation from the Existing Consolidation Basis to every eight (8) issued and unissued Shares of HK$0.01 being consolidated into one (1) issued and unissued Consolidated Share of HK$0.08 each (the "**New Consolidation Basis**") as disclosed in the Supplemental Announcement.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorized share capital of the Company is HK$400,000,000 divided into 40,000,000,000 Shares of HK$0.01 each, of which 1,369,650,537 Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective, on the basis that the Company does not allot and issue any further Shares prior thereto, the authorized share capital of the Company shall remain at HK$400,000,000 but divided into 5,000,000,000 Consolidated Shares of HK$0.08 each, of which 171,206,317 Consolidated Shares will be in issue.

Other than the expenses, including professional fees and printing charges, to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

Listing application

An application will be made to the Stock Exchange for granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation and the Consolidated Shares which may fall to be issued upon exercise of the subscription rights attaching to the Agent Option and Longjiang Option, and upon utilization of partly or fully of the Issue Mandate. All necessary arrangements will be made for the Consolidated Shares to be admitted into the CCASS established and operated by HKSCC.

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. The Consolidated Shares will be identical and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Share Consolidation

The Share Consolidation is conditional on:

(i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the SGM; and

(ii) the Stock Exchange granting the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the fulfillment of the above conditions, the Share Consolidation will become effective on the Business Day following the date of the SGM. To the best information, knowledge and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has an interest in the Share Consolidation that is materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Share Consolidation.

Reasons for the Share Consolidation and impact on the Company and the Shareholders

Implementation of the Share Consolidation will not, of itself, alter the underlying assets, liabilities, business, operations, management, financial position or the share capital of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Share Consolidation will not have any adverse effect on the financial position of the Company and the Board believes that on the effective date of the Share Consolidation, there will be no reasonable grounds for believing that the Company is, or after the Share Consolidation would be, unable to pay its liabilities as they become due. No capital of the Company will be lost as a result of the Share Consolidation and, except for the expenses involved in relation to the Share Consolidation, which are expected to be insignificant to the net asset value of the Company, the net asset value of the Company will remain unchanged immediately before and after the Share Consolidation becoming effective. The Share Consolidation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

The Board is of the opinion that the Share Consolidation would give the Company greater flexibility in pricing and future issue of the shares of the Company, including but not limited to the Consolidated Shares to be issued under the Rights Issue (with the Bonus Issue). In view of the foregoing, the Board considers that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Arrangement for odd lot trading

In order to alleviate the difficulties in the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed One China Securities Limited as the agent to provide matching service to those Shareholders who wish to top-up or sell their shareholdings of odd lots of the Consolidated Shares on a best effort basis during the period from 24 September 2012 to 16 October 2012 (both days inclusive).

Holders of the Consolidated Shares in odd lots who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or to top-up their odd lots to a full new board lot may directly or through their broker contact Mr. Marco Ko of One China Securities Limited at 2/F Cheong K. Building, 84–86 Des Voeux Road Central, Hong Kong (Telephone number: (852) 3106 3522) during the aforesaid period. Holders of the Consolidated Shares in odd lots should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

The Agent Option and the Longjiang Option

As at the Latest Practicable Date, the Agent Option and the Longjiang Option were outstanding and pursuant to relevant subscription agreements, the respective holder(s) of each of the Agent Option and the Longjiang Option has the option to subscribe for up to 49,517,009 Shares. Upon the Share Consolidation becoming effective, the number of Consolidated Shares to be issued upon full exercise by the respective holder(s) of each of the Agent Option and the Longjiang Option shall be adjusted to 6,189,626 Consolidated Shares in accordance with the relevant subscription agreements, such adjustments shall be certified by the Company's auditors or a financial adviser to be appointed by the Company.

Both the Agent Option and the Longjiang Option are exercisable at the subscription price equivalent to the average closing price of the Shares or Consolidated Shares (as the case may be) for the five (5) consecutive trading days immediately prior to the respective date of exercise of the Agent Option and the Longjiang Option on which a notice is given therefor, subject to the maximum subscription price of HK$0.50 (equivalent to HK$4.00 per Consolidated Share after the Share Consolidation becoming effective) and the minimum subscription price of HK$0.25 per Share (equivalent to HK$2.00 per Consolidated Share after the Share Consolidation becoming effective). The Agent Option and the Longjiang Option may be exercised by its holder(s) in whole or in part at any time and from time to time within 12 months after the issue or grant of the Clearance

Authority, but in any event not later than 31 December 2015. Details of the Agent Option and the Longjiang Option have been set out in the circular of the Company dated 29 February 2012.

As a result of the Rights Issue (with the Bonus Issue), the subscription price of both of the Agent Option and the Longjiang Option may be adjusted in accordance with the respective terms and conditions of the relevant subscription agreements and the Listing Rules or guidelines issued by the Stock Exchange from time to time. The Company will instruct its auditors or a financial adviser to certify the adjustments, if any, to the Agent Option and the Longjiang Option and will inform the holder(s) of such options of such adjustments, if any. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may submit share certificates for existing Shares to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, between Monday, 10 September 2012 and Thursday, 18 October 2012 (both days inclusive) during the business hours, to exchange, at the expense of the Company, for certificates of the Consolidated Shares. It is expected that the new certificates for the Consolidated Shares will be available for collection within 10 Business Days after the submission of the existing share certificates to the Registrar for exchange. Thereafter, the existing share certificates for the Shares will cease to be valid for delivery, trading and settlement purpose but will remain effective as documents of legal title and will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be specified by Stock Exchange) per existing share certificate cancelled or new share certificate issued (whichever is the higher) by the Shareholders. The existing share certificates are in orange colour and the new share certificates will be in pink colour.

Warning

Shareholders and potential investors should be aware of and take note that the Share Consolidation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed "Conditions of the Share Consolidation" in the section headed "Proposed Share Consolidation" of this letter. Therefore, the Share Consolidation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

(II) PROPOSED RIGHT ISSUE (WITH THE BONUS ISSUE)

To be in alignment with the New Consolidation Basis, the Company has entered into the Supplemental Underwriting Agreement with the Underwriters on 10 August 2012 to modify the terms of the Underwriting Agreement; in particular, numeric figures such as the Subscription Price, the Rights Shares, the Bonus Shares, and the Underwritten Shares are adjusted by the corresponding ratios to take into account of the effect of the New Consolidation Basis. Other than for the aforesaid purpose, none of the terms or conditions of Underwriting Agreement is altered by the Supplemental Underwriting Agreement.

Issue Statistics (as supplemented by the Supplemental Underwriting Agreement)

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Consolidated 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 (after the Share Consolidation becoming effective)
Number of Shares in issue as at the Latest Practicable Date	:	1,369,650,537 Shares
Number of Consolidated Shares upon the Share Consolidation becoming effective (based on the number of Shares in issue as at the Latest Practicable Date)	:	171,206,317 Consolidated Shares
Number of Shares in issue (assuming no new Share/ Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/ Consolidated Share being repurchased by the Company on or before the Record Date)	:	1,742,614,662 Shares

Number of Consolidated Shares upon the Share Consolidation becoming effective (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)	:	217,826,832 Consolidated Shares
Number of Rights Shares	:	not less than 342,412,634 Rights Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 435,653,664 Rights Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)
Number of Bonus Shares	:	not less than 1,712,063,170 Bonus Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 2,178,268,320 Bonus Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)

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 273,930,107 new Shares (equivalent to 34,241,263 Consolidated Shares upon the Share Consolidation becoming effective), representing 20% of the issued share capital of the Company as at the date of the AGM. 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/ Consolidated 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.

Upon full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate, a maximum number of 372,964,125 new Shares (equivalent to 46,620,515 Consolidated Shares upon the Share Consolidation becoming effective) shall be issued on or before the Record Date.

Based on the above and subject to the satisfaction or waiver (as the case may be) of the conditions of the Rights Issue (with the Bonus Issue), not less than 342,412,634 Rights Shares and not more than 435,653,664 Rights Shares will be issued. On such basis, not less than 1,712,063,170 Bonus Shares and not more than 2,178,268,320 Bonus Shares will be issued.

Assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date, the total number of 2,054,475,804 new Consolidated Shares based on 342,412,634 Rights Shares and 1,712,063,170 Bonus Shares represents:

(i) approximately 150% 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.

Assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date, the total number of 2,613,921,984 new Consolidated Shares based on 435,653,664 Rights Shares and 2,178,268,320 Bonus Shares represents:

(i) approximately 190.85% 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 Consolidated 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 Consolidated Shares. The Effective Subscription Price represents:

(i) a discount of approximately 83.39% to the adjusted closing price of HK$0.56 per Consolidated Share, based on the closing price of HK$0.07 per 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 Consolidated Share, based on the closing price of HK$0.0698 per 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 Consolidated Share after the Rights Issue (with the Bonus Issue), based on the closing price of HK$0.56 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;

(iv) a discount of approximately 72.65% to the closing price of HK$0.34 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation; and

(v) a discount of approximately 17.41% to the theoretical ex-entitlement price of approximately HK$0.1126 per Consolidated Share, based on the closing price of HK$0.34 per Consolidated Share on the Latest Practicable Date and adjusted for the effect of the Share Consolidation.

The net subscription price per Rights Share (after deduction of expenses, including the commission to be paid to the Underwriters) will be not less than approximately HK$0.539 (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than approximately HK$0.544 (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date).

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.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Consolidated Shares must lodge any transfers of Consolidated Shares (together with the relevant share certificates) with the Registrar, being Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 12 September 2012.

Closure of Register of Member

The register of members of the Company will be closed from Thursday, 13 September 2012 to Wednesday, 19 September 2012 (both days inclusive). No transfer of Consolidated Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong 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.

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 4,040 Shares, representing approximately 0.00% of the issued share capital of the Company and such Shareholder will be regarded as a Non-Qualifying Shareholder.

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

Shareholders. The Company will retain individual amounts of HK$100 or less for the benefits of the Company. Any unsold entitlement of the Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares, will be made available for excess application on EAFs by the Qualifying Shareholders.

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

Basis of Provisional Allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) Consolidated Share held on Record Date, being not less than 342,412,634 Rights Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 435,653,664 Rights Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date). Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by no later than the Latest Time For Acceptance.

Fractions of Rights Shares (if any)

The Company will not provisionally allot fractions of the Rights Shares in nil-paid form. All fractions of the Rights Shares will be 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.

Application of Excess Rights Shares

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

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

1. preference will be given to applications for topping-up odd lots holdings to whole lot holdings; and

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

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

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

Investors whose Consolidated Shares are held by their nominee(s) (including HKSCC) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Wednesday, 12 September 2012.

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

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

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) and the Bonus Shares on the Stock Exchange, the Rights Shares (in both their nil-paid and fully-paid forms) and the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in each of their nil-paid and fully-paid forms, the Bonus Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 40,000), and the Bonus Shares which are registered in the 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.

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

   (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 with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus 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

(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.

Undertaking (in substitution of the First Undertaking)

As at the Latest Practicable Date, Allied Summit was interested in 180,000,000 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.

Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement)

Date	:	6 July 2012 (after trading hours) (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 Rights Shares	:	not less than 342,412,634 Rights Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 435,653,664 Rights Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)
Total number of Bonus Shares	:	not less than 1,712,063,170 Bonus Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 2,178,268,320 Bonus Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)

Total number of Underwritten Shares	:	not less than 297,412,634 Rights Shares (having taken into account the Undertaking and on the basis that no new Share/Consolidated Share being issued, and no Share/Consolidated Share being repurchased, on or before the Record Date) and not more than 390,653,664 Rights Shares (having taken into account the Undertaking and on the basis that no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date), which will be underwritten by the Underwriters in the following manner:

(i)	Allied Summit	:	in priority not less than 202,412,634 Underwritten Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 295,653,664 Underwritten Shares (assuming no new Share/Consolidated Share being issued other than full exercise of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date); 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 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 581,737 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 Consolidated 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

(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 this 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/ Consolidated 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.

Effect on the shareholding structure

The shareholding structures of the Company before and after completion of the Rights Issue (with the Bonus issue) are as follows:

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

	As at the Latest Practicable Date		Immediately after the Share Consolidation but before completion of the Rights Issue (with the Bonus Issue)		Immediately after completion of the Rights Issue (with the Bonus Issue) — All Rights Shares are subscribed by the Qualifying Shareholders		Immediately after completion of the Rights Issue (with the Bonus Issue) — 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 Consolidated Shares*	*Approximate %*	*Number of Consolidated Shares*	*Approximate %*	*Number of Consolidated Shares*	*Approximate %*
Substantial Shareholders								
Allied Summit *(Note 3)*	180,000,000	13.14	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
Sub-total by Allied Summit	*180,000,000*	*13.14*	*22,500,000*	*13.14*	*292,500,000*	*13.14*	*1,506,975,804*	*67.71*
Kingston Securities *(Notes 5 & 6)*	581,737	0.04	72,717	0.04	945,321	0.04	217,572,717	9.77
Sub-total by the Concert Group	*180,581,737*	*13.18*	*22,572,717*	*13.18*	*293,445,321*	*13.18*	*1,724,548,521*	*77.48*
To Yuk Fung *(Note 4)*	165,310,344	12.07	20,663,793	12.07	268,629,309	12.07	20,663,793	0.93
Public								
Sub-underwriter(s) *(Note 5)*	—	—	—	—	—	—	352,500,000	15.84
Other public Shareholders	1,023,758,456	74.75	127,969,807	74.75	1,663,607,491	74.75	127,969,807	5.75
Total	**1,369,650,537**	**100.00**	**171,206,317**	**100.00**	**2,225,682,121**	**100.00**	**2,225,682,121**	**100.00**

(ii) Assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date:

	As at the Latest Practicable Date		Immediately after the Share Consolidation and full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate but before completion of the Rights Issue (with the Bonus Issue)		Immediately after completion of the Rights Issue (with the Bonus Issue) — All Rights Shares are subscribed by the Qualifying Shareholders		Immediately after completion of the Rights Issue (with the Bonus Issue) — 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 Consolidated Shares*	*Approximate %*	*Number of Consolidated Shares*	*Approximate %*	*Number of Consolidated Shares*	*Approximate %*
Substantial Shareholders								
Allied Summit *(Note 3)*	180,000,000	13.14	22,500,000	10.33	292,500,000	10.33	292,500,000	10.33
Underwriting portion of Allied Summit	—	—	—	—	—	—	1,773,921,984	62.64
Sub-total by Allied Summit	*180,000,000*	*13.14*	*22,500,000*	*10.33*	*292,500,000*	*10.33*	*2,066,421,984*	*72.97*
Kingston Securities *(Notes 5 & 6)*	581,737	0.04	72,717	0.03	945,321	0.03	217,572,717	7.68
Sub-total by the Concert Group	*180,581,737*	*13.18*	*22,572,717*	*10.36*	*293,445,321*	*10.36*	*2,283,994,701*	*80.65*
To Yuk Fung *(Note 4)*	165,310,344	12.07	20,663,793	9.49	268,629,309	9.49	20,663,793	0.73
Public								
Sub-underwriter(s) *(Note 5)*	—	—	—	—	—	—	352,500,000	12.45
Other public Shareholders	1,023,758,456	74.75	174,590,322	80.15	2,269,674,186	80.15	174,590,322	6.17
Total	**1,369,650,537**	**100.00**	**217,826,832**	**100.00**	**2,831,748,816**	**100.00**	**2,831,748,816**	**100.00**

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. Ms. To Yuk Fung will be regarded as a public Shareholder under the scenario that none of the Rights Shares are subscribed by the Qualifying Shareholders (except for the Underwriters).

5. 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).

6. 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 OR CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

The last day of dealing in the Consolidated Shares on a cum-rights basis is Monday, 10 September 2012. The Consolidated Shares will be dealt in on an ex-rights basis commencing from Tuesday, 11 September 2012. 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 or Consolidated Shares (as the case may be) 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 or the Consolidated Shares (as the case may be) 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 Consolidated Shares (as the case may be) 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. For the year ended 31 December 2011, the total interest income of the Group amounted to approximately HK$52.96 million. Since money lending and provision of credits business constitutes the current major business segment of the Group and being 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:

	Borrower A	Borrower B	Borrower C	Borrower D	Borrower E
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 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 31 March
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
	HK$ billion	*HK$ billion*	*HK$ billion*	*HK$ billion*	*HK$ billion*	*HK$ billion*	*HK$ billion*	*HK$ billion*
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	19.8	18.7	18.9	21.8	19.7	21.8	20.7	20.8
All authorised institutions	**1,930.3**	**1,973.9**	**2,274.3**	**2,524.1**	**2,471.4**	**2,988.4**	**3,365.2**	**3,393.8**

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.

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.

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:

For personal borrower:	For corporate borrower:
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.

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.

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.

Loan portfolio as at 31 December 2011 and the Latest Practicable Date

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

	As at 31 December 2011 HK$'000 (Audited)	As at the Latest Practicable Date HK$'000 (Unaudited)
Total amount of loan receivables before impairment	382,704	204,314
Total amount of impairment made *(Note)*	(109,483)	(76,514)
Total carrying amount of loan receivables	273,221	127,800

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$127,800,000; 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 *Note 1*)	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 *Note 2*)	24% per annum
Loan D	HK$15 million	N/A	personal loan	(Please refer to *Note 3*)	48% per annum
Loan E	HK$16.55 million	N/A	personal loan	(Please refer to *Note 4*)	14.4% per annum
Loan F	HK$10 million	N/A	personal loan	28 November 2012	14.4% per annum

	Principal	Collateral(s)	Nature and Further Assurance	Maturity	Interest Rate
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 August 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) in or before mid August 2012.

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 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. It is noted that the shares of China Environmental have been suspended for trading and pending for the release of its financial results for the year ended 31 March 2012, the Directors have enquired the reasons for such suspension and as advised by China Environmental, other than the reason that additional time was required for finalizing its financial statements and for its auditors to perform and complete their audit procedures, which have been disclosed in the announcement of China Environmental dated 28 June 2012, they were not aware of any other reasons which led to such suspension as at the Latest Practicable Date.

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 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 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 not less than approximately HK$191.75 million and not more than HK$243.97 million before expenses. The estimated expenses in relation to the Rights Issue (with the Bonus Issue), including the financial, legal, and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue (with the Bonus Issue) will be not less than approximately HK$184.69 million and not more than approximately HK$236.91 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.

Under the scenario that the minimum net proceeds of HK$184.69 million is raised from the Rights Issue (with the Bonus Issue), the Board intends to apply such proceeds 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.

Under the scenario that the maximum net proceeds of HK$236.91 million is raised from the Rights Issue (with the Bonus Issue), the Board intends to apply such proceeds 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$128.97 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 37. 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 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 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 proposed Rights Issue (with the Bonus Issue) shall be conducted on the basis of two (2) Rights Shares for every one (1) Consolidated 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).

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

(III) APPLICATION FOR WHITEWASH WAIVER

Allied Summit is a company incorporated in the BVI with limited liability and a substantial Shareholder (as defined in the Listing Rules). As at the Latest Practicable Date, Allied Summit was interested in 180,000,000 Shares, representing approximately 13.14% of the existing total issued share capital of the Company.

By virtue of the margin loan facility granted by Kingston Securities to Allied Summit for financing Allied Summit's Underwriting obligations pursuant to the Underwriting Agreement, Kingston Securities is deemed to be a party acting in concert with Allied Summit (the "**Margin Loan Facility**") under the Takeovers Code. As at the Latest Practicable Date, Kingston held 581,737 Shares, representing approximately 0.04% of the issued share capital of the Company.

In the event that Allied Summit and Kingston Securities are called upon to subscribe or procure subscription for the Untaken Shares 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) (assuming no new Share/Consolidated Shares being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and all Qualifying Shareholders (other than Allied Summit pursuant to the Undertaking) do not accept their respective provisional allotment of the Rights Shares nor apply for any excess Rights Shares), the shareholding of Allied Summit, together with its Concert Group in the Company would increase from approximately 13.18% of the existing total issued share capital of the Company to a maximum of approximately 80.65% of the enlarged total issued share capital of the Company immediately upon completion of the Rights Issue (with the Bonus Issue). Under Rule 26 of the Takeovers Code, the acquisition of voting rights under such circumstances will trigger a mandatory general offer by Allied Summit, being one of the Underwriters, 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.

If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders, the Rights Issue (with the Bonus Issue) will not become unconditional and will not proceed.

Based on the shareholdings structure of the Company as at the Latest Practicable Date and assuming no change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Rights Issue (with the Bonus Issue) save for the issue of the Rights Shares, upon completion of the Rights Issue (with the Bonus Issue), Allied Summit may hold more than 50% of the total voting rights of the Company. In such circumstances, Allied Summit may thereafter increase its holding of Shares without incurring any further obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.

(IV) PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The issuance of the Bonus Shares pursuant to the Bonus Issue, if any, as fully paid up Shares, will require a capitalization of all or any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or funds or to the credit of the profits and loss account or otherwise available for distribution. The Bye-laws only permits, *inter alia*, capitalization of reserves of the Company to pay up in full unissued Shares to be allotted and distributed credited as fully paid up to and amongst members of the Company in the same proportion. As the Bonus Shares will only be issued to holders of the Rights Shares but not all members of the Company in general, it is proposed that the Bye-laws be amended to permit capitalization of reserves of the Company to pay up in full any unissued shares or securities of the Company to be issued to all or some of the members of the Company in the same proportion or in such other proportion as approved by the Shareholders.

In view of the above, it is proposed that the Bye-laws be amended by the deletion of the following original Bye-Law 140 (A):

"140. (A) The Company in general meeting may, upon the recommendation of the Board, resolve to capitalise any part of the Company's reserves (including any contributed surplus account and also including any share premium account or other undistributable reserve, but subject to the provisions of the law with regard to unrealised profits) or undivided profits not required for the payment or provision of the dividend on any shares with a preferential right to dividend, and accordingly that such part be sub-divided amongst the shareholders who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such shareholders respectively or paying up in full unissued shares or debentures or other securities of the

Company to be allotted and distributed credited as fully paid to and amongst such shareholders in the proportion aforesaid, or partly in one way and partly in the other provided that for the purpose of this Bye-Law, any amount standing to the credit of any share premium account may only be applied in the paying up of unissued shares to be issued to shareholders of the Company as fully paid and provided further that any sum standing to the credit of the share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.

which shall be replaced in its entirety by the following new Bye-Law 140 (A):

"140. (A) The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the shareholders or any class of shareholders who would be entitled thereto if it were distributed by way of dividend, and in the same proportions or such other proportions as approved by the Company by way of an ordinary resolution, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act."

A special resolution will be proposed to the Shareholders at the SGM to approve by way of poll the Bye-laws Amendments, details of which are set out in resolution numbered 4 in the notice of the SGM. The passing of the resolution numbered 4 in the notice of the SGM is one of the conditions for the Bonus Issue.

GENERAL

In accordance with Rule 7.19(6)(a) of the Listing Rules, the Rights Issue (with the Bonus Issue) is conditional on, among other things, the approval of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. In addition, pursuant to Rule 7.19(6)(a) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue (with the Bonus Issue).

As at the Latest Practicable Date, the Company does not have any controlling Shareholders and, none of the Directors (save for Mr. Ng) holds any Shares/Consolidated Shares or beneficial interest in the Shares/Consolidated Shares and shall be required to abstain from voting in favour of the resolution relating to the Rights Issue (with the Bonus Issue) at the SGM. As at the Latest Practicable Date, Mr. Ng is the sole director of Allied Summit and holds 20% of the equity interest in Allied Summit and Allied Summit, being an associate of Mr. Ng, in aggregated holds 180,000,000 Shares, representing approximately 13.14% of the issued share capital of the Company. As Allied Summit and Mr. Ng have a material interest in the Rights Issue (with the Bonus Issue) to the extent that they hold Shares/Consolidated Shares or beneficial interests in the Shares/Consolidated Shares at the SGM, Allied Summit and Mr. Ng together with their respective associates, will be required to abstain from voting at the SGM in favour of the resolution approving the Rights Issue (with the Bonus Issue). To the best information and knowledge of the Directors, as at the Practicable Date, no Shareholder intends to vote against the resolution approving the Rights Issue (with the Bonus Issue).

In accordance with the Takeovers Code, the Concert Group, the respective associates of Allied Summit, and all those parties who are involved or interested in the Underwriting Agreement and/or the Whitewash Waiver will abstain from voting on the proposed resolutions approving the Rights Issue (with the Bonus Issue) and the Whitewash Waiver at the SGM. Accordingly, the Concert Group, the respective associates of Allied Summit, and all those parties who are involved or interested in the Underwriting Agreement and/or the Whitewash Waiver are required to abstain from voting in favour of the proposed resolutions approving the Rights Issue (with the Bonus Issue) and the Whitewash Waiver at the SGM.

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

SGM

A notice for convening the SGM to be held at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 7 September 2012 at 9:30 a.m. or any adjournment is set out from pages 186 to 190 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 56 to 57 of this circular which contains its recommendation to the Independent Shareholders, and the letter from Bridge Partners set out on pages 58 to 83 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (with the Bonus Issue) and the Whitewash Waiver.

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

The Directors consider that the terms of the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver, and the Bye-laws Amendments are fair and reasonable and are in the interests of the Group and the Shareholders as a whole, therefore, the Directors recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the proposed resolutions approving the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver, and the Bye-laws Amendments at the SGM.

ADDITIONAL INFORMATION

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

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

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

PACIFIC PLYWOOD HOLDINGS LIMITED
太平洋實業控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 767)

14 August 2012

To the Independent Shareholders

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE AT HK$0.56 PER RIGHTS SHARE WITH BONUS ISSUE ON THE BASIS OF FIVE BONUS SHARES FOR EVERY ONE RIGHTS SHARE TAKEN UP UNDER THE RIGHTS ISSUE AND (II) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular dated 14 August 2012 (the "**Circular**") of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

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

* *For identification purpose only*

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

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

Yours faithfully,
Independent Board Committee

Mr. Cheng Po Yuen **Mr. Wong Chun Hung** **Mr. Li Sui Yang**
Independent non-executive Directors

Mr. Chan Kin Sang
Non-executive Director

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

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Unit 605, 6/F, Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

14 August 2012

To: The Independent Board Committee and the Independent Shareholders of Pacific Plywood Holdings Limited

Dear Sirs,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE AT HK$0.56 PER RIGHTS SHARE WITH BONUS ISSUE ON THE BASIS OF FIVE BONUS SHARES FOR EVERY ONE RIGHTS SHARE TAKEN UP UNDER THE RIGHTS ISSUE AND (II) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (with the Bonus Issue) and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 14 August 2012 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 10 July 2012, the Company announced, amongst others, the proposed Rights Issue to raise not less than approximately HK$191.75 million and not more than approximately HK$243.97 million, before expenses, by issuing the Rights Shares to the Qualifying Shareholders on the basis of two Rights Shares for every one Consolidated Share held on the Record Date. Subject to the satisfaction (or waiver as the case maybe) of the conditions of the Rights Issue, the Bonus Shares will be issued to the first registered holders of the Rights Shares on the basis of five Bonus Shares for every one Rights Share taken up under the Rights Issue.

To be in alignment with the New Consolidation Basis, the Company has entered into the Supplemental Underwriting Agreement with the Underwriters on 10 August 2012 to modify the terms of the Underwriting Agreement; in particular, numeric figures such as the Subscription Price, the Rights Shares, the Bonus Shares, and the Underwritten Shares are adjusted by the corresponding ratios to take into account of the effect of the New Consolidation Basis. 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 Shares, the Effective Subscription Price per Consolidated Share shall be HK$0.093, being the Subscription Price of HK$0.56 per Rights Share divided by six Consolidated Shares. Details of the Supplemental Underwriting Agreement and the terms of the proposed Rights Issue (with the Bonus Issue) are set out below.

The Rights Issue (with the Bonus Issue) is fully underwritten by Allied Summit, a substantial shareholder (as defined under the Listing Rules) of the Company and Kingston Securities. As at the Latest Practicable Date, Allied Summit was interested in 180,000,000 Shares, representing approximately 13.14% of the existing total issued share capital of the Company; whereas Kingston Securities was interested in 581,737 Shares, representing approximately 0.04% of the existing total issued share capital of the Company. As a result of the financing arrangements agreed between Kingston Securities and Allied Summit in connection with Allied Summit's underwriting obligations under the Underwriting Agreement, Kingston Securities and Allied Summit are deemed to be parties acting in concert and Kingston Securities is therefore a member of the Concert Group.

The shareholding of the Concert Group (i.e. Allied Summit and its beneficial owners, Kingston Securities and their respective associates and the parties acting in concert with any of them) in the Company immediately upon the completion of the Rights Issue (with the Bonus Issue) and assuming both 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 Kingston Securities has already sub-underwritten to its sub-underwriter(s), who are Independent Third Parties procured by Kingston Securities), would increase to a maximum of approximately 80.65% of the enlarged total issued share capital of the Company (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date). As such, the Company has decided to waive the restriction that Kingston Securities and its then parties acting in concert shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and the parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Rights Issue (with the Bonus Issue).

Under Rule 26 of the Takeovers Code, the acquisition of voting rights by Allied Summit triggers a mandatory general offer by Allied 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.

An Independent Board Committee comprising Mr. Chan Kin Sang, a non-executive Director and Mr. Cheng Po Yuen, Mr. Wong Chun Hung and Mr. Li Sui Yang (independent non-executive Directors), has been established to advise the Independent Shareholders on (i) whether the terms of the Rights Issue (with the Bonus Issue and including the Underwriting Agreement) and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue (with the Bonus Issue and including the Underwriting Agreement) and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolutions to approve the Rights Issue (with the Bonus Issue), the Underwriting Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder at the SGM. We, Bridge Partners, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

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

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular (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 the Circular (other than the information relating to Allied Summit) misleading or the Circular misleading.

The Circular 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 the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriters or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue (with the Bonus Issue) as well as the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

I. THE RIGHTS ISSUE (WITH THE BONUS ISSUE)

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

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

Business overview of the Group

As stated in the 2011 Annual Report, since 2010, the Group has conducted a series of business restructuring (the "**Business Restructuring**") including: (i) the acquisition of 51% share interest of Delta Wealth Finance Limited ("**Delta Wealth**") as announced by the Company on 24 September 2010 to commence the money lending and provision of credits business; (ii) the disposal of loss-making plywood business as announced by the Company on 29 October 2010; (iii) the establishment of Joy Wealth Finance Limited ("**Joy Wealth**"), being a wholly-owned subsidiary of the Company, to expand the Company's money lending and provision of credits business by utilising the business experience and network of Delta Wealth; (iv) the establishment of Pacific Vision Advisory Services Limited ("**Pacific Vision**"), being a wholly-owned subsidiary of the Company, to expand the Company's business to provision of corporate secretarial and consultancy services as announced by the Company on 7 October 2011; and (v) the acquisition of 30% share interest of Profit Grand Enterprises Limited ("**Profit Grand**") as announced by the Company on 2 December 2011 in relation to the acquisition of a forest in the Vabari Timber Authority Area in PNG with the size of approximately 65,800 hectares.

The Group is principally engaged in four major business segments after the Business Restructuring, being money lending and provision of credits business, securities investments business, provision of corporate secretarial and consultancy services business and forestry business.

Set out below are the audited financial information of the Group for the two years ended 31 December 2011 as extracted from the Company's annual report for the year ended 31 December 2011 (the "**2011 Annual Report**"):

	For the year ended 31 December 2011	**For the year ended 31 December 2010**	**% change from 2010 to 2011**
	HK$'000	*HK$'000*	
		(restated)	
	(audited)	(audited)	
Turnover	53,369	4,385	1,117.08
– Interest income from loan receivables	52,958	4,369	1,112.13
– Consultancy income	411	—	N/A
– Handling charges and administration fee income	—	16	N/A
(Loss)/Profit for the year	(144,959)	76,295	N/A

	As at 31 December 2011	**As at 31 December 2010**	**% change from 2010 to 2011**
	HK$'000	*HK$'000*	
		(restated)	
	(audited)	(audited)	
Bank balances and cash	78,781	63,137	24.78
Net assets	410,111	91,535	348.04

We noted that there had been significant increase in the Group's turnover for the year ended 31 December 2011. Despite such significant increase in the Group's turnover, the Group recorded net loss of approximately HK$144.96 million for the year ended 31 December 2011. With reference to the 2011 Annual Report, the net loss was primarily due to (i) the impairment loss of approximately HK$54.99 million on the Group's available-for-sale financial assets due to substantial decline in market values of the shares for investment which the Group held; and (ii) the impairment loss of approximately HK$145.17 million recognised in respect of the loan receivables of the Group.

As for the asset position of the Group, the Group recorded substantial increase in net assets as at 31 December 2011 as compared to 31 December 2010. The Group had bank balances and cash of approximately HK$78.78 million as at 31 December 2011. As a result of business development which utilised the internal resources of the Group, the Group's bank balances and cash dropped to approximately HK$12 million as at 30 June 2012.

Money lending and provision of credits business

The Group disposed of Delta Wealth in 2011 and has been conducting its money lending and provision of credits business through Joy Wealth. As stated in the Letter from the Board, Joy Wealth had provided a wide variety of loans with an accumulated aggregate amount of approximately HK$600 million with interest rates ranging from 8% to 48% per annum and the terms ranged from 2 weeks to one year. The Group recorded a revenue of approximately HK$53.37 million for the year ended 31 December 2011, which was mainly attributable from the interest income from loan receivables of approximately HK$52.96 million.

At present, both unsecured and secured loans are mostly offered by authorized institutions and licensed money lenders in Hong Kong. The terms of these loans vary based on different factors, including but not limited to, types of the pledged assets, the loan amount and the prevailing market interest rates. As shown in the table below, save for the slight drop of the amount of loans and advances for use in Hong Kong in 2009 as a result of the global financial crisis, the amount of loans and advances increased steadily from approximately HK$2,274.3 billion in 2007 to approximately HK$3,365.2 billion in 2011.

	Amount of loans and advances					
	At 31 December					**At 31 March**
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
	HK$'billion	*HK$'billion*	*HK$'billion*	*HK$'billion*	*HK$'billion*	*HK$'billion*
Licensed banks	2,225.3	2,470.2	2,426.2	2,950.5	3,327.6	3,353.4
Restricted licensed banks	30.1	32.1	25.5	16.1	16.1	19.6
Deposit taking companies	18.9	21.8	19.7	21.8	20.7	20.8
All authorized institutions	2,274.3	2,524.1	2,471.4	2,988.4	3,365.2	3,393.8

Source: HKMA

In prospect of the appearance where the policy makers to the PRC will continue to conduct tough control on monetary policies to adjust the economic overheat and inflation, which will raise the hurdle for individuals and companies to borrow money from banks, the Board expects that there would be a persistently increasing demand on the money lending and provision of credits business of the Group. Since money lending and provision of credits business constitutes the current major business segment of the Group and being acquainted with this business segment, the Board wishes to allocate additional financial resources of the Group for developing this business segment continuously and providing loans to high net-worth customers to generate further revenue for the Group.

We noted that the Group recorded an impairment loss on the loan receivables of the Group of approximately HK$145.17 million ("**Impairment Loss**") for the year ended 31 December 2011 and there are a number of risk factors in the money lending and provision of credits business which may affect the financial performance of the Group. As advised by the Company, during the six months ended 30 June 2012, the Group partially recovered loan receivables attributable the Impairment Loss of approximately HK$32.97 million previously provided for impairments. Although the Group recorded the substantial Impairment Loss for the year ended 31 December 2011, we understood from the Directors that the Company will continue to maintain control over any outstanding loan receivables in order to minimise credit risk, including but not limited to, reviewing loan receivables regularly by management on individual or collective basis and perform internal control and credit assessment activities. To prevent substantial impairment of loan receivables in the future, the Directors also confirmed to us that the Company will perform tighter credit control on each potential loan customers and establish hair-cut ratios for marketable securities to increase the coverage of collaterals. The Company will also keep closer communication with loan customers on their cash flow situations and perform tighter assessment on the repayment ability of loan customers even before the due dates of loans.

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 mentioned in the Letter from the Board, the Directors shall also weigh and select among the loan proposals (include the 5 loan proposals as mentioned in the Letter from the Board) then available to the Group carefully. The Directors will assess and consider various factors, including but not limited to, the underlying credit risk, value of collaterals and expected revenue.

In view of the fact that (i) the Company will perform tighter credit control on each potential loan customers and establish hair-cut ratios for marketable securities to increase the coverage of collaterals in order to prevent substantial impairment of loan receivables in the future, (ii) the increasing demand for the amount of loans and advances for use in Hong Kong, and (iii) the Directors expect that there would be increasing demand on the money lending and provision of credits business of the Group as a result of tough control on monetary policies to adjust the economic overheat and inflation in the PRC, we concur with the Directors' view that the allocation of the net proceeds from the Rights Issue to the money lending and provision of credits business is in interest of the Company and the Shareholders as a whole.

Securities investments business

The Group has invested in Simsen International Corporation Limited (Stock code: 993) and Huili Resources (Group) Limited (Stock code: 1303). On 26 June 2012, the Company (as the subscriber) also entered into a subscription agreement with China Environmental Energy Investment Limited ("**CEE**") (Stock code: 986) to subscribe for its convertible notes in the principal amount of HK$95 million (the "**CEE CNs**"). The Directors consider that the subscription of the CEE CNs enables the Group to participate in the development of CEE and provides the Group with an opportunity to share the returns generated from the business of CEE and allow the Company to tap into the recycling industry, and to enjoy the potential upside of the share price performance of the shares of CEE through the possible conversion of part or whole of the CEE CNs. In the event that the conversion right attaching to the CEE CNs is not exercised by the Group, the Group will instead receive attractive interest income from the CEE CNs semi-annually.

Going forward, the Group will continue to identify any securities investment opportunity which has potential to generate profit.

Provision of corporate secretarial and consultancy services business

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

Forestry business

The Group completed the acquisition of 30% share interest of Profit Grand on 12 April 2012. It is the intention of the Company to further acquire for the remaining 70% share interest of Profit Grand through the exercise of an option (the "**Option**") at the option price of HK$700 million or 70% of the second valuation on the value of Profit Grand and its subsidiary. The Board expects to satisfy the said option price 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 among the Company and the vendors in the future. In order to shorten the payback period of the investment and to generate income for the Group, the Company intends to incur early stage capital expenditure in the sum of approximately US$7 million (equivalent to approximately HK$54.32 million) on plant and machinery which is necessary for commencement of logging as soon as possible after exercising the Option. Such early stage capital expenditure shall be financed by the Company by means of internal resources and any shortfall thereof by appropriate debt/equity financing.

Shareholders may refer to the section headed "Reasons for the Rights Issue (with the Bonus Issue), financial and trading prospect and proposed use of proceeds" of the Letter from the Board for further details regarding the principal businesses of the Group.

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

As referred to in the Letter from the Board, in view of the financing needs for the Group's future business development, 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. After comparison with the other fund raising methods available to the Group (for details, please refer to the forthcoming sub-section headed "Financing alternatives available to the Group"), the Board decided to conduct the Rights Issue (with the Bonus Issue).

With reference to the Letter from the Board, the estimated net proceeds of the Rights Issue (with the Bonus Issue) will be not less than approximately HK$184.69 million and not more than approximately HK$236.91 million. In the event that the minimum net proceeds of HK$184.69 million is raised from the Rights Issue (with the Bonus Issue), the Directors has confirmed that the Board intends to apply such proceeds 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. As stated in the Letter from the Board, if 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 the event that the maximum net proceeds of HK$236.91 million is raised from the Rights Issue (with the Bonus Issue), the Directors confirmed that the Board intends to apply such proceeds 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$128.97 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.

Following the Business Restructuring, we concur with the Directors that the Group has a ready need to consolidate its existing businesses and reallocate its resources to the promising businesses. Based on the estimated capital requirements of each business segment of the Group to fulfill its future development plan, we understand the fund raising need of the Group and are thus of the opinion that the reasons for the Rights Issue (with the Bonus Issue) are justifiable.

Financing alternatives available to the Group

As confirmed by the Directors, save for the fund raising activity as highlighted in the section headed "Fund raising activities of the Company in the past twelve months" of the Letter from the Board, the Group had not conducted any fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

As aforementioned, in view of the financing needs for the Group's future business development, the Board has from time to time considered and discussed with financial institutions regarding various fund raising methods available to the Group.

In respect of debt financing, the Board confirmed to us that they will not consider debt financing at this stage. As advised by the management of the Company, the Company would not proceed with the debt financing at this stage given that the Company is not willing to compromise with the higher interest rate on the borrowings offered by the previous finance facilities provider. Moreover, given that (i) the Group was still loss-making; (ii) the forestry business of the Group has not yet commenced production; (iii) the finance costs has been surging recently and (iv) additional borrowings would only narrow the profit margin of the Group, the Company considered it is unlikely to obtain further borrowings from banks.

With regard to equity financing, the Board also confirmed that they will not rule out the possibilities of utilising the Issue Mandate as and when such opportunity arise. As at the Latest Practicable Date, the Company had been approached by financial institutions for utilisation of the Issue Mandate, and the Board will look into the feasibility of placing of new Shares/Consolidated Shares in particular.

For the reason that rights issue and open offer are relatively larger in scale as compared to placing of new Shares under a general mandate and in the light of the fund raising need of the Group, the Directors have focused on evaluating the possibilities of carrying out fund raising through rights issue and open offer. The Board is of the view that the Rights Issue (with the Bonus Issue) is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholdings through their participation in the Rights Issue (with the Bonus Issue). The Rights Issue (with the Bonus Issue) allows the Qualifying Shareholders who participate to (a) increase their respective interests in the shareholding of the Company by (i) acquiring additional rights entitlement in the open market (subject to the availability); and/or (ii) applying through excess applications for the Rights Shares or (b) decrease their respective interests in the shareholding of the Company by disposing of their rights entitlement in the open market (subject to availability).

Upon our enquiry, the Directors further advised us that although both open offer and rights issue would allow all Shareholders to participate in the enlargement of the capital base of the Company and to maintain their proportionate shareholding interests in the Company, an open offer would not allow those Shareholders who would not want to participate in the fund raising of the Company to dispose of their offer shares entitlement in the market in nil-paid form. As a result, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to raise fund through the Rights Issue (with the Bonus Issue).

Having taken into consideration of the above, we concur with the Directors that the Rights Issue is an appropriate and feasible financing method currently available to the Company and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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

To be in alignment with the New Consolidation Basis, the Company has entered into the Supplemental Underwriting Agreement with the Underwriters on 10 August 2012 to modify the relevant terms of the Underwriting Agreement; in particular, numeric figures such as the Subscription Price, the Rights Shares, the Bonus Shares, and the Underwritten Shares are adjusted by the corresponding ratios to take into account of the effect of the New Consolidation Basis. Save as aforesaid, there is no material change to the terms or conditions of the Underwriting Agreement. The table below summarises the major terms of the Rights Issue (with the Bonus Issue):

Basis of the Rights Issue:	Two Rights Shares for every one Consolidated Share held on the Record Date
Basis of the Bonus Issue:	Five Bonus Shares for every one Rights Share taken up
The Subscription Price:	HK$0.56 per Rights Share with nominal value of HK$0.08 each (after the Share Consolidation becoming effective)
Number of Shares in issue as at the Latest Practicable Date:	1,369,650,537 Shares
Number of Consolidated Shares upon the Share Consolidation becoming effective (based on the number of Shares in issue as at the Latest Practicable Date):	171,206,317 Consolidated Shares

Number of Shares in issue (assuming no new Share/ Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilisation of the Issue Mandate and no Share/ Consolidated Share being repurchased by the Company on or before the Record Date):	1,742,614,662 Shares
Number of Consolidated Shares upon the Share Consolidation becoming effective (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilisation of the Issue Mandate and no Share/ Consolidated Share being repurchased by the Company on or before the Record Date):	217,826,832 Consolidated Shares
Number of Rights Shares:	Not less than 342,412,634 Rights Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 435,653,664 Rights Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilisation of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)

Number of Bonus Shares:	Not less than 1,712,063,170 Bonus Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 2,178,268,320 Bonus Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilisation of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)

The Subscription Price/Effective Subscription Price

The Subscription Price of HK$0.56 per Rights Share represents:

(i) the adjusted closing price of HK$0.56 per Consolidated Share, based on the closing price of HK$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;

(ii) a premium of approximately 0.29% over the adjusted average closing price of approximately HK$0.5584 per Consolidated Share, based on the average closing price of HK$0.0698 per 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 premium of approximately 333.44% over the theoretical ex-rights price of HK$0.1292 per Consolidated Share after the Rights Issue (with the Bonus Issue), based on the closing price of HK$0.56 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;

(iv) a premium of approximately 64.71% over the closing price of HK$0.34 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation; and

(v) a premium of approximately 397.34% over the theoretical ex-rights price of approximately HK$0.1126 per Consolidated Share, based on the closing price of HK$0.34 per Consolidated Share on the Latest Practicable Date and adjusted for the effect of the Share Consolidation.

Taking into account of the Bonus Issue, the effective subscription price of the Rights Issue (with the Bonus Issue) would be HK$0.093 per Consolidated Share (the "**Effective Subscription Price**") and it represents:

(i) a discount of approximately 83.39% to the adjusted closing price of HK$0.56 per Consolidated Share, based on the closing price of HK$0.07 per 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 Consolidated Share, based on the average closing price of HK$0.0698 per 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-rights price of HK$0.1292 per Consolidated Share after the Rights Issue (with the Bonus Issue), based on the closing price of HK$0.56 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation (the "**Theoretical Ex-rights Price**");

(iv) a discount of approximately 72.65% to the closing price of HK$0.34 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation; and

(v) a discount of approximately 17.41% to the theoretical ex-rights price of approximately HK$0.1126 per Consolidated Share, based on the closing price of HK$0.34 per Consolidated Share on the Latest Practicable Date and adjusted for the effect of the Share Consolidation.

According to the Letter from the Board, 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 would be difficult for the Company to attract any Qualifying Shareholders to further invest in itself 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 incentive to the Qualifying Shareholders to subscribe for the Rights Shares. As further advised by the Directors, the Board also consider that the discount of the Effective Subscription Price would encourage Qualifying Shareholders to participate in the Rights Issue (with the Bonus Issue) and thereby to maintain their proportional shareholdings in the Company and participate in the potential future growth of the Group.

Analysis on the Subscription Price/Effective Subscription Price

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

(i) Review on Share prices

The highest and lowest closing prices and the average daily closing price of the Shares (before the Share Consolidation) as quoted on the Stock Exchange in each month during the period commencing from 1 July 2011 up to and including the Latest Practicable Date (the "**Review Period**") are shown as follows:

Month	**Highest closing price** *(HK$)*	**Lowest closing price** *(HK$)*	**Average daily closing price** *(HK$)*	**No. of trading days in each month**
2011				
July	0.7200	0.6100	0.6555	20
August	0.7300	0.4600	0.5557	23
September	0.5300	0.3000	0.4330	20
October	0.4700	0.2600	0.3895	20
November	0.3800	0.3300	0.3505	22
December *(Note 1)*	0.3900	0.2400	0.2779	19
2012				
January	0.2700	0.2400	0.2478	18
February	0.2500	0.1300	0.1838	21
March	0.1400	0.0830	0.1152	22
April	0.1040	0.0780	0.0944	18
May	0.0960	0.0720	0.0831	22
June	0.0800	0.0700	0.0739	21
July *(Note 2)*	0.0700	0.0360	0.0527	20
August (up to and including the Latest Practicable Date)	0.0480	0.0430	0.0449	8

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

Notes:

1. Trading in the Shares was suspended on 2 December 2011.

2. Trading in the Shares was suspended on 9 July 2012.

3. The closing price of the Shares from 4 July 2011 to 19 March 2012 had been adjusted for the effect of the capital reorganisation of the Company which became effective from 20 March 2012 onwards, under which every ten Shares of HK$0.025 each are consolidated into one consolidated Share of HK$0.25 each.

During the Review Period, the average daily closing price of the Shares ranged from HK$0.0449 to HK$0.6555 per Share. The lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.036 per Share recorded on 18 July 2012 and HK$0.7300 per Share recorded on 2 August 2011 respectively. The highest closing price represented a premium of more than 1,500% over the lowest closing price of the Shares, which may imply a high volatility of the Share prices during the Review Period. Furthermore, we noted that the closing prices of the Shares showed a persistent sliding trend during the Review Period.

(ii) Review on trading liquidity of the Shares

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

Month	**No. of trading days in each month**	**Average daily trading volume (the "Average Volume")** *Shares*	**Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date** *(Note 3)* %	**Average Volume to total number of issued Shares as at the Latest Practicable Date** *(Note 4)* %
2011				
July	20	4,201,822	0.41	0.31
August	23	3,361,982	0.33	0.25
September	20	1,969,713	0.19	0.14
October	20	19,779,356	1.93	1.44
November	22	15,980,343	1.56	1.17
December *(Note 1)*	19	29,782,275	2.91	2.17
2012				
January	18	7,341,097	0.54	0.54
February	21	35,280,150	3.45	2.58
March	22	8,969,661	0.88	0.65
April	18	12,559,448	1.23	0.92
May	22	3,029,468	0.30	0.22
June	21	12,850,867	1.26	0.94
July *(Note 2)*	20	61,583,903	6.02	4.50
August (up to and including the Latest Practicable Date)	8	11,104,193	1.08	0.81

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

Notes:

1. Trading in the Shares was suspended on 2 December 2011.

2. Trading in the Shares was suspended on 9 July 2012.

3. Based on 1,023,758,456 Shares held by the other public Shareholders as at the Latest Practicable Date.

4. Based on 1,369,650,537 Shares in issue as at the Latest Practicable Date.

5. The closing price of the Shares from 4 July 2011 to 19 March 2012 had been adjusted for the effect of the capital reorganisation of the Company which became effective from 20 March 2012 onwards, under which every ten Shares of HK$0.025 each are consolidated into one consolidated Share of HK$0.25 each.

Save for December 2011, February 2012 and July 2012, the volume of Shares traded during the entire Review Period was below 2% of the total number of issued Shares as at the Latest Practicable Date. Since the Shares were generally illiquid in the open market, we concur with the Directors that it would be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue (with the Bonus Issue) if the Effective Subscription Price was not set at discount to the historical closing prices of the Shares. With this being the case, we are of the view that the discount to the Share price as represented by the Effective Subscription Price is justifiable.

(iii) Comparison with other rights issue transactions

As part of our analysis, we have identified those rights issue transactions (the "**Comparables**") from 1 February 2012 up to the Latest Practicable Date, being the six-month period prior to and including the Latest Practicable Date, by companies listed on the Main Board of the Stock Exchange. To the best of our knowledge, we found 11 companies which met the said criteria. The list of Comparables is an exhaustive list of companies selected based on our said criteria. Since the terms of a rights issue transaction are usually determined by making reference to the prevailing market conditions and sentiments, we consider that the selected time frame is appropriate and the Comparables are fair and representative samples. Nevertheless, Shareholders should note that the businesses, operations and prospects of the Comparables are not exactly the same as the Company and thus the Comparables are only used to provide a general reference for the common market practice in recent rights issue transactions by the Main Board listed companies in Hong Kong.

Furthermore, as disclosed in the Letter from the Board, five Bonus Shares will be allotted for every one Rights Share taken up by the Qualifying Shareholders. Therefore, for a Qualifying Shareholder paying the Subscription Price to subscribe for one Rights Share, he/she/it will be allotted one Rights Share and five Bonus Shares, which means that the actual cost an Qualifying Shareholder has to pay for one Consolidated Share (i.e. Effective Subscription Price) is lower than the Subscription Price. As such, we are of the view that it is more appropriate to compare the LTD Discount (which is calculated based on the Effective Subscription Price) to the LTD Market Range for assessing of the fairness and reasonableness of the Subscription Price. Summarised below is our relevant findings:

Company name	Stock code	Principal business activities	Date of announcement	Market capitalization *(Note 4)* *(HK$ million)*	Basis of rights issue	Maximum dilution on the public shareholders	(Discount) of the subscription price to closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	(Discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Underwriting commission %
Goldin Properties Holdings Limited	283	Development and investment of property; operation of hotel and polo club.	16 February 2012	3,471.97	1 for 2	13.01%	(8.47)	(5.80)	1.75
Sinopec Kantons Holdings Limited	934	Trading of crude oil, petroleum and petrochemical products; operating of crude oil jetty and its ancillary facilities; and provision of vessel chartering for crude oil transportation and floating oil storage facilities for oil tankers.	21 February 2012	5,059.73	1 for 1	Information not available	(30.94)	(18.40)	Information not available
Pacific Andes International Holdings Limited	1174	Processing of fishing and fishmeal, operation of fishing vessels, global sourcing, processing onshore and distribution of frozen seafood, trading of marine fuel and provision of shipping and agency services, processed and frozen fish products.	6 March 2012	2,518.44	1 for 2	14.98%	(38.80)	(30.00)	3.50
The United Laboratories International Holdings Limited	3933	Sale of intermediate products, sale of bulk medicine and sale of antibiotics finished products, non-antibiotics finished products and capsule casings.	29 March 2012	4,893.64	1 for 4	6.86%	(45.02)	(39.62)	N/A *(Note 1)*
SRE Group Limited	1207	Real estate development, large-scale new towns planning and development, property leasing and hotel operations.	30 April 2012	1,908.30	1 for 7	5.91%	(22.08)	(19.79)	N/A *(Note 2)*
Skyfame Realty (Holdings) Limited	59	Property development, property investment, hotel operation and provision of related ancillary services.	17 May 2012	1,019.60	1 for 2	9.35%	(27.54)	(20.63)	3.00
Hop Fung Group Holdings Limited	2320	Manufacture and sale of containerboard, and corrugated packaging.	23 May 2012	198.00	1 for 2	9.30%	(56.10)	(45.95)	1.00
Bright Smart Securities & Commodities Group Limited	1428	Provision of financial services, including securities broking, margin financing and commodities and futures broking.	25 June 2012	471.15	1 for 2	7.48%	(20.29)	(14.46)	N/A *(Note 3)*
United Gene High-Tech Group Limited	399	Distribution of pharmaceutical products; gene testing services; bio-industrial products and provision of health care management services.	25 June 2012	377.10	3 for 10	12.47%	(29.03)	(24.14)	5.00
China Properties Investment Holdings Limited	736	Properties investment and investing in mining activities.	25 July 2012	54.80	1 for 2	33.09%	(63.44)	(53.74)	3.00

Company name	Stock code	Principal business activities	Date of announcement	Market capitalization (Note 4) (HK$ million)	Basis of rights issue	Maximum dilution on the public shareholders	(Discount) of the subscription price to closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	(Discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Underwriting commission %
UDL Holdings Limited	620	Sale of vessels, marine engineering, construction and structural steel engineering and related services, and hotel operation.	6 August 2012	194.00	1 for 3	9.47%	(57.60)	(50.40)	2.50
Range of (discount)/ underwriting commission							**(63.44) to (8.47)**	**(53.74) to (5.80)**	**1.00 to 5.00**
Average							**(36.30)**	**(29.32)**	**2.82**
The Company	**767**	**Money lending and provision of credit business, provision of corporate secretarial and consultancy services, and securities investments.**	**10 July 2012**	**95.88**	**2 for 1 (with Bonus Shares)**	**63.22%**	**(83.39) (72.65%) (Based on the closing price on the Latest Practicable Date) and adjusted for the effect of the Share Consolidation *(Note 5)***	**(28.02)**	**1.95/2.50**

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

Notes:

1. The underwriter's fee is US$1,600,000.

2. The underwriting commission is HK$100,000.

3. The underwriting commission is HK$1,550,000.

4. Based on the dates of the relevant announcements.

5. Based on the Effective Subscription Price.

As shown by the above table, the subscription prices of the Comparables ranged from a discount of approximately 63.44% to a discount of approximately 8.47% to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the "**LTD Market Range**"). The discount of approximately 83.39% to the adjusted closing price of the Consolidated Shares on the Last Trading Day as represented by the Effective Subscription Price (the "**LTD Discount**") is beyond the LTD Market Range.

On the other hand, the subscription prices of the Comparables ranged from a discount of approximately 53.74% to a discount of approximately 5.80% to the respective theoretical ex-rights prices of their shares on the last trading days prior to/ on the date of the release of the respective rights issue announcements (the "**TERP Market Range**"). The discount of approximately 28.02% to the Theoretical Ex-rights Price as represented by the Effective Subscription Price (the "**TERP Discount**") hence falls within the TERP Market Range.

As advised by the Company, the estimated capital expenditure on plant and machinery which is necessary for commencement of logging after exercising the Option is approximately US$7 million (equivalent to approximately HK$54.32 million). It is expected that further expenditure will be spent on the forestry business and the development of the money lending and provision of credits business. The Directors confirmed that the Rights Issue 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. The Directors also advised us that 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. In order to provide incentives to the Qualifying Shareholders to subscribe for the Rights Shares and attract more Qualifying Shareholders to participate the Rights Issue, the Bonus Issue serves as additional incentive for the Qualifying Shareholders to take part in the Rights Issue.

We consider that it is reasonable that the Subscription Price is arrived based on the historical closing price of the Shares and commercially reasonable for the Company to offer a deep discount on the Subscription Price/Effective Subscription Price as a chance for the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purposes of maintaining their respective existing shareholding interests in the Company, particularly, in view of (i) the Shares were generally illiquid in the open market (save for December 2011, February 2012 and July 2012) and a sliding trend of the historical price of the Shares, (ii) the difficulties encountered by the Company in obtaining other bank loans/facilities with favourable terms and (iii) the foreseeable need of fund for the development of the forestry business and money lending and provision of credits business (as described above). On such basis, we concur with the Directors' view that the LTD Discount is acceptable to the Shareholders and, therefore, the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(3) The Underwriters and the underwriting arrangements

Pursuant to the Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement), the Underwriters have conditionally agreed to underwrite not less than 297,412,634 Rights Shares (having taken into account the Undertaking and on the basis that no new Share/Consolidated Share being issued, and no Share/Consolidated Share being repurchased, on or before the Record Date) and not more than 390,653,664 Rights Shares (having taken into account the Undertaking and on the basis that no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilisation of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) in the following manner:

(i) underwritten by Allied Summit in priority of not less than 202,412,634 Underwritten Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 295,653,664 Underwritten Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilisation of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date); and

(ii) underwritten by Kingston Securities the remaining 95,000,000 Underwritten Shares, if any.

Pursuant to the Supplemental Undertaking, 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 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.

The underwriting commissions payable by the Company to Allied Summit and Kingston Securities are 1.95% and 2.5%, respectively, of the aggregate Subscription Price of their respective portion of the maximum Underwritten Shares mentioned above (the "**Underwriting Commissions**").

From the table in the section headed "Comparison with other rights issue transactions" of this letter, we noted that the Underwriting Commissions fall within the range of commissions from 1% to 5% received by underwriters in the other rights issue transactions. Given the above, we are of the opinion that the Underwriting Commissions are in line with the common market practice.

(4) Application for excess Rights Shares

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

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

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

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

Qualifying Shareholders who do not accept the Rights Issue (with the Bonus Issue) can, subject to the then prevailing market condition, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriters are obligated to take up the unsubscribed Rights Shares, the proportional shareholding interests of the Qualifying Shareholders in the Company will be diluted by a maximum of 69 percentage point (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date). Details of such dilution effect are presented in the table for scenario 1 in the sub-section headed "Shareholding structure of the Company in respect of the Rights Issue (with the Bonus Issue)" of the Letter from the Board.

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

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

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

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

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

Effect on NTAV

An unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the Shareholders based on the unaudited consolidated net tangible asset value ("**NTAV**") of the Group attributable to the Shareholders as at 31 December 2011 as if the Rights Issue had taken place on 31 December 2011 is set out in Appendix II to the Circular (the "**Statement**").

The audited consolidated NTAV of the Group attributable to owners of the Company was approximately HK$410.11 million as at 31 December 2011, according to the Statement. Under the scenario that the minimum net proceeds of HK$184.69

million is raised from the Rights Issue (with the Bonus Issue) and assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date, the unaudited pro forma adjusted consolidated NTAV of the Group would increase to not less than approximately HK$594.80 million as if the Rights Issue had been completed on 31 December 2011.

Under the scenario that the maximum net proceeds of HK$236.91 million is raised from the Rights Issue (with the Bonus Issue) and assuming no new Share/Consolidated Share being issued other than full exercise of the Agent Option and the Longjiang Option and full utilisation of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date, the unaudited pro forma adjusted consolidated NTAV of the Group would increase to not less than approximately HK$647.02 million as if the Rights Issue had been completed on 31 December 2011.

Effect on gearing position

The gearing level of the Group (calculated based on net debt to total capital) was approximately (20.10)% as at 31 December 2011. The net cash position would be strengthened with the cash raised through the Rights Issues (with the Bonus Issue) while the total capital of the Group would be enlarged upon completion of the Rights Issue (with the Bonus Issue). Consequently, the gearing position of the Group would remain relatively stable immediately after the Rights Issue (with the Bonus Issue).

Effect on liquidity

With reference to the 2011 Annual Report, the bank balances and cash of the Group were approximately HK$78.78 million as at 31 December 2011. As confirmed by the Directors, the Group's liquidity position would be improved upon completion of the Rights Issue (with the Bonus Issue).

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

RECOMMENDATION ON THE RIGHTS ISSUE (WITH THE BONUS ISSUE)

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

(i) the Rights Issue (with the Bonus Issue) would increase the capital base of the Company and fulfil the estimated capital requirements for future business development of the Group after the Business Restructuring;

(ii) the Rights Issue (with the Bonus Issue) is an appropriate financing method currently available to the Company;

(iii) the Subscription Price/Effective Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned;

(iv) the potential dilution of the shareholding interests of the Qualifying Shareholders who do not subscribe for their pro-rata Rights Shares to be acceptable; and

(v) the overall favourable financial effects of the Rights Issue,

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

II. THE WHITEWASH WAIVER

As mentioned in the foregoing section of this letter, as at the Latest Practicable Date, Allied Summit was interested in 180,000,000 Shares, representing approximately 13.14% of the existing total issued share capital of the Company; whereas Kingston Securities was interested in 581,737 Shares, representing approximately 0.04% of the existing total issued share capital of the Company. By virtue of the margin loan facility granted by Kingston Securities to Allied Summit for financing Allied Summit's Underwriting obligations pursuant to the Underwriting Agreement, Kingston Securities is deemed to be a party acting in concert with Allied Summit (the "**Margin Loan Facility**") under the Takeovers Code. As a result of this Kingston Securities and Allied Summit are deemed to be parties acting in concert and Kingston Securities is therefore a member of the Concert Group.

As mentioned above, the shareholding of the Concert Group in the Company immediately upon the completion of the Rights Issue (with the Bonus Issue) and assuming both 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 Kingston Securities has already sub-underwritten to its sub-underwriter(s), who are Independent Third Parties procured by Kingston Securities), would increase to a maximum of approximately 80.65% of the enlarged total issued share capital of the Company (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date). In such circumstances, under Rule 26 of the Takeovers Code, the acquisition of voting rights by Allied Summit triggers a mandatory general offer by Allied 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. The Whitewash Waiver, if granted by the Executive, would be subject to, amongst others, the approval by the Independent Shareholders at the SGM by way of poll and the fulfilment of such other condition(s) as may be imposed by the Executive. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders, the Rights Issue (with the Bonus Issue) will not become unconditional and will not proceed.

Moreover, Shareholders should note that based on the shareholding structure of the Company as at the Latest Practicable Date and assuming no change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Rights Issue (with the Bonus Issue) save for the issue of the Rights Shares, upon completion of the Rights Issue (with the Bonus Issue), Allied Summit may hold more than 50% of the total voting rights of the Company. In such circumstances, Allied Summit may thereafter increase its holding of Shares without incurring any further obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.

In the light of (i) the reasons for and the possible benefits of the Rights Issue (with the Bonus Issue) to the Company as set forth in the section headed "Background of and reasons for the Rights Issue (with the Bonus Issue)" of this letter; and (ii) the terms of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for completion of the Rights Issue (with the Bonus Issue), is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue (with the Bonus Issue).

RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into account the reasons for and possible benefits of the Rights Issue (with the Bonus Issue) and the Underwriting Agreement, and that the Rights Issue (with the Bonus Issue) is conditional upon the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

A. SUMMARY OF FINANCIAL INFORMATION

The following is the summary of the consolidated financial information of the Group for the three financial years ended 31 December 2009, 2010 and 2011 which were extracted from the Company's 2009, 2010 and 2011 annual reports respectively. The financial information of the Group (i) 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; (ii) 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 (iii) 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) and the website of the Company (http://www.irasia.com/listco/hk/pphl).

For the year ended 31 December 2009, the then auditors of the Group issued a qualified opinion as set out below:

"**BASIS FOR QUALIFIED OPINION**

We were unable to obtain sufficient appropriate audit evidence in respect of the financial information of one of the Group's subsidiaries, Dalian Global Wood Products Company Limited ("Dalian Global"), when we conducted the audit of the consolidated financial statements of the Group as at 31 December, 2008 and for the year then ended, and a disclaimer of opinion on such financial statements was issued on 16 April, 2009. As a result, the opening balances of the consolidated financial statements of the Group as at 1 January, 2009 might have been significantly different had we been able to obtain such evidence.

As explained in note 3.1(d) to the consolidated financial statements, management was still unable to make available to us the accounting records and related documents of Dalian Global. Moreover, Ankan (China) Holdings Limited ("ACHL"), the indirect controlling shareholder of Dalian Global, was sold to an independent third party in June 2009. Therefore, we were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the profit for the year from discontinued operations of US$5,517,000 as recorded in the Group's consolidated income statement for the year ended 31 December, 2009, and of the related disclosures included in note 15 to the consolidated financial statements. Consequently, we were not able to determine whether any adjustments to the amounts might have been necessary had we been able to obtain such financial information.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effect of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December, 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without further qualifying our opinion, we draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of US$9,794,000 during the year ended 31 December, 2009 and, as of that date, the Group's current liabilities exceeded its current assets by US$20,580,000. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

For the year ended 31 December 2010, the then auditors of the Group issued a qualified opinion as set out below:

"**BASIS FOR QUALIFIED OPINION ON CORRESPONDING FIGURES**

The Group disposed one of the Group's subsidiaries, Ankan (China) Holdings Limited, the indirect controlling shareholder of Dalian Global Wood Products Company Limited ("Dalian Global") in June 2009. The board of directors was unable to make available to the auditor the accounting records and related documents of Dalian Global. The auditor was unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the profit for the year from discontinued operations of US$5,517,000 as recorded in the Group's consolidated income statement for the year ended 31 December 2009, and of the related disclosures to the consolidated financial statements.

A qualified opinion arose from limitation in the scope of audit was issued in the auditor's report on the Group's and Company's consolidated financial statements for the year ended 31 December 2009 dated 8 April 2010. Our opinion on the corresponding figures for the year ended 31 December 2009 was qualified accordingly. Any adjustments found to be necessary would affect the Group's loss for the year ended 31 December 2009.

QUALIFIED OPINION

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for qualified opinion on corresponding figures paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

For the year ended 31 December 2011, in the opinion of the then auditors of the Group, the consolidated financial statements of the Group gives a true and fair view of the state of affairs of the Group and the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

	For the year ended 31 December			
	2011	**2010**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*	*(Restated)*
	(audited)	(audited)	(audited)	(audited)
	(Note 2)	*(Note 3)*	*(Note 4)*	*(Note 4)*
RESULTS				
Revenue *(Note 1)*	53,369	4,385	391,476	734,681
(Loss) profit before taxation from continuing operations	(142,313)	5,287	(118,813)	(102,199)
Income tax expense	(2,646)	(148)	—	—
Profit (loss) from discontinued operations	—	71,156	42,817	(180,577)
(Loss) profit for the year	(144,959)	76,295	(75,996)	(282,776)
Attributable to:				
Owners of the Company	(134,081)	75,914	(75,996)	(282,776)
Non-controlling interests	(10,878)	381	—	—
Earnings per share	HK$(0.4)	HK$2.11	HK$(5.74)	HK$(21.26)
Dividends paid				
Interim	—	—	—	—
Final	—	—	—	—
	—	—	—	—
Dividends proposed				
Interim	—	—	—	—
Final	—	—	—	—
	—	—	—	—
Dividends proposed per share				
Interim	—	—	—	—
Final	—	—	—	—

	As at 31 December			
	2011	**2010**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*	*(Restated)*
	(audited)	(audited)	(audited)	(audited)
ASSETS AND LIABILITIES				
Total assets	421,583	228,068	532,494	707,932
Total liabilities	(11,472)	(136,533)	(628,016)	(707,870)
	410,111	91,535	(95,522)	62
Non-controlling interests	—	(4,387)	(7,750)	(7,750)
Shareholders' funds	410,111	87,148	103,272	7,688

Note 1: Revenue for the year ended 31 December 2011 and 2010 represents the amounts received and receivable from the business of money lending and provision of credits while the revenue for the year ended 31 December 2009 and 2008 represents the turnover of the plywood business.

Note 2: An impairment loss on available-for-sale assets amounting approximately HK$54,990,000 and an impairment loss recognized in respect of loan receivables amounting approximately HK$145,171,000 were noted in the consolidated income statement for the year ended 31 December 2011.

Note 3: A profit from discontinued operations amounting approximately HK$71,156,000 in respect of the disposal of plywood business was noted in the consolidated income statement for the year ended 31 December 2010.

Note 4: A profit (loss) from discontinued operations in respect of the disposal of Dalian Global Wood Products Company Limited, a subsidiary in the PRC, which was contracted in November 2008 and completed in June 2009 amounting approximately HK$42,817,000 and (HK$180,577,000) was noted in the consolidated income statement for the year ended 31 December 2009 and 31 December 2008 respectively.

Note 5: As the Company and most of its remaining major operating subsidiaries' business transactions in terms of operating, investing and financing activities have been mainly in HK$. With effect from 1 January 2011, the presentation currency of the Group has been changed from US$ to HK$ for a more appropriate presentation. The change in presentation currency of the Group has been applied retrospectively. The figures in consolidated financial statements for the year ended 31 December 2010, 2009 and 2008 have been restated from US$ to HK$ accordingly which are translated from US$ to HK$ using the rates that approximate the closing rates for items in consolidated statement of financial position, and average rates for the year for items in consolidated income statement and consolidated statement of comprehensive income.

B. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

Set out below are the audited consolidated financial statements of the Group for the year ended 31 December 2011 together with the comparative figures for the year ended 31 December 2010 and accompanying notes as extracted from the Group's annual report 2011.

Consolidated Income Statement
For the year ended 31 December 2011

	Notes	**2011** *HK$'000*	**2010** *HK$'000* (Restated)
Continuing operations			
Revenue	*8*	53,369	4,385
Interest income	*8*	52,958	4,369
Interest expenses	*10*	(2,652)	(855)
Net interest income		50,306	3,514
Other income and gains	*11*	419	3,623
Change in fair value of convertible notes	*33*	(5,078)	11,350
Change in fair value of a derivative financial asset		24,371	(1,454)
Change in fair value of investment held for trading		(1,231)	—
Gain on disposal of a subsidiary	*43*	11,199	—
Impairment loss on available-for-sale financial assets	*24*	(54,990)	—
Impairment loss recognised in respect of loan receivables	*22*	(145,171)	—
Selling and distribution expenses		(3,692)	(1,360)
Administrative expenses		(18,446)	(10,386)
(Loss) profit before taxation		(142,313)	5,287
Income tax expense	*12*	(2,646)	(148)
(Loss) profit for the year from continuing operations	*14*	(144,959)	5,139
Discontinued operations			
Profit for the year from discontinued operations	*13*	—	71,156
(Loss) profit for the year		(144,959)	76,295

	Note	2011 *HK$'000*	2010 *HK$'000* (Restated)
(Loss) profit for the year attributable to:			
Owners of the Company			
From continuing operations		(134,081)	4,758
From discontinued operations		—	71,156
		(134,081)	75,914
Non-controlling interests			
From continuing operations		(10,878)	381
From discontinued operations		—	—
		(10,878)	381
		(144,959)	76,295
(Loss) earnings per share	*18*		
From continuing and discontinued operations			
Basic		HK$(0.40)	HK$2.11
Diluted		HK$(0.40)	HK$1.79
From continuing operations			
Basic		HK$(0.40)	HK$0.13
Diluted		HK$(0.40)	HK$(0.18)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
(Loss) profit for the year	(144,959)	76,295
Other comprehensive (expense) income		
Exchange differences arising on translation	—	4,836
Available-for-sale financial assets:		
— Change in fair value of available-for-sale financial assets	(54,990)	—
— Reclassification adjustment on available-for-sale financial assets upon impairment	54,990	—
Other comprehensive income for the year	—	4,836
Total comprehensive (expenses) income for the year	(144,959)	81,131
Total comprehensive (expenses) income attributable to:		
Owners of the Company	(134,081)	80,750
Non-controlling interests	(10,878)	381
	(144,959)	81,131

Consolidated Statement of Financial Position
As at 31 December 2011

	Notes	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	19	173	35	408,560
Interest in an associate	20	—	—	5,468
Deferred tax assets	21	—	—	37,692
Loan receivables	22	—	4,991	—
Investment deposits	23	20,000	—	—
Available-for-sale financial assets	24	25,200	—	—
		45,373	5,026	451,720
Current assets				
Inventories	25	—	—	59,190
Loan receivables	22	273,221	140,761	—
Trade and other receivables	26	6,288	10,734	13,518
Investment held for trading	27	13,920	—	—
Derivative financial asset	28	4,000	8,410	—
Bank balances and cash	29	78,781	63,137	8,066
		376,210	223,042	80,774
Current liabilities				
Trade and other payables	30	1,253	8,982	108,870
Obligation under finance leases	31	—	—	799
Amounts due to directors	32	152	—	—
Convertible notes	33	—	42,922	—
Bank overdrafts	34	—	—	22,313
Borrowings	34	10,000	35,764	495,165
Tax liabilities		67	819	760
Loans from shareholders of a subsidiary	35	—	48,046	—
		11,472	136,533	627,907
Net current assets (liabilities)		364,738	86,509	(547,133)
Total assets less current liabilities		410,111	91,535	(95,413)

	Notes	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Capital and reserves				
Share capital	36	247,585	1,927	33,194
Share premium		340,037	128,651	59,302
Other reserves	37	(160)	(160)	18,174
Accumulated losses		(177,351)	(43,270)	(213,942)
Equity (deficit) attributable to owners of the Company		410,111	87,148	(103,272)
Non-controlling interests		—	4,387	7,750
Total equity (deficit)		410,111	91,535	(95,522)
Non-current liabilities				
Obligation under finance leases	31	—	—	109
		410,111	91,535	(95,413)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company								
	Share capital	Share premium	Available-for-sale financial assets revaluation reserve	Convertible notes reserve	Other reserves	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note 33)*	*HK$'000* *(Note 37(a))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010 (as restated)	33,194	59,302	—	—	18,174	(213,942)	(103,272)	7,750	(95,522)
Profit for the year	—	—	—	—	—	75,914	75,914	381	76,295
Other comprehensive income for the year									
Exchange differences arising on translation	—	—	—	—	4,836	—	4,836	—	4,836
Total comprehensive income for the year	—	—	—	—	4,836	75,914	80,750	381	81,131
Issue of shares	6,960	67,661	—	—	—	—	74,621	—	74,621
Issue of share upon acquisition of a subsidiary *(Note 42)*	313	1,688	—	—	—	—	2,001	—	2,001
Capital reduction during the year	(38,540)	—	—	—	38,540	—	—	—	—
Contributed surplus utilised	—	—	—	—	(38,540)	38,540	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	3,944	3,944
Disposal of subsidiaries	—	—	—	—	—	—	—	(7,688)	(7,688)
Release of contributed surplus upon disposal of subsidiaries	—	—	—	—	(56,218)	56,218	—	—	—
Release of translation reserve upon disposal of subsidiaries	—	—	—	—	33,048	—	33,048	—	33,048
	(31,267)	69,349	—	—	(23,170)	94,758	109,670	(3,744)	105,926
At 31 December 2010 (as restated)	1,927	128,651	—	—	(160)	(43,270)	87,148	4,387	91,535
At 1 January 2011 (as restated)	1,927	128,651	—	—	(160)	(43,270)	87,148	4,387	91,535
Loss for the year	—	—	—	—	—	(134,081)	(134,081)	(10,878)	(144,959)
Other comprehensive income for the year									
Available-for-sale financial assets									
— Change in fair value	—	—	(54,990)	—	—	—	(54,990)	—	(54,990)
— Reclassification adjustment upon impairment	—	—	54,990	—	—	—	54,990	—	54,990
Total comprehensive expenses for the year	—	—	—	—	—	(134,081)	(134,081)	(10,878)	(144,959)
Issue of shares *(Note 36)*	65,815	16,732	—	—	—	—	82,547	—	82,547
Placing expenses	—	(937)	—	—	—	—	(937)	—	(937)
Issue of rights shares *(Note 36)*	69,355	152,580	—	—	—	—	221,935	—	221,935
Right issue expenses	—	(6,546)	—	—	—	—	(6,546)	—	(6,546)
Issue of convertible notes *(Note 33)*	—	—	—	91,853	—	—	91,853	—	91,853
Issue of shares on conversion of convertible notes *(Note 36)*	110,488	49,557	—	(91,853)	—	—	68,192	—	68,192
Disposal of a subsidiary *(Note 43)*	—	—	—	—	—	—	—	6,491	6,491
	245,658	211,386	—	—	—	—	457,044	6,491	463,535
At 31 December 2011	247,585	340,037	—	—	(160)	(177,351)	410,111	—	410,111

Consolidated Statement of Cash Flows
For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
OPERATING ACTIVITIES			
(Loss) profit before taxation from continuing operations		(142,313)	5,287
Profit before taxation from discontinued operations	13	—	71,156
(Loss) profit before taxation		(142,313)	76,443
Interest income		(3)	—
Impairment loss on available-for-sales financial assets		54,990	—
Impairment loss recognised in respect of loan receivables		145,171	—
Change in fair value of investment held for trading		1,231	—
Finance costs		50	15,185
Depreciation of property, plant and equipment		40	49,311
Gain on disposal of property, plant and equipment		—	(9,034)
Gain on disposal of subsidiaries		(11,199)	(144,476)
Share of loss of an associate		—	186
Change in fair value of convertible notes		5,078	(11,350)
Change in fair value of derivative financial assets		(24,371)	1,454
Operating cash flows before movements in working capital		28,674	(22,281)
Decrease in inventories		—	14,033
Increase in loan receivables		(399,129)	(1,232)
Decrease (increase) in trade and other receivables		3,679	(23,821)
Decrease in trade and other payables		(2,365)	(23,098)
Cash used in operations		(369,141)	(56,399)
Hong Kong Profits Tax paid		(216)	—
NET CASH USED IN OPERATING ACTIVITIES		(369,357)	(56,399)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		—	128,116
Purchases of available-for-sale financial assets		(80,190)	—
Investment deposits paid		(20,000)	—
Repayment from an associate		—	2,371
Bank interest received		3	—
Acquisition of a subsidiary	42	—	1,368
Purchase of property, plant and equipment		(178)	(1,695)
Disposal of subsidiaries	43	(4,906)	(730)
Purchase of investment held for trading		(15,151)	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(120,422)	129,430

	Notes	2011 *HK$'000*	2010 *HK$'000* (Restated)
FINANCING ACTIVITIES			
Repayment of bank borrowings		(3,764)	(100,255)
Interest paid		(33)	(15,185)
Advances from directors		152	—
Proceeds from issue of convertible notes		189,600	—
Payment for convertible notes issue expenses		(4,740)	—
Proceeds from issue of shares upon right issues		221,935	—
Payment for right issues issue expenses		(6,546)	—
Repayment of obligation under a finance lease		—	(799)
Proceeds from placing of ordinary shares		82,547	75,660
Payment for share issue expense for placing of ordinary shares		(937)	(999)
New borrowings raised		10,000	35,769
Loans from shareholders of a subsidiary		17,209	5,430
NET CASH FROM (USED IN) FINANCING ACTIVITIES		505,423	(379)
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,644	72,652
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		63,137	(14,247)
Effect of foreign exchange rate changes		—	4,732
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		78,781	63,137
Cash and cash equivalents at the end of the year, represented by:			
Bank balances and cash		78,781	63,137

Notes to the Consolidated Financial Statements

1. GENERAL

Pacific Plywood Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liabilities. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are money lending and provision of credit business, provision of corporate secretarial and consultancy services, and securities investments.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

Change in Functional and Presentation Currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

For the period up to 30 December 2010, the Company regarded United States dollars ("US$") as its functional currency. However, as a result of the Group's disposal of certain subsidiaries which operated in the primary economic environment using US$ and engaged in the business of manufacture and sale of plywood, veneer, jamb and modeling, structural, flooring and other wood related products (the "Plywood Business") on 30 December 2010, as detailed in note 13, the directors of the Company are of the view that the functional currency of the Company has been changed from US$ to HK$ on 30 December 2010. The effect of the change in the functional currency is accounted for prospectively from the date of change in functional currency.

As the Company and most of its remaining major operating subsidiaries' business transactions in terms of operating, investing and financing activities have been mainly in HK$. With effect from 1 January 2011, the presentation currency of the Group has been changed from US$ to HK$ for a more appropriate presentation. The change in presentation currency of the Group has been applied retrospectively, and the comparative figures in these consolidated financial statements have been restated from US$ to HK$ accordingly. The comparative figures in these consolidated financial statements are translated from US$ to HK$ using the rates that approximate the closing rates for items in consolidated statement of financial position, and average rates for the year for items in consolidated income statement and consolidated statement of comprehensive income.

The changes in presentation currency has no significant impact on the financial positions of the Group as at 31 December 2011 and 31 December 2010, or the results and cash flows of the Group for years ended 31 December 2011 and 2010.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied the following new and revised HKFRSs, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendment to HKFRS 1	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC) — Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs had no material effect on the Group's financial performance and positions for the current or prior accounting years and on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
	Government Loans[4]
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

Amendments to HKFRS 7 Disclosures — transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 offsetting Financial Assets and Financial Liabilities and Amendments to HKFRS 7 Disclosures — offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge a accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) — Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) — Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

Amendments to HKAS 1 Presentation of items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in Subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interest in an Associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidation financial statements only to the extent of the interest in the associate that are not related to the Group.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discounts.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Handling charge and administration fee income is recognised when services are rendered.

Property, Plant and Equipment

Property, plant and equipment including building and leasehold land (classified as finance lease) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using the rate of exchange prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing Costs

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement Benefit Costs

Payments to the defined contribution retirement benefit plans and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Cash and Cash Equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL have two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the change in fair values of investment held for trading in the consolidated income statement. Fair value is determined in the manner described in note 7.

Derivative financial instruments

Derivatives are initially measured at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would not be material.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables. The Group designated listed equity securities as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale financial assets revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- 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.

For certain categories of financial assets, such as loan receivables and trade and other receivables, assets 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or an other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale financial assets will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or

- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with change in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes interest paid on the financial liabilities.

Convertible notes

Convertible notes issued by the Group (including related embedded derivatives) are designated as financial liabilities at fair value through profit or loss on initial recognition. At each reporting dates subsequent to initial recognition, the entire convertible note is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Certain other convertible notes issued by the Group that contain the liability component, conversion option components, and early redemption option which is not closely related to the host liability component are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an equity instrument and a derivative financial instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the liability component and the early redemption option component are measured at fair value. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component and the early redemption option is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method. Transaction costs relating to the early redemption option are charged to profit or loss immediately.

Other financial liabilities

Other financial liabilities including trade and other payables, obligation under finance leases, amounts due to directors, loans from shareholders of a subsidiary, and borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity Settled Share-based Payment Transactions

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005.

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Impairment losses on Tangible Assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of Available-for-sale Financial Assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes judgement to determine if the decline in value is significant or prolonged and whether there is an impairment that should be recognised in the income statement. During the year ended 31 December 2011, an impairment loss of HK$54,990,000 (2010: nil) was recognised for available-for-sale financial assets. The carrying amounts of available-for-sale financial assets as at 31 December 2011 were HK$25,200,000 (2010: nil), the details of which were set out in note 24 to the financial statements.

Impairment allowances on Loan Receivables

The Group establishes, though charges against the consolidated income statement, impairment allowances in respect of estimated incurred loss in loan receivables. The allowances consist of individual impairment allowances. The overall impairment allowances represent the aggregate amount by which the management considers necessary to write down its loan portfolio in order to state it in the consolidated statement of financial position at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When loan receivable is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

During the year ended 31 December 2011, impairment loss in respect of loan receivables of approximately HK$145,171,000 (2010: nil) had been recognised in the consolidated income statement.

Valuation for derivative Financial Asset and Convertible Notes

The fair value of derivative financial asset and convertible notes designated as financial liabilities at FVTPL are determined using valuation techniques. The Group has used its judgement to select an appropriate valuation method and make assumption that are mainly based on market conditions existing at the transaction date and each reporting date with reference to the valuation performed by AVISTA Valuation Advisory and BMI Appraisals Limited, independent firms of professional valuers. For derivative financial asset, the valuation model requires the input of subjective assumptions, including the expected dividend yield, risk free rate and expected life. For convertible notes, the input of subjective assumptions includes the stock price volatility, expected dividend yield, risk free rate and expected life.

Changes in subjective input assumptions can materially affect the fair value estimate.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes obligation under finance leases, amounts due to directors, convertible notes, bank overdrafts, borrowings and loans from shareholders of a subsidiary, net of cash and cash equivalents and equity attributable to owners of the Company comprising issued share capital and reserves. Details of which are disclosed in respective notes.

The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the risks associate with each class of capital, and take appropriate actions to adjust the Group's capital structure.

The Group monitors capital using a gearing ratio, calculated as net debt divided by total capital. Net debt is calculated as convertible notes, obligation under finance leases, amounts due to directors, total borrowings, loans from shareholders of a subsidiary less cash and cash equivalents. Total capital is calculated as 'total equity (deficit)' as shown in the consolidated statement of financial position plus net debt. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Convertible notes	—	42,922	—
Obligation under finance leases	—	—	908
Amounts due to directors	152	—	—
Total borrowings *(Note 34)*	10,000	35,764	517,478
Loans from shareholders of a subsidiary	—	48,046	—
Less: Bank balances and cash	(78,781)	(63,137)	(8,066)
Net debt	(68,629)	63,595	510,320
Total equity (deficit)	410,111	91,535	(95,562)
Total capital	341,482	155,130	414,758
Gearing ratio (net debt to total capital)	(20%)	41%	123%

6. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Financial assets			
Fair value through profit and loss (FVTPL)			
Derivative financial asset	4,000	8,410	—
Investment held for trading	13,920	—	—
Available-for-sale financial assets	25,200	—	—
Amortised cost			
Loan receivables	273,221	145,752	—
Trade and other receivables	5,583	10,563	8,997
Bank balances and cash	78,781	63,137	8,066
	400,705	227,862	17,063

	31/12/2011 *HK$'000*	31/12/2010 *HK$'000* (Restated)	1/1/2010 *HK$'000* (Restated)
Financial liabilities			
Fair value through profit and loss (FVTPL)			
Convertible notes	—	42,922	—
Amortised cost			
Borrowings	10,000	35,764	495,165
Loans from shareholders of a subsidiary	—	48,046	—
Obligation under finance leases	—	—	908
Trade and other payables	753	8,982	99,077
Amounts due to directors	152	—	—
Bank overdrafts	—	—	22,313
	10,905	135,714	617,463

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include derivative financial asset, available-for-sale financial assets, investment held for trading, loan receivables, trade and other receivables, bank balances and cash, trade and other payables, obligation under finance leases, amounts due to directors, convertible notes, bank overdrafts, borrowings and loans from shareholders of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures appropriate measures are implemented on a timely and effective manner.

Market Risk

Foreign currency risk

As at 31 December 2011, all of financial assets and financial liabilities of the Group are denominated in HK$. In the opinion of directors of the Company, the foreign exchange risk is not significant.

The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2011 and 31 December 2010, all financial assets and financial liabilities of the Group are denominated in HK$, which is the same as the functional currency of the Company.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances and bank borrowings with floating interest rates which expose the Group to cash flow interest rate risk. Borrowings at fixed rate exposes the Group to fair value interest rate risk.

The interest rates of interest-bearing borrowings of the Group are disclosed in note 34. The Group currently does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit (loss) (through the impact on floating rate borrowings).

	Decrease/increase in interest rate (basis point)	Decrease/increase in profit (loss) for the year
		HK$'000
2011	100	(791)
2010	100	650

Credit Risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 December 2011 and 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk are primarily attributable to the loan receivables and trade and other receivables. In order to minimise the credit risk, the Group has established policies and systems for monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of loans receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2011, the Group's concentration of credit risk by geographical locations is Hong Kong, which accounted for 100% (2010: 100%) of the total loan receivables.

During the year, an impairment loss in respect of loan receivables amounting to HK$145,171,000 has been recognised (2010: nil). However, the directors of the Company consider the credit risk is under control since the management has exercised due care and check the financial background of these debtors.

In respect of the loan receivables arising from the Group's money lending business, 63% (2010: 10%) of the total gross loan receivables as at 31 December 2011 was due from the Group's largest customer and 63% (2010: 31%) of the total loan receivables as at 31 December 2011 was due from the Group's five largest customers for the Group's money lending business.

The credit risks for bank balances are considered minimal as such amounts are placed with banks with good credit ratings.

Liquidity Risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents. Details of the Group's obligation under finance leases, borrowings, and loans from shareholders of a subsidiary are disclosed in respective notes. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant a risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	On demand or within one year	More than one year but less than two years	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011				
Trade and other payables	753	—	753	753
Amount due to directors	152	—	152	152
Borrowings *(Note)*	10,333	—	10,333	10,000
	11,238	—	11,238	10,905
At 31 December 2010 (as restated)				
Trade and other payables	8,982	—	8,982	8,982
Loans from shareholders of a subsidiary	48,046	—	48,046	48,046
Convertible notes	48,000	—	48,000	42,922
Borrowings *(Note)*	37,645	—	37,645	35,764
	142,673	—	142,673	135,714
At 1 January 2010 (as restated)				
Trade and other payables	99,077	—	99,077	99,077
Bank overdrafts	22,313	—	22,313	22,313
Obligation under finance leases	822	116	938	908
Borrowings *(Note)*	568,230	—	568,230	495,165
	690,442	116	690,558	617,463

Note: Borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. There was no undiscounted principal amount of these bank loans as at 31 December 2011 and 31 December 2010. At 1 January 2010, the aggregate principal amounts of these bank loans amounted to HK$387,190,000. The directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that such bank loans would be repaid ranging from two years to five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements.

Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments, investment held for trading and available-for-sale financial assets is calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2011				
Derivative financial asset	4,000	—	—	4,000
Investment held for trading	13,920	—	—	13,920
Available-for-sale financial assets	25,200	—	—	25,200
	43,120	—	—	43,120

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2010				
Derivative financial asset	—	—	8,410	8,410
Convertible notes	—	42,922	—	42,922

There were no transfers between Level 1 and 2 in the current and prior years.

For the valuation of financial instruments with significant unobservable inputs, the net asset value of Delta Wealth Finance Limited ("Delta Wealth") as reported by management of the subsidiary has been applied in the determination of fair value of derivative financial assets under Level 3 of the fair value.

Reconciliation of Level 3 fair value measurements of financial assets

	Derivative financial asset *HK$'000*
At 1 January 2010 (as restated)	—
Fair value on acquisition	9,864
Charged to profit or loss	(1,454)
At 31 December 2010 and 1 January 2011 (as restated)	8,410
Charged to profit or loss	(4,444)
Exercise of put option	(3,966)
At 31 December 2011	—

Of the total gains or losses for the year included in profit or loss, approximately HK$4,444,000 (2010: HK$1,454,000) relates to derivative financial asset held at the end of the reporting period. Fair value changes on derivative financial assets are included in "Change in fair value of derivative financial assets" on the face of consolidated income statement.

8. REVENUE

Revenue represents the amounts received and receivable from the business of money lending and provision of credits, and provision of corporate secretarial and consultancy services during the year. The following is an analysis of the Group's revenue from continuing operations:

	2011 *HK$'000*	**2010** *HK$'000*
Interest income from loan receivables	52,958	4,369
Consultancy income	411	—
Handling charges and administration fee income	—	16
	53,369	4,385

9. SEGMENT INFORMATION

Segment Revenue and Results

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Money lending — business of money lending and provision of credits
2. Consultancy services — provision of corporate secretarial and consultancy services
3. Securities investments — trading of securities and investment in long-term securities

In the prior years, the Group was involved in the Plywood Business and the operating segments were reported from geographic perspective to business nature under the Plywood Business. The Plywood Business was discontinued with effect from 30 December 2010 (note 13).

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Segment revenue		
From external customers:		
Money lending	52,958	4,385
Consultancy services	411	—
Securities investments	—	—
	53,369	4,385
Segment (loss) profit		
Money lending	(112,489)	1,019
Consultancy services	407	—
Securities investments	(56,221)	—
	(168,303)	1,019
Unallocated corporate expenses	(4,510)	(9,235)
Unallocated corporate income	8	3,607
Change in fair value of convertible notes	(5,078)	11,350
Change in fair value of derivative financial assets	24,371	(1,454)
Gain on disposal of a subsidiary	11,199	—
(Loss) profit before taxation from continuing operations	(142,313)	5,287

The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit attributable to each segment without allocation of central administration costs, directors' emoluments, bank interest income, change in fair value of convertible notes, change in fair value of a derivative financial asset, impairment loss on available-for-sale financial assets and gain on disposal of a subsidiary. This is the measure reported to the chief operating decision maker for the purposes of the resources allocation and performance assessment.

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Segment assets			
Continuing operations:			
Money lending	330,165	157,399	—
Consultancy services	311	—	—
Securities investments	39,120	—	—
Total segment assets	369,596	157,399	—
Assets relating to discontinued operation	—	—	75,198
Unallocated corporate assets	51,987	70,669	457,296
Consolidated total assets	421,583	228,068	532,494
Segment liabilities			
Continuing operations:			
Money lending	9,573	44,746	—
Consultancy services	500	—	—
Securities investments	—	—	—
Total segment liabilities	10,073	44,746	—
Liabilities relating to discontinued operation	—	—	584,267
Unallocated corporate liabilities	1,399	91,787	43,749
Consolidated total liabilities	11,472	136,533	628,016

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, interest in an associate, deferred tax assets, investment deposits, derivative financial asset, certain other receivables and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than convertible notes, amounts due to directors, bank overdrafts, certain other payables and tax liabilities.

Other Segment Information
For the year ended 31 December 2011

	Continuing operations				
	Money lending	**Consultancy services**	**Securities investments**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included the measure of segment profit or loss or segment assets:					
Impairment loss on available-for-sale financial assets	—	—	54,990	—	54,990
Change in fair value of investment held for trading	—	—	1,231	—	1,231
Impairment loss recognised in respect of loan receivables	145,171	—	—	—	145,171
Interest income	(52,958)	—	—	—	(52,958)
Interest expense	2,652	—	—	—	2,652
Additions to available-for-sale financial assets	—	—	80,190	—	80,190
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Depreciation on property, plant and equipment	—	—	—	40	40
Additions to property, plant and equipment	—	—	—	178	178
Additions to investment deposits	—	—	—	20,000	20,000
Change in fair value of convertible notes	—	—	—	5,078	5,078
Change in fair value of derivative financial assets	—	—	—	(24,371)	(24,371)
Gain on disposal of a subsidiary	—	—	—	(11,199)	(11,199)
Net foreign exchange gain	—	—	—	(4)	(4)
Interest income	—	—	—	(3)	(3)
Interest expense	—	—	—	50	50
Income tax expense	—	—	—	2,646	2,646

For the year ended 31 December 2010

	Continuing operations				
	Money lending	**Consultancy services**	**Securities investments**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included the measure of segment profit or loss or segment assets:					
Interest income	(4,369)	—	—	—	(4,369)
Interest expense	855	—	—	—	855
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Depreciation on property, plant and equipment	—	—	—	8	8
Additions to property, plant and equipment	—	—	—	1,695	1,695
Net foreign exchange loss	—	—	—	210	210
Income tax expense	—	—	—	148	148

Geographical Information

The Group's operations are located in Hong Kong.

The geographical location of the Group's revenue from external customers based on the location of the operations and the Group's non-current assets, excluded those relating to discontinued operations, property, plant, and equipment, investment deposits and available-for sale financial assets is based on the location of the assets in Hong Kong.

Information about Major Customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2011	**2010**
	HK$'000	*HK$'000*
		(Restated)
Customer A (Revenue from money lending)	10,787	N/A

No revenue from the continuing operations with any single external customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2010.

10. INTEREST EXPENSES

	2011	**2010**
	HK$'000	*HK$'000*
		(Restated)
Continuing operations:		
Interest on:		
— other borrowings wholly repayable within one year	2,602	855
— convertible notes	50	—
	2,652	855

11. OTHER INCOME AND GAINS

	2011	**2010**
	HK$'000	*HK$'000*
		(Restated)
Continuing operations:		
Bank interest income	3	—
Consultancy services	411	—
Waiver of salary of a deceased employee	—	2,962
Others	5	661
	419	3,623

12. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Continuing operations:		
Hong Kong Profits Tax		
— Current year	2,646	148

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
(Loss) profit before taxation from continuing operations	(142,313)	5,287
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	(23,482)	872
Tax effect of expenses not deductible for tax purpose	18,007	1,150
Tax effect of income not taxable for tax purpose	(6,002)	(1,874)
Tax effect of deductible temporary differences not recognised	12,903	—
Tax effect of tax losses not recognised	1,220	—
Tax charge for the year	2,646	148

Details of deferred tax were set out in note 21.

13. DISCONTINUED OPERATIONS

During the year ended 31 December 2010, the Group entered into a sale and purchase agreement to dispose of its Plywood Business through disposal of its wholly-owned subsidiaries Ankan Holdings Limited ("AHL") (including its subsidiaries and an associated company), Georich Trading Limited ("GTL") and SMI Global Corporation ("SMI") (collectively referred to as the "Disposal Group"). The disposal was effected in order to focus resources for the expansion of the Group's other businesses. The disposal was completed on 30 December 2010, on which date control of the Plywood Business passed to the acquirer. Details of which are set out in the circular of the Company dated 25 November 2010.

The combined results of the discontinued operation (i.e. the Plywood Business) included in the consolidated income statement and consolidated statement of cash flows are set out below.

The profit for the period from the discontinued operation is analysed as follows:

	Period ended 30/12/2010
	HK$'000
	(Restated)
Loss of the Plywood Business for the period	(73,320)
Gain on disposal of the Plywood Business *(Note 43)*	144,476
Profit for the period from discontinued operations	71,156

The combined results of the Disposal Group for the period from 1 January 2010 to 30 December 2010, which have been included in the consolidated income statement, were as follows:

	Period ended 30/12/2010 *HK$'000* (Restated)
Turnover	397,997
Cost of sales	(381,043)
Gross profit	16,954
Other income and gains	11,587
Selling and distribution expenses	(33,023)
Administrative expenses	(53,467)
Share of loss of an associate	(186)
Finance costs	(15,185)
Loss before taxation	(73,320)
Income tax expense	—
Loss for the period from discontinued operations attributable to owners of the Company	(73,320)
Net cash from operating activities	74,212
Net cash from investing activities	160,159
Net cash used in financing activities	(181,238)
Net cash inflow	53,133

Loss for the period from discontinued operations including the following:

	Period ended 30/12/2010 *HK$'000* (Restated)
Auditor's remuneration	428
Cost of inventories sold	381,957
Depreciation of property, plant and equipment	49,303
Staff costs (excluding directors' emoluments)	
— Salaries, wages and other benefits	11,272
— Contributions to retirement contribution plan	1,539
Total staff costs	12,811
Minimum lease payment under operating leases in respect of land and buildings	529
Net foreign exchange losses	19,925
Gain on disposal of property, plant and equipment	(9,034)
Gain on disposal of subsidiaries	(144,476)

14. (LOSS) PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000 (Restated)
(Loss) profit for the year has been arrived at after charging (crediting):		
Continuing operations:		
Auditor's remuneration	600	1,376
Directors' emoluments *(Note 15)*	473	2,700
Staff costs (excluding directors' emoluments)		
— Salaries, wages and other benefits	3,337	661
— Contributions to retirement contribution plan	92	16
Total staff costs	3,429	677
Depreciation of property, plant and equipment	40	8
Net foreign exchange (gain) losses	(4)	210
Minimum lease payment under operating lease in respect of land and buildings	467	70

15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2010: sixteen) directors were as follows:

For the year ended 31 December 2011

	Fees HK$'000	Salary HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors:				
Dr. Budiono Widodo[1]	—	—	—	—
Mr. Sardjono Widodo[1]	—	—	—	—
Ms. Jia Hui	—	—	—	—
Mr. Huang Chuan Fu	—	—	—	—
Mr. Jiang Yi Ren	—	—	—	—
Mr. Liang Jian Hua	—	—	—	—
Mr. Ng Kwok Fai[2]	148	—	—	148
Non-executive director:				
Mr. Chan Kin Sang[4]	121	—	—	121
Independent non-executive directors:				
Mr. Li Sui Yang[3]	4	—	—	4
Mr. Wong Chun Hung	100	—	—	100
Mr. Cheng Po Yuen	100	—	—	100
	473	—	—	473

1 Resigned on 17 January 2011
2 Appointed on 24 November 2011
3 Appointed on 16 December 2011
4 Re-designated as non-executive director from independent non-executive director on 16 December 2011

For the year ended 31 December 2010 (Restated)

	Fees	Salary	Retirement benefit scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Dr. Budiono Widodo	—	1,306	—	1,306
Mr. Sardjono Widodo	700	—	—	700
Mr. Liao Yun Kuang[1]	—	350	—	350
Mr. Yu Chien Te[1]	—	163	8	171
Ms. Jia Hui[2]	—	—	—	—
Mr. Huang Chuan Fu[2]	—	—	—	—
Mr. Jiang Yi Ren[3]	—	—	—	—
Mr. Liang Jian Hua[3]	—	—	—	—
Non-executive directors:				
Mr. Pipin Kusnadi[4]	16	—	—	16
Mr. Sudjono Halim[4]	16	—	—	16
Independent non-executive directors:				
Mr. Marzuki Usman[1]	39	—	—	39
Mr. Wong Chun Hung[5]	—	31	—	31
Mr. Chan Kin Sang[5]	—	31	—	31
Mr. Kusnadi Widjaja[6]	16	—	—	16
Mr. Siah Chong Huat[6]	16	—	—	16
Mr. Cheng Po Yuen[7]	—	8	—	8
	803	1,889	8	2,700

1 Resigned on 28 October 2010
2 Appointed on 13 April 2010
3 Appointed on 29 April 2010
4 Resigned on 13 April 2010
5 Appointed on 22 April 2010
6 Resigned on 22 April 2010
7 Appointed on 24 November 2010

No directors waived any emoluments in both years.

16. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, nil (2010: five) were directors of the Company whose emoluments are included in the disclosures in note 15. The emoluments of the five highest paid individuals for the year ended 31 December 2011 were as follows:

	2011	2010
	HK$'000	*HK$'000* (Restated)
Salaries, allowance, other benefits and bonus	3,337	—
Retirement benefit schemes contribution	92	—
	3,429	—

The emoluments of highest paid individuals fell within the nil to HK$1,000,000 band.

During the two years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office.

17. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting date (2010: nil).

18. (LOSS) EARNINGS PER SHARE

From Continuing and Discontinued Operations

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2011	**2010**
	HK$'000	*HK$'000*
		(Restated)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share	(134,081)	75,914
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible notes	—	(11,350)
(Loss) earnings for the purpose of diluted (loss) earnings per share	(134,081)	64,564

	2011	**2010**
Number of shares	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	332,913	35,860
Effect of dilutive potential ordinary shares:		
Convertible notes	—	178
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	332,913	36,038

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share has been adjusted for the consolidation of shares on 10 January 2011 and 20 March 2012 and the effect of right issues on 18 May 2011. Details of the share consolidation and right issue are set out in notes 36 and 48 respectively.

The denominator for the purpose of calculating basic earnings per share in 2010 has been adjusted to effect of the rights issue during the year ended 31 December 2011.

From Continuing Operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

(Loss)/earnings figures are calculated as follows:

	2011	**2010**
	HK$'000	*HK$'000*
		(Restated)
(Loss) earnings for the year attributable to owners of the Company	(134,081)	75,914
Less: loss for the year from discontinued operations	—	(71,156)
(Loss) earnings for the purpose of basic (loss) earnings per share	(134,081)	4,758
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible notes	—	(11,350)
Loss for the purpose of diluted loss per share	(134,081)	(6,592)

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

From Discontinuing Operations

For the year ended 31 December 2010, basic and diluted earnings per share for the discontinued operation are HK$1.98 and HK$1.97 respectively per share based on the profit for the period from the discontinued operation approximately HK$71,156,000 and the denominators detailed above for both basic and diluted (loss) earnings per share.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land held for own use under finance lease *HK$'000*	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fittings and equipment *HK$'000*	Motor vehicles *HK$'000*	Jetty *HK$'000*	Construction-in-progress *HK$'000*	Total *HK$'000*
AT COST									
At 1 January 2010 (as restated)	25,112	264,703	4,149	791,822	18,605	7,407	12,114	2,730	1,126,642
Additions	—	171	513	474	78	—	—	459	1,695
Exchange differences	124	687	10	2,119	41	18	30	6	3,035
Disposals	—	(155,140)	—	—	—	—	—	—	(155,140)
Disposal of subsidiaries	(25,236)	(110,421)	(4,672)	(794,415)	(18,293)	(7,425)	(12,144)	(3,195)	(975,801)
At 31 December 2010 and 1 January 2011 (as restated)	—	—	—	—	431	—	—	—	431
Additions	—	—	—	—	178	—	—	—	178
At 31 December 2011	—	—	—	—	609	—	—	—	609
ACCUMULATED DEPRECIATION									
At 1 January 2010 (as restated)	(2,645)	(79,300)	(3,955)	(604,727)	(16,612)	(6,864)	(3,979)	—	(718,082)
Provided for the year	(241)	(5,263)	(225)	(42,649)	(490)	(202)	(241)	—	(49,311)
Exchange differences	(22)	(233)	(10)	(1,594)	(32)	(17)	(9)	—	(1,917)
Eliminated on disposals	—	36,058	—	—	—	—	—	—	36,058
Eliminated on disposal of subsidiaries	2,908	48,738	4,190	648,970	16,738	7,083	4,229	—	732,856
At 31 December 2010 and 1 January 2011 (as restated)	—	—	—	—	(396)	—	—	—	(396)
Provided for the year	—	—	—	—	(40)	—	—	—	(40)
At 31 December 2011	—	—	—	—	(436)	—	—	—	(436)
CARRYING VALUES									
At 31 December 2011	—	—	—	—	173	—	—	—	173
At 31 December 2010 (as restated)	—	—	—	—	35	—	—	—	35
At 1 January 2010 (as restated)	22,467	185,403	194	187,095	1,993	543	8,135	2,730	408,560

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	2% to 3%
Leasehold improvements	Over the shorter of expected useful life and period of the lease
Plant and machinery	6% to 10%
Furniture, fittings and equipment	10% to 20%
Motor vehicles	12.5% to 20%
Jetty	2%

20. INTEREST IN AN ASSOCIATE

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Cost of investment in an unlisted associate	—	—	3,847
Share of post-acquisition loss and other comprehensive income	—	—	(3,660)
	—	—	187
Amount due from an associate *(Note)*	—	—	5,281
	—	—	5,468

Note: The amount was unsecured, non-interest bearing and repayable on demand.

On 30 December 2010, the Group disposed of the interest in an associate along with the Disposal Group (Note 13).

The summarised financial information in respect of the associate is set out below:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Total assets	—	—	6,328
Total liabilities	—	—	(5,879)
Net assets	—	—	449
Group's share of net assets of associates	—	—	217
Turnover	—	—	11,025
Loss for the year	—	(381)	(4,435)
Group's share of loss and other comprehensive loss of associates for the year	—	(186)	(2,148)

21. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior reporting periods.

Deferred Tax Assets

	Tax losses and unused tax credits		
	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
At 1 January	—	84,411	89,941
Exchange realignment	—	206	969
Charged to consolidated income statement for the year			
continuing operations	—	—	—
discontinued operations	—	(2,910)	(6,499)
Disposal of subsidiaries	—	(81,707)	—
	—	—	84,411

Deferred Tax Liabilities

	Accelerated tax depreciation		
	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
At 1 January	—	46,719	52,660
Exchange realignment	—	114	558
Credited to consolidated income statement for the year			
continuing operations	—	—	—
discontinued operations	—	(2,910)	(6,499)
Disposal of subsidiaries	—	(43,923)	—
	—	—	46,719
Deferred tax assets (net)	—	—	37,692

Deferred income tax assets are recognised for tax losses and unused tax credits carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

No deferred tax asset attributable to deductible temporary differences and tax losses of the Group have been recognised for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits and deductible temporary differences of approximately HK$7,391,000 (2010: nil) and HK$78,197,000 (2010: nil) respectively.

22. LOAN RECEIVABLES

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Fixed-rate loan receivables	273,221	145,752	—
Current portion included under current assets	(273,221)	(140,761)	—
Amount due after one year	—	4,991	—

The term of loans entered with customers ranges within one year. All installment loan receivables are denominated in Hong Kong dollars. The loan receivables carry fixed effective interest ranging from 8% to 48% per annum. Included in the carrying amounts of loan receivables as at 31 December 2011 is accumulated impairment loss of HK$109,483,000 (2010: nil). An aged analysis of the loan receivables net of impairment loss at the end of the reporting period, based on the loan agreement commencement date, is as follows:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
0–30 days	5,855	37,912	—
31–90 days	65,797	62,336	—
91–180 days	12,649	32,762	—
181–365 days	188,920	11,996	—
Over 365 days	—	746	—
	273,221	145,752	—

Set out below is an analysis of loan receivables that are past due but not impaired:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Overdue less than 1 month[1]	17,867	17,586	—

1 As at 31 December 2011, the amount was not subject to any collateral. As at 31 December 2010, the amount were not subject to any collateral except for a loan amount with carrying value of approximately HK$498,000 was subject to collateral for a property amounting to approximately HK$9,998,000.

The movements in provision for impairment of loan receivables are as follows:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
At 1 January	—	—	—
Impairment loss recognised in respect of loan receivables	145,171	—	—
Disposal of a subsidiary	(35,688)	—	—
At 31 December	109,483	—	—

Included in the above impairment loss recognised at 31 December 2011 was individually impaired loan receivables with a carrying amount of HK$315,536,000 (2010: nil) before impairment which have been in financial difficulties.

As at 31 December 2011, loan receivables amounting to approximately HK$222,411,000 (2010: HK$21,629,000) were subject to collateral for shares amounting approximately HK$188,385,000 (2010: properties and shares amounting to HK$85,862,000 and HK$4,641,000 respectively).

23. INVESTMENT DEPOSITS

On 28 July 2011, the Company entered into a memorandum of understanding ("MOU") with two independent third parties ("the Vendors") in relation to the potential acquisition of 30% equity interests in Profit Grand Enterprises Limited ("PGE") and its subsidiary (collectively the "PGE Group"). PGE Group has been granted the right to operate sawmills, harvest trees and sell logs, in the forest located in the Independent State of Papua New Guinea with ground area of approximately 65,800 hectares. Pursuant to the MOU, the Group paid a refundable deposit of HK$10,000,000 for this potential acquisition.

On 2 December 2011, Century Praise Limited ("Century Praise"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with the Vendors in relation to this potential acquisition. Century Praise had further paid a refundable deposit of HK$10,000,000 for this potential acquisition.

Up to the approval date of the financial statements, the acquisition has not been completed.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 27 May 2011 and 2 June 2011, the Group acquired equity interests in a company listed on the Stock Exchange at an aggregate consideration of HK$80,190,000.

During the year, there had been a significant decline in the market value of the shares of the investment. The Directors consider that such a decline indicates that the listed equity investment has been impaired and an impairment loss of HK$54,990,000 had been recognised and charged directly to the profit or loss for the year ended 31 December 2011.

25. INVENTORIES

	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Raw materials	—	—	22,801
Work-in-progress	—	—	16,271
Finished goods	—	—	20,118
	—	—	59,190

26. TRADE AND OTHER RECEIVABLES

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Trade receivables	311	—	10,664
Bills receivables	—	—	5,344
Less: Impairment loss recognised in respect of trade receivables	—	—	(7,073)
	311	—	8,935
Prepayments	705	171	4,521
Other receivables	5,272	10,563	233
Less: Impairment loss recognised in respect of other receivables	—	—	(171)
	5,977	10,734	4,583
Total trade and other receivables	6,288	10,734	13,518

For the year ended 31 December 2011, the Group allowed a credit period in the range from 30 to 90 days to its trade customers. An aged analysis of the trade receivables net of impairment loss at the end of the reporting period, based on the invoice date, is as follows:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Within 90 days	311	—	3,591
91–180 days	—	—	—
181–365 days	—	—	—
Over 365 days	—	—	7,073
	311	—	10,664

The movements in provision for impairment of trade receivables were as follows:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
At 1 January	—	7,073	57,794
Exchange realignment	—	—	(39)
Impairment loss recognised on trade receivables during the year	—	—	62
Amount written off as uncollectible	—	—	(116)
Disposal of subsidiaries	—	(7,073)	(50,628)
At 31 December	—	—	7,073

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Neither past due nor impaired	311	—	3,591
Up to 3 months	—	—	—
3 to 6 months	—	—	—
6 months to 1 year	—	—	—
Over 365 days past due	—	—	7,073
	311	—	10,664

There was no trade receivable balance as at 31 December 2011 and 2010 which was past due for which the Group has not provided for impairment loss at the end of both reporting periods.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement history from those largest debtors of the Group, the directors consider that there is no further credit provision required in excess of the impairment loss recognised for the year. The Group does not hold any collateral over these balances.

The movements in allowance for other receivables were as follows:

	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
At 1 January	—	171	171
Acquired on acquisition of a subsidiary	—	938	—
Impairment losses on other receivables recognised during the year	—	—	—
Disposal of subsidiaries	—	(1,109)	—
At 31 December	—	—	171

As at 31 December 2010 and 2011, all the trade and other debtors are neither past nor impaired.

27. INVESTMENT HELD FOR TRADING

Investment held for trading includes:

	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Listed securities			
Equity securities listed in Hong Kong	13,920	—	—

The fair values of the above listed securities are determined based on the quoted market bid prices available at the relevant exchanges.

28. DERIVATIVE FINANCIAL ASSET

The movement of the derivative financial asset for the year was set out below:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Derivatives:			
Current:			
Listed put option *(Note i)*	—	8,410	—
Listed bonus warrant on equity security listed in Hong Kong *(Note ii)*	4,000	—	—
	4,000	8,410	—

Notes:

(i) On 24 September 2010, the Group entered into a sale and purchase agreement to acquire Delta Wealth, pursuant to which the Group possessed the right to exercise the put option at any time during the exercisable period in respect of acquiring back all of the 510,000 shares of Delta Wealth by the vendor. This represented 51% of the entire issued share capital of Delta Wealth by the vendor as at completion date.

On 13 October 2011, the Group entered into a sale and purchase agreement to dispose Delta Wealth, pursuant to which the Group exercised the put option to require Favor Way Investments Limited ("Favor Way"), the non-controlling shareholder of Delta Wealth, to acquire back all of the 510,000 shares of Delta Wealth.

The value of each of the put option at 19 October 2010, 31 December 2010 and 13 October 2011 were valued by AVISTA Valuation Advisory, an independent qualified valuer not connected to the Group, using the binomial model. The key inputs into the model at the time of exercise of the options and further details are set out below.

	13/10/2011	31/12/2010	19/10/2010
	HK$'000	*HK$'000*	*HK$'000*
Derivative financial asset — Put option:			
Grant date	19 October 2010	19 October 2010	19 October 2010
Expected volatility	52%	43%	48%
Risk free rate	0.09%	0.34%	0.42%
Exercisable period	14 October 2011 to 30 December 2011	1 January 2011 to 30 December 2011	20 October 2010 to 30 December 2011
Expected dividend yield	Nil	Nil	Nil

Expected volatility was measured at the standard deviation of expected share price returns based on statistical analysis of average daily share prices of comparable companies with similar business of the Company for a period of 1.2 years to 1 year.

(ii) On 18 August 2011, the Group was granted 400,000,000 listed warrants issued by a company listed on the Stock Exchange at nil consideration. The fair value at 31 December 2011 was determined based on the closing market price as at that date. Each warrant confers the right to subscribe for one ordinary share of the issuer at a subscription price of HK$0.03. The warrants will be expired on 21 August 2012.

29. BANK BALANCES AND CASH

Bank balances carry interests at market rates based on daily bank deposit rates.

The bank balances are deposited with creditworthy banks with no recent history of default.

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Malaysian Ringgit	—	—	163
Singapore dollars	—	—	1,388
United States dollars	—	—	845
Chinese Renminbi	394	—	—
	394	—	2,396

30. TRADE AND OTHER PAYABLES

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Trade payables	—	—	88,234
Accrued expenses and other payables	1,253	8,982	20,636
	1,253	8,982	108,870

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Within 90 days	—	—	47,037
91–180 days	—	—	22,204
181–365 days	—	—	12,130
Over 365 days	—	—	6,863
	—	—	88,234

The average credit period granted by the suppliers of the Group in 2010 ranged from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

31. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	31/12/2011	31/12/2010	1/1/2010	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance lease:						
Within one year	—	—	822	—	—	799
In more than one year, but not more than five years	—	—	116	—	—	109
	—	—	938	—	—	908
Less: future finance charges	—	—	(31)			
Present value of lease obligation	—	—	907			
Less: Amount due for settlement within twelve months (shown under current liabilities)				—	—	(799)
Amount due for settlements after twelve months				—	—	109

It was the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The lease term was three years, and the ownership of the assets lie within the Group.

32. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, non-interest bearing and repayable on demand.

33. CONVERTIBLE NOTES

Convertible Note A — Designated at FVTPL

On 19 October 2010, the Company entered into a purchase agreement with Favor Way, an independent third party, for acquisition of Delta Wealth. Pursuant to the said purchase agreement, the Company issued to Favor Way convertible notes (the "Convertible Note A") at its nominal value of HK$48,000,000.

On 13 October 2011, the Company entered into a sale and purchase agreement with Favor Way for disposal of Delta Wealth. Pursuant to the said sale and purchase agreement, Favor Way has conditionally agreed to acquire Delta Wealth at the consideration of HK$52,000,000, which included HK$4,000,000 cash consideration and the cancellation of Convertible Note A with principal amount of HK$48,000,000 which was issued to Favor Way on 19 October 2010. The transaction was completed on 22 December 2011 and Convertible Note A was cancelled on 22 December 2011.

The principal terms of the Convertible Note A is as follows:

The convertible notes were denominated in Hong Kong dollars. The convertible notes entitled the holders to convert them into ordinary shares of the Company at any time between the date of issue of the convertible notes and its maturity date on 31 December 2011 at initial conversion price of HK$0.16 per share. If the convertible notes had not been converted, it would be redeemed on 31 December 2011 at nominal value. The convertible notes did not carry interest on the principal amount.

The Convertible Note A, which has been designated at FVTPL, was fairly valued by the directors of the Company with reference to a valuation report issued by AVISTA Valuation Advisory, an independent qualified valuer not connected to the Group. The change in fair value of the convertible notes of approximately HK$5,078,000 and HK$11,350,000 had been recognised in the consolidated income statement for the year ended 31 December 2011 and 31 December 2010 respectively.

The assumptions adopted for the valuation of the convertible notes are as follows:

(1) The estimation of risk-free rate has made reference to the yield of Exchange Fund Bill with same duration as the convertible notes;

(2) The estimation of volatility for the underlying share price has considered the historical price movements of those companies engaged in relatively to similar industry; and

(3) The discount rate was arrived at based on the Company's credit rating and select comparable corporate bonds with similar maturity and credit risk to derive the range of comparable yield to maturity as of date of valuation and the median range has been adopted.

The fair value of the convertible notes was calculated using the binomial model. Major parameter adopted in the calculation of the fair value are summarised below into the model was as follow:

	22/12/2011	**31/12/2010**	**19/10/2010**
Stock price	HK$0.024	HK$0.06	HK$0.16
Exercise price	HK$0.274	HK$0.16	HK$0.16
Risk-free rate	0.07%	0.34%	0.42%
Discount rate	11.45%	12.00%	13.60%
Expected life	10 days	1 year	1.2 years

The movement of the convertible notes for the year was set out below:

	HK$'000
Issued on 19 October 2010	54,272
Fair value change in profit or loss	(11,350)
Carrying amount at 31 December 2010	42,922
Fair value change in profit or loss	5,078
Disposal of a subsidiary	(48,000)
Carrying amount at 31 December 2011	—

None of the Convertible Note A had been converted into ordinary shares of the Company during the years ended 31 December 2010 and 2011.

Convertible Notes B and C — Amortised Cost

On 16 May 2011, the Company issued 6% convertible notes (the "Convertible Note B") to several independent third parties in the principal amount of HK$100,000,000. The initial conversion price was HK$0.58. On 18 May 2011, the conversion price was adjusted to HK$0.082 as a result of the right issue set out in note 36. The Convertible Note B in the principal amount of HK$100,000,000 were fully converted into 1,219,512,192 ordinary shares of the Company at HK$0.025 on 18 May 2011.

The effective interest rate of the liability component is 9.69%.

The principal terms of Convertible Note B are as follows:

The maturity date of Convertible Note B is 18 months from the date of issue. The conversion rights attaching to Convertible Note B can be exercised at any time up to the fifth day before the maturity of Convertible Note B. Convertible Note B included an early redemption option of which the Company can redeem whole or part of the outstanding Convertible Note B at an amount equal to 100% of the principal amount at any time and from time to time at the option of the Company prior to the maturity date.

On 29 November 2011, the Company issued 2% convertible notes (the "Convertible Note C") to several independent third parties in the principal amount of HK$89,600,000. The initial conversion price was HK$0.028. The Convertible Note C in the principal amount of HK$89,600,000 were fully converted into 3,200,000,000 ordinary shares of the Company at HK$0.025 on 29 November 2011.

The effective interest rate of the liability component is 22.68%.

The principal terms of the Convertible Note C are as follows:

The maturity date of Convertible Note C is 18 months from the date of issue. The conversion rights attaching to Convertible Note C can be exercised at any time up to the fifth day before the maturity of Convertible Note C. Convertible Note C included an early redemption option of which the Company can redeem whole or part of the outstanding Convertible Note C at an amount equal to 100% of the principal amount at any time and from time to time at the option of the Company prior to the maturity date of Convertible Note C.

Both the Convertible Note B and Convertible Note C contain three components: liability component, equity component and derivative component.

The Company's early redemption option embedded in the Convertible Note B and Convertible Note C was accounted for as "Derivative financial assets" and was measured at fair value with changes in fair value recognised profit or loss.

The derivative financial assets of Convertible Note B and Convertible C were fairly valued by the directors of the Company with reference to a valuation report issued by BMI Appraisal Limited, an independent qualified valuer not connected to the Group.

The fair value of the derivative financial assets of Convertible Note B and Convertible Note C were calculated using the binominal model. Major parameter adopted in the calculation of the fair value are summarised below into the model was as follow:

	Convertible Note B		**Convertible Note C**
	16/5/2011	**18/5/2011**	**29/11/2011**
Stock price	HK$0.320	HK$0.122	HK$0.034
Exercise price	HK$0.580	HK$0.082	HK$0.028
Risk-free rate	0.34%	0.35%	0.21%
Expected volatility	197.07%	203.46%	219.9%
Expected dividend yield	0%	0%	0%
Expected life	18 months	18 months	18 months

The assumptions adopted for the valuation of the Convertible Note B and Convertible Note C are as follows:

(1) The estimation of risk-free rate has made reference to the yield of Hong Kong Exchange Fund Note with same duration as the convertible note;

(2) The expected volatility for the underlying security of the redemption option was determined based on the historical volatility of the share prices of the Company; and

(3) The expected dividend yield of the underlying security of the redemption option was determined based on the historical dividend payment record of the Company.

The movements of the liability, equity and derivatives components of Convertible Note B and Convertible Note C for the year are set out below:

Convertible Note B

	Liability	**Derivative financial assets**	**Equity**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	—	—	—	—
Issued during the year	96,632	(34,127)	37,495	100,000
Transaction costs	(1,801)	—	(699)	(2,500)
Change in fair value	—	(24,815)	—	(24,815)
Conversion to shares during the year	(94,848)	58,942	(36,796)	(72,702)
Imputed interest expense	50	—	—	50
Interest paid	(33)	—	—	(33)
At 31 December 2011	—	—	—	—

Convertible Note C

	Liability	**Derivative financial assets**	**Equity**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	—	—	—	—
Issued during the year	68,242	(34,709)	56,067	89,600
Transaction costs	(1,230)	—	(1,010)	(2,240)
Conversion to shares during the year	(67,012)	34,709	(55,057)	(87,360)
At 31 December 2011	—	—	—	—

34. BORROWINGS AND BANK OVERDRAFTS

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Current			
Banker's acceptance and other banking facilities	—	—	80,354
Short term bank borrowings	—	—	410,111
Collateralised borrowings	—	—	4,700
Other borrowings	10,000	35,764	—
	10,000	35,764	495,165
Bank overdrafts	—	—	22,313
	10,000	35,764	517,478

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Analysed as:			
Secured	—	—	414,811
Unsecured	10,000	35,764	102,667
	10,000	35,764	517,478

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Carrying amounts repayable:			
On demand or within one year	10,000	35,764	130,013
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	—	—	387,465
	10,000	35,764	517,478
Less: Amounts due within one year shown under current liabilities	(10,000)	(35,764)	(517,478)
	—	—	—

Other borrowings represented borrowings from independent third parties.

	Maturity date	Effective interest rate	Carrying amount 31/12/2011	31/12/2010	1/1/2010
			HK$'000	*HK$'000* (Restated)	*HK$'000* (Restated)
Fixed rate unsecured other borrowings denominated in HK$:					
Other HK$ loan of HK$10,000,000	3 May 2012	10.00%	10,000	—	—
Other HK$ loan of HK$15,000,000	24 September 2011	4.00%	—	15,162	—
Other HK$ loan of HK$12,000,000	6 October 2011	5.25%	—	12,102	—
Other HK$ loan of HK$8,500,000	21 January 2011	1.00%	—	8,500	—
			10,000	35,764	—

The ranges of the effective interest rates which are also equal to contracted interest rates on the Group's loans are as follows:

	2011	2010	2009
Effective interest rates:			
Fixed rate loans	10.00%	1.00% to 5.25%	2.82% to 3.50%
Variable rate loans	—	—	3.75% to 7.53%

35. LOANS FROM SHAREHOLDERS OF A SUBSIDIARY

The amounts are unsecured, non-interest bearing and repayable on demand.

36. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
At 1 January 2010		
Ordinary share of HK$0.025 each	8,000,000	200,000
Capital reorganisation *(Note a)*	192,000,000	—
At 31 December 2010		
Ordinary share of HK$0.001 each	200,000,000	200,000
Share consolidation *(Note c)*	(192,000,000)	—
Capital reorganisation *(Note e)*	8,000,000	200,000
At 31 December 2011		
Ordinary share of HK$0.025 each	16,000,000	400,000
Issued and fully paid:		
At 1 January 2010	1,327,779	33,194
Capital reorganisation *(Note a)*	—	(38,540)
Issue of shares *(Note b)*	586,540	6,960
Issue of shares upon acquisition of a subsidiary *(Note 42)*	12,500	313
At 31 December 2010	1,926,819	1,927
Share consolidation *(Note c)*	(1,849,747)	—
Issue of rights shares *(Note d)*	2,774,183	69,355
Issue of shares *(Note f)*	2,632,634	65,815
Issue of shares upon conversion of convertible notes *(Note g)*	4,419,512	110,488
At 31 December 2011	9,903,401	247,585

Notes:

(a) On 30 November 2010, the shareholders approved the share capital of the Company be reorganised in the followings manners:

(i) the paid-up capital and nominal value of each issued share was reduced from HK$0.025 to HK$0.001 by cancelling paid-up capital to the extent of HK$0.024 on each issued share of the Company;

(ii) each of the authorised but unissued share in the capital of the Company be subdivided into 25 shares of HK$0.001 each where the authorised share capital of the Company should remain unchanged; and

(iii) the credit of approximately HK$38.54 million arising from the capital reduction was applied to the contributed surplus account of the Company and be used to offset accumulated losses of the Company.

(b) During the year ended 31 December 2010, agreements were made for private placement of the Company's shares to independent private investors as follows:

Date of shares issued	Issue price	Number of shares issued
29 March 2010	HK$0.158	265,540,000
9 December 2010	HK$0.105	321,000,000
		586,540,000

(c) Pursuant to the announcement and circular dated 20 December 2010, share consolidation on the basis that every 25 issued and unissued shares of HK$0.001 each in the share capital of the Company have been consolidated into one consolidated share of HK$0.025 each with effect from 10 January 2011. Prior to the date of share consolidation, there were 1,926,819,448 issued shares, after the share consolidation, the number of issued shares have changed to 77,072,999.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

(d) On 13 April 2011, the shareholders of the Company approved by way of poll of the rights on the basis of thirty rights shares for every one share held on the record date of 26 April 2011 at a subscription price of HK$0.08 per rights share. The private placement raised net proceeds of approximately HK$74,621,000. The rights issue became unconditional on 18 May 2011. 2,774,183,310 rights shares with the par value of HK$0.025 each were allotted and issued on 18 May 2011 and raised net proceed of approximately HK$215,388,000. Details of the rights issue were set out in the circular of the Company dated 28 March 2011.

(e) Pursuant to an ordinary resolution passed at the Company's special general meeting held on 24 November 2011, the Company's authorised share capital was issued to 16,000,000,000 ordinary shares of HK$0.025 each by the creation of 8,000,000,000 ordinary shares of HK$0.025 each.

(f) On 21 January 2011, the Company entered into a placing agreement to place 15,400,000 new ordinary shares with the par value of HK$0.025 each at a price of HK$0.73 per placing share. Furthermore, the Company entered into a supplemental agreement with the placing agent, pursuant to which the placing price had been revised to HK$0.74 per placing share. Net proceeds of approximately HK$11,030,000 were raised and used as general corporate and working capital of the Group and/or for the future development of the Group. Such placing of shares was completed on 31 January 2011.

On 18 October 2011, the Company entered into the share placing agreement with the share placing agent relating to the placing of 817,233,655 new shares. The share placing agreement was fulfilled and that the share placing has been completed on 3 November 2011. The shares have been placed with the par value of HK$0.025 at a price of HK$0.032 to six independent places.

On 18 October 2011, the Company entered into the share subscription agreement with the subscriber pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,800,000,000 subscription shares with the par value of HK$0.025 at the share subscription price of HK$0.025 per subscription share. The conditions precedent under the share subscription agreement were fulfilled and the share subscription has completed on 24 November 2011 with the proceed of HK$45,000,000.

Date of share issued	Issue price	Number of shares issued
21 January 2011	HK$0.74	15,400,000
18 October 2011	HK$0.032	817,233,655
18 October 2011	HK$0.025	1,800,000,000
		2,632,633,655

(g) On 13 April 2011, the shareholders of the Company approved by way of poll to place the placing convertible notes with an aggregate principal amount of HK$100,000,000. On 16 May 2011, the placing of these placing convertible notes was completed. On 18 May 2011, the conversion price was adjusted to HK$0.082 (convertible into 1,219,512,192 shares with par value of HK$0.025 each) as a result of the aforementioned rights issue. On 18 May 2011, the placing convertible notes were converted in full into 1,219,512,192 shares with the par value of HK$0.025 each.

On 18 October 2011, the Company entered into the convertible notes placing agreement with a placing agent with an aggregate principal amount of HK$89,600,000. The convertible notes placing agreement were fulfilled and that the share placing has been completed on 29 November 2011. The convertible notes have been placed to six independent places. The convertible notes have been converted by the convertible notes holders at the conversion price of HK$0.028 (convertible into 3,200,000,000 shares with par value of HK$0.025) on the same day.

37. OTHER RESERVES

(A) The Group

	Contributed surplus *HK$'000*	Translation reserve *HK$'000*	Total *HK$'000*
At 1 January 2010 (as restated)	56,218	(38,044)	18,174
Other comprehensive income for the year	—	4,836	4,836
Capital reduction during the year	38,540	—	38,540
Contributed surplus utilised	(38,540)	—	(38,540)
Release of contributed surplus upon disposal of subsidiaries	(56,218)	—	(56,218)
Release of translation reserve upon disposal of subsidiaries	—	33,048	33,048
At 31 December 2010 (as restated) and 31 December 2011	—	(160)	(160)

The contributed surplus of the Group as at 1 January 2010 mainly represented the waiver of an amount due to directors of subsidiaries and the difference between the net assets of the subsidiaries acquired pursuant to a group reorganisation in 1995 over the nominal value of the company's consideration in exchange therefore.

(B) The Company

	Contributed surplus
	HK$'000
At 1 January 2010 (as restated)	159,616
Capital reduction during the year	38,540
Contributed surplus utilised	(38,540)
Release of contributed surplus upon disposal of subsidiaries	(159,616)
At 31 December 2010 (as restated) and 31 December 2011	—

The contributed surplus of the Group as at 1 January 2010 mainly represented the difference between the net assets of the subsidiaries acquired pursuant to a group reorganisation in 1995 over the nominal value of the company's consideration in exchange therefore.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position information of the Company at the reporting date is as follows:

	Note	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		173	35	—
Investment deposit		10,000	—	—
Investments in subsidiaries	39	—	8	6,825
		10,173	43	6,825
Current assets				
Trade and other receivables		1,194	288	442
Amounts due from subsidiaries *(Note)*		352,643	71,310	6,398
Bank balances and cash		21,170	61,038	54
		375,007	132,636	6,894
Current liabilities				
Amounts due to subsidiaries *(Note)*		—	—	7,771
Convertible notes		—	42,922	—
Borrowing		10,000	—	—
Trade and other payables		900	1,625	9,128
		10,900	44,547	16,899
Net current assets (liabilities)		364,107	88,089	(10,005)
Total assets less current liabilities		374,280	88,132	(3,180)
Capital and reserves				
Share capital		247,585	1,927	33,194
Share premium		340,037	128,651	59,302
Other reserves		—	—	159,616
Accumulated losses		(213,342)	(42,446)	(255,292)
		374,280	88,132	(3,180)

Note: The amounts are unsecured, non-interest bearing and repayable on demand.

39. INVESTMENTS IN SUBSIDIARIES

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Unlisted investments, at cost	—	237,356	236,768
Less: provision for impairment	—	(230,506)	(229,943)
Disposals	—	(6,842)	—
	—	8	6,825

Details of the principal subsidiaries held by the Company as at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Class of shares held	Place of incorporation/ establishment	Place of operations	Particulars of issued share capital/paid up registered capital	Attributable equity interest of the Group		Principal activities
					2011	2010	
Direct subsidiaries							
Best Harvest Asia Limited	Ordinary shares	British Virgin Islands ("BVI")	BVI	US$1	100%	100%	Investment holding
Smart Source Corporation Limited	Ordinary shares	Hong Kong ("HK")	HK	HK$1	100%	100%	Investment holding
Joy Wealth Finance Limited	Ordinary shares	HK	HK	HK$1	100%	100%	Money lending
Treasure Brand Limited[1]	Ordinary shares	BVI	BVI	US$1	100%	—	Inactive
Century Praise Limited[1]	Ordinary shares	BVI	BVI	US$1	100%	—	Investment holding
Alpha Riches Limited[1]	Ordinary shares	BVI	BVI	US$1	100%	—	Inactive
連雲港訊利信息諮詢服務有限公司[3]	Ordinary shares	People's Republic of China ("PRC")	PRC	HK$780,000	100%	100%	Provision for information consultancy services, production and installation of advertising banners
Pacific Vision Advisory Services Limited[1]	Ordinary shares	HK	HK	HK$1	100%	—	Provision for corporate secretarial and consultancy services
Indirect subsidiaries							
Delta Wealth Finance Limited[2] (Formerly known as Head & Shoulders Finance Limited)	Ordinary shares	HK	HK	HK$1,000,000	—	51%	Money lending

1 Newly incorporated during the year ended 31 December 2011.

2 On 19 October 2010, the Group completed the acquisition of 51% equity interest in Delta Wealth which engages in the money lending business in Hong Kong and a shareholder's loan of approximately HK$44,217,000, at an aggregate consideration of HK$48,397,000. This transaction has been accounted for using the acquisition method of accounting. Upon completion of the transaction, Delta Wealth is regarded as a subsidiary of the Group. On 22 December 2011, the Group completed the disposal of 51% equity interest in Delta Wealth which engages in the money lending business in Hong Kong at an aggregate consideration of HK$52,000,000.

3 The Company is registered in the form of wholly foreign owned entity.

None of the subsidiaries had any debt securities at the end of the year or at any time during the year.

40. COMMITMENTS

Operating Leases

The Group as a lessee

The Group leases certain of its office properties under operating lease arrangements. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Within one year	459	482	318
In the second to fifth year inclusive	—	459	39
	459	941	357

Leases are negotiated and rentals are fixed for terms of 2 years (2010: 2 years).

Capital Commitments

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Capital expenditure in respect of the acquisition of a subsidiary contracted but not provided for	290,000	—	—

41. SHARE OPTION SCHEME

Employees' Share Option Scheme of the Company

Before the listing of the Company's shares on the Stock Exchange on 20 November 1995, the Company adopted a share option scheme for employees on 17 October 1995 ("Pre-IPO Option Scheme").

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange, the Company terminated the Pre-IPO Option Scheme and adopted the current share option scheme (the "Scheme"), as approved by the shareholders at the Annual General Meeting on 21 June 2002. Upon the said termination no further options could be granted under the Pre-IPO Scheme but in all other respects, the provisions of the Pre-IPO Option Scheme should remain in force and all outstanding options granted prior to the termination should continue to be valid and exercisable. Details of the Scheme have been set out in the "Letter from the Board" dated 13 May 2002.

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

No share option has been granted under the Scheme during the reporting period.

	Date of grant	Exercisable period	Outstanding on 1 January 2010	Lapsed during 2010	Outstanding on 31 December 2010 and 2011
Executive director:					
Mr. Liao Yun Kuang*	26.8.1999	14.3.2000–13.3.2010	7,425,600	(7,425,600)	—
Other employees	26.8.1999	14.3.2000–13.3.2010	3,003,000	(3,003,000)	—
			10,428,600	(10,428,600)	—

* Mr. Liao Yun Kuang resigned as director of the Company on 28 October 2010.

42. ACQUISITION OF A SUBSIDIARY

On 19 October 2010, the Group completed the acquisition of 51% equity interest in Delta Wealth, which engages in the money lending business in Hong Kong, and a shareholder's loan of approximately HK$44,217,000, at an aggregate consideration of HK$48,397,000. This transaction has been accounted for using the acquisition method of accounting.

The fair value of net assets acquired in the transaction approximate to their carrying amounts and the goodwill arising on acquisition, are as follows:

	HK$'000 (Restated)
Net assets acquired:	
Loan receivables	144,520
Other receivables	365
Bank balances and cash	3,356
Other payables	(10,571)
Tax liabilities	(669)
Other borrowings	(42,044)
Loans from shareholders of a subsidiary	(86,833)
Net assets acquired	8,124
Non-controlling interests	(3,944)
Shareholders' loan	44,217
Total consideration	48,397
Satisfied by	
Issue of convertible notes *(Note 33)*	54,272
Issue of shares *(Note 36)*	2,001
Put option obtained *(Note 28)*	(9,864)
Cash	1,988
	48,397
Net cash outflow arising on acquisition:	
Cash consideration	(1,988)
Bank balances and cash acquired	3,356
Net inflow of cash and cash equivalents In respect of the acquisition of subsidiaries	1,368

The subsidiary acquired during the year ended 31 December 2010 contributed HK$4,385,000 to the Group's turnover and a profit for the year of HK$3,047,000 between the date of acquisition and 31 December 2010.

If the acquisition had been completed on 1 January 2010, total group revenue for the period would have been HK$13,986,000 and profit for the year would have been HK$342,000. The pro forma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

43. DISPOSAL OF SUBSIDIARIES

(a) On 13 October 2011, the Group entered into a sale and purchase agreement with Favor Way (the "S&P Agreement") for disposal of Delta Wealth. Pursuant to the S&P Agreement, Favor Way has conditionally agreed to acquire Delta Wealth at the consideration of HK$52,000,000, which included HK$4,000,000 cash consideration and the cancellation of convertible notes with principal amount of HK$48,000,000 which was issued to Favor Way on 19 October 2010. The transaction was completed on 22 December 2011.

	22 December 2011 *HK$'000*
Net assets disposed of:	
Loan receivables	126,489
Bank balances and cash	8,906
Other receivables	767
Other borrowings	(32,000)
Trade and other payables	(2,364)
Loans from shareholders of a subsidiary	(109,491)
Amount due to a related company	(3,017)
Tax liabilities	(3,182)
	(13,892)
Non-controlling interests	6,491
Shareholder's loan	44,236
	36,835
Gain on disposal	11,199
Total consideration	48,034
Satisfied by:	
Cancellation of CB upon disposal of Delta Wealth	48,000
Cash	4,000
Exercise of put option	(3,966)
	48,034
Net cash outflow arising on disposal:	
Cash consideration	4,000
Bank balances and cash	(8,906)
	(4,906)

The gain on disposal is included in profit for the year from continuing operations in the consolidated income statement.

(b) On 30 December 2010, the Company and Global Axis Limited ("Global Axis"), a company incorporated under the laws of Labuan, Malaysia, entered into the agreement, pursuant to which the Company agreed to sell and Global Axis agreed to acquire all the issued shares in the capital of the Disposal Group at the consideration of HK$5,000,000.

	30 December 2010 *HK$'000* (Restated)
Net liabilities disposed of:	
Property, plant and equipment	242,945
Interest in an associate	2,923
Deferred tax assets	37,784
Bank balances and cash	5,730
Inventories	45,302
Trade and other receivables	27,001
Borrowings	(438,163)
Trade and other payables	(87,564)
Obligation under finance leases	(109)
Tax liabilities	(762)
	(164,913)
Non-controlling interests	(7,688)
Exchange loss realised	33,125
	(139,476)
Gain on disposal	144,476
Total consideration	5,000
Satisfied by:	
Cash	5,000
Net cash outflow arising on disposal:	
Cash consideration	5,000
Bank balances and cash	(5,730)
	(730)

The gain on disposal is included in profit for the year from discontinued operations in the consolidated income statement (Note 13).

44. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged certain assets with the following carrying values to secure the general credit facilities granted to the Group.

	31/12/2011	**31/12/2010**	**1/1/2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade and other receivables	—	—	8,802
Inventories	—	—	57,864
Bank balances	—	—	132
Property, plant and equipment	—	—	385,627
Leasehold land	—	—	22,468

45. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2011, the Company disposed the 51% equity interest in Delta Wealth and convertible notes with principal amount of HK$48,000,000 were cancelled.

During the year ended 31 December 2011, on 18 May 2011 and 29 November 2011, convertible notes with an aggregate principal amount of HK$100,000,000 and HK$89,600,000 were converted in full into 1,219,512,912 and 3,200,000,000 shares respectively with par value of HK$0.025 each (note 36).

During the year ended 31 December 2010, the Company acquired the 51% equity interest in Delta Wealth by the issuance of a total of 12,500,000 new shares at an issue price of HK$0.16 per share.

46. RETIREMENT BENEFITS SCHEME CONTRIBUTION

The Group has joined the Mandatory Provident Fund Scheme (''MPF Scheme'') for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2011, contributions of the Group under the MPF Scheme and the Funds amounted to approximately HK$92,000 (2010: HK$200,000). The contributions for the year ended 2010 included also contributions made by the Group to the employees of the Group's former subsidiaries operating in Singapore, Malaysia and the United States of America of which the contributions were made at 7.65% to 14.5% of the basic salary of the employees.

47. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group did not enter into any significant related party transactions.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2011	2010
	HK$'000	*HK$'000*
Short-term benefits	473	2,692
Post-employment benefits	—	8
	473	2,700

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend.

48. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2011, the Company has entered into the following agreements:

(a) With effect from 20 March 2012, the Company has its every existing 10 issued and unissued shares of HK$0.025 each to be consolidated into 1 consolidated share of HK$0.25 each; and

(b) With effect from 20 March 2012, a resolution has been passed for reduction of the capital of the Company. The Company had cancelled the paid-up capital of the Company to the extent of HK$0.24 on each of the shares after consolidation of shares as set out in (i) above such that the nominal value of each issued share has been reduced from HK$0.25 to HK$0.01; and the Company reduced the authorised share capital of the Company by reducing the nominal value of all shares after consolidation from HK$0.25 each to HK$0.01 each which had resulted in the reduction of the authorised share capital of the Company from HK$400,000,000 divided into 1,600,000,000 shares to HK$16,000,000 divided into 1,600,000,000 new shares.

C. 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 circular, the Group had no borrowings other than a promissory note with outstanding principal amount of HK$10,000,000 and respective interest of approximately HK$1,915,000, 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.

D. 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, which is subject to the Shareholder's approval, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

E. MATERIAL CHANGE

The Directors have confirmed that, save and except for the below, there was no material change in the financial or trading position or outlook 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, up to and including the Latest Practicable Date:

(a) Acquisition of 30% interests of Profit Grand Enterprises Limited ("PGE")

Century Praise Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Able Famous Limited and Peak Sino Limited (the "Vendors") entered the sale and purchase agreement ("Sale and Purchase Agreement") on 2 December 2011, pursuant to which the Purchaser has agreed to acquire and the Vendors has agreed to dispose 30% of the entire issued share capital of Profit Grand Enterprises Limited ("PGE"), an owner of logging concession with respect to the forest land located in the Independent State of Papua New Guinea, at an aggregate consideration of HK$310,000,000. As disclosed in the announcement of the Company dated 12 April 2012, all conditions precedent to the Agreement has been fulfilled and completion has taken place on 12 April 2012. The financial results of PGE and its subsidiaries ("PGE Group") will be consolidated into the accounts of the Group upon the completion of the acquisition.

(b) Subscription of 8% convertible notes with principal amount of HK$95 million ("Convertible Notes")

As announced on 26 June 2012, the Company announced China Environmental Energy Investment Limited ("CEE") (as issuer) and the Company (as subscriber) entered into the subscription agreement on 26 June 2012 pursuant to which CEE has conditionally agreed to issue, and the Company has conditionally agreed to subscribe for the Convertible Notes in the aggregate principal amount of HK$95 million in cash. Details of the Convertible Notes are set out in the announcement of the Company on 26 June 2012. As stated in the Letter from the Board in the Circular, the Directors intended to utilize part of the net proceeds of the Rights Issue to settle the Convertible Notes. The subscription of the Convertible Notes is subject to the shareholders' approval at the general meeting of the Company.

(c) Partial settlement for the loans which were previously provided for impairments

According to the announcement of the Company dated 17 May 2012, Super Century Investments Limited (as borrower) has repaid approximately HK$67.281 million to Joy Wealth Finance Limited (a wholly-owned subsidiary of the Company) (as lender) as partial settlement for the loans which were partially impaired during the year ended 31 December 2011.

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) Consolidated Share with Bonus Issue on basis of five (5) Bonus Shares for every one (1) Rights Share as details stated on the Announcement, 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	**Add: Estimated net proceeds from the Rights Issue (with the Bonus Issue)**	**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**	**Audited consolidated net tangible asset per share attributable to the owners of the Company as at 31 December 2011 before the Rights Issue**	**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**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
	(Note 3)	*(Note 4)*		*(Note 5)*	*(Note 6)*
Scenario I					
Rights Issue of 342,412,634 Rights Shares *(Note 1)*	410,111	184,691	594,802	0.041	0.267
Scenario II					
Rights Issue of 435,653,664 Rights Shares *(Note 2)*	410,111	236,906	647,017	0.041	0.229

Notes:

1. The Rights Issue of not less than 342,412,634 Rights Shares which assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date.

2. The Right Issue of not more than 435,653,664 Rights Shares which assuming no new Share/Consolidated Share being issued other than full exercise of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date.

3. 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.

4. The estimated net proceeds from the Rights Issue (with the Bonus Issue) is calculated based on 342,412,634 Rights Shares (the "Scenario I") or 435,653,664 Rights Shares (the "Scenario II") to be issued at the subscription price of HK$0.56 per each Rights Share. For Scenario I, the estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue (with the Bonus Issue) of approximately HK$191.751 million less the estimated related expenses of approximately HK$7.060 million. For Scenario II, the estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue (with the Bonus Issue) of approximately HK$243.966 million less the estimated related expenses of approximately HK$7.060 million.

5. 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.

6. 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.

   The unaudited pro forma adjusted consolidated net tangible assets per adjusted share of the Group immediately after completion of the Rights Issue (with the Bonus Issue) is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Rights Issue of approximately HK$594.802 million (for Scenario I) and of approximately HK$647.017 million (for Scenario II) and number of shares of 2,225,682,121 in issue (for Scenario I) and number of shares of 2,831,748,816 in issue (for Scenario II).

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

14 August 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 159 to 160 in Appendix II to the circular dated 14 August 2012 (the "**Circular**"), 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 Circular.

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.

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 circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (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 circular (other than the information relating to Allied Summit) or this circular misleading.

This circular 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 circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation but before completion of the Rights Issue (with the Bonus Issue); and (iii) immediately after completion of the Rights Issue (with the Bonus Issue) are set out as follows:

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

As at the Latest Practicable Date

		HK$
Authorized share capital:		*(approximately)*
40,000,000,000	Shares	400,000,000
Issued and paid-up share capital:		
1,369,650,537	Shares	13,696,505.37

Immediately after the Share Consolidation but before completion of the Rights Issue (with the Bonus Issue)

		HK$
Authorized share capital:		*(approximately)*
5,000,000,000	Consolidated Shares	400,000,000
Issued and paid-up Consolidated Share capital:		
171,206,317	Consolidated Shares	13,696,505.37

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

Authorized share capital:		*HK$ (approximately)*
5,000,000,000	Consolidated Shares	400,000,000
Issued and paid-up share capital:		
171,206,317	Consolidated Shares	13,696,505.37
342,412,634	Rights Shares	27,393,010.72
1,712,063,170	Bonus Shares	136,965,053.60
2,225,682,121	Total	178,054,569.69

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

As at the Latest Practicable Date

Authorized share capital:		*HK$ (approximately)*
40,000,000,000	Shares	400,000,000
Issued and paid-up share capital:		
1,369,650,537	Shares	13,696,505.37

Immediately after the Share Consolidation and full exercise of the Agent Option and Longjiang Option and full utilization of the Issue Mandate but before completion of the Rights Issue (with the Bonus Issue)

		HK$
Authorized share capital:		*(approximately)*
5,000,000,000	Consolidated Shares	400,000,000
Issued and paid up share capital:		
171,206,317	Consolidated Shares	13,696,505.37
6,189,626	Longjiang Option Shares (being the par value of HK$0.08 of the Consolidated Shares)	495,170.08
6,189,626	Agent Option Shares (being the par value of HK$0.08 of the Consolidated Shares)	495,170.08
34,241,263	Consolidated Shares issued upon full utilization of Issue Mandate	2,739,301.04
217,826,832	Total	17,426,146.57

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

Authorized share capital:		*HK$* *(approximately)*
5,000,000,000	Consolidated Shares	400,000,000
Issued and paid-up share capital:		
171,206,317	Consolidated Shares	13,696,505.37
6,189,626	Longjiang Option Shares (being the par value of HK$0.08 of the Consolidated Shares)	495,170.08
6,189,626	Agent Option Shares (being the par value of HK$0.08 of the Consolidated Shares)	495,170.08
34,241,263	Consolidated Shares issued upon full utilization of Issue Mandate	2,739,301.04
435,653,664	Rights Shares	34,852,293.12
2,178,268,320	Bonus Shares	174,261,465.60
2,831,748,816	Total	226,539,905.29

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 Consolidated 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/Consolidated 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), 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 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 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 Consolidated Shares/underlying Consolidated Shares

Name of Director	Nature of Interest	Number of Consolidated Shares/ underlying Consolidated Shares held	Approximate percentage of issued share capital of the Company
Mr. Ng *(Note 1)*	Interested in controlled corporation	2,066,421,984	72.97% *(Note 2)*

Notes:

1. Mr. Ng is the sole director of and holds 20% of the equity interest in Allied Summit. The interests in 2,066,421,984 Consolidated Shares is calculated based on the assumptions that (i) the Share Consolidation has become effective; (ii) the Rights Issue (with the Bonus Issue) has completed; (iii) no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date; and (iv) 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 2,066,421,984 Consolidated Shares.

2. 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), and on the basis that (i) the Share Consolidation has become effective; (ii) the Rights Issue (with the Bonus Issue) has completed; (iii) no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date.

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/Consolidated Shares and underlying Shares/Consolidated Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Interest in the Shares/underlying Shares

Name of substantial Shareholders	**Nature of Interest**	**Number of issued/ underlying shares held**	**Approximate percentage of issued share capital of the Company**
To Yuk Fung	Beneficial owner	165,310,344	12.07%

Interest in the Consolidated Shares/underlying Consolidated Shares

Name of substantial Shareholders	**Nature of interest**	**Number of Consolidated Shares/ underlying consolidated shares held** *(Note 3)*	**Approximate percentage of issued share capital of the Company** *(Note 4)*
Allied Summit *(Notes 1 & 5)*	Beneficial owner	2,066,421,984	72.97%
Mr. Su *(Note 2)*	Interests in controlled corporation	2,066,421,984	72.97%
Kingston Securities *(Note 5)*	Beneficial owner	570,072,717	20.13%
Galaxy Sky Investments Limited *(Note 5)*	Interests in controlled corporation	570,072,717	20.13%
Kingston Capital Asia Limited *(Note 5)*	Interests in controlled corporation	570,072,717	20.13%

Name of substantial Shareholders	Nature of interest	Number of Consolidated Shares/ underlying consolidated shares held *(Note 3)*	Approximate percentage of issued share capital of the Company *(Note 4)*
Kingston Financial Group Limited *(Note 5)*	Interests in controlled corporation	570,072,717	20.13%
Active Dynamic Limited *(Note 5)*	Interests in controlled corporation	570,072,717	20.13%
Chu Yuet Wah	Interests in controlled corporation	570,072,717	20.13%

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 2,066,421,984 Consolidated Shares.

3. The interests are based on (i) the Share Consolidation has become effective; (ii) the Rights Issue (with the Bonus Issue) has completed; (iii) no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date; and (iii) a maximum of 2,831,748,816 Consolidated Shares in issue upon the Share Consolidation and Rights Issue (with the Bonus Issue) becoming effective.

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), and on the basis that (i) the Share Consolidation has become effective; (ii) the Rights Issue (with the Bonus Issue) has completed; (iii) no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date.

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 circular 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 Shares at HK$0.0861, HK$0.0844 and HK$0.0980 per 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 581,737 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, 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 circular.

(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:

Date	**Closing price per Shares** *HK$*
31 January 2012	0.2500
29 February 2012	0.1500
30 March 2012	0.0830
30 April 2012	0.0960
31 May 2012	0.0720
29 June 2012	0.0700
6 July 2012, being the Last Trading Day	0.0700
10 August 2012, being the Latest Practicable Date	0.0430

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK$0.27 per Share on 27 January 2012 and 30 January 2012 respectively and HK$0.069 per Share on 5 July 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 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 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;

(iv) 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

* *For identification purpose only*

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;

(v) 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;

(vi) the share placing agreement dated 18 October 2011 entered into between the Company and Roofer Securities Limited ("**Roofer**") 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;

(vii) 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;

(viii) 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;

(ix) 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;

(x) 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;

(xi) 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;

(xii) 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;

(xiii) the supplemental agreement dated 24 January 2011 entered into between the Company and Roofer 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;

(xiv) the placing agreement dated 21 January 2011 entered into between the Company and Roofer 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;

(xv) the placing agreement dated 30 November 2010 entered into between the Company and Roofer 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;

(xvi) 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;

(xvii) 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

(xviii) 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 circular or has given opinions, letter or advice contained in this circular:

Name	Qualification
Kingston Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Bridge Partners Capital Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
ZHONGLEI (HK) CPA Company Limited	Certified Public Accountants

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

As at the Latest Practicable Date, each of above experts was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 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 circular, 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 circular up to and including the date of the SGM (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; 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 circular;

(iv) the letter referred to in the section headed "Letter from the Independent Board Committee" in this circular;

(v) the letter referred to in the section headed "Letter from Bridge Partners" in this circular;

(vi) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group in Appendix II in this circular;

(vii) the annual reports of the Company each of the two financial years ended 31 December 2010 and 2011;

(viii) the material contracts referred to under the paragraph headed "Material contracts" in this appendix;

(ix) the written consent referred to under the paragraph headed "Experts and consents" in this appendix; and

(x) this circular.

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

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

Underwriters of the Rights Issue (with the Bonus Issue)	*Allied Summit* OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands *Kingston Securities* Suite 2801, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Financial adviser to the Company in respect of the Rights Issue (with the Bonus Issue)	*Kingston Corporate Finance Limited* Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Legal advisers to the Company in respect of the Rights Issue (with the Bonus Issue)	As to Bermuda law: *Conyers Dill & Pearman* 2901 One Exchange Square 8 Connaught Place, Central Hong Kong As to Hong Kong law: *Angela Ho & Associates* 1109, Tower 1, Lippo Centre 89 Queensway, Hong Kong
Auditors	*SHINEWING (HK) CPA Limited* Chartered Accountants Certified Public Accountants 43/F., The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong
Reporting accountants	*ZHONGLEI (HK) CPA Company Limited* Suites 313–317, 3/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	*Bridge Partners Capital Limited* Unit 605, 6/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong

Principal share registrar and transfer agent in Bermuda	*RBC Dexia Corporate Services Hong Kong Limited* 51/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Branch share registrar and transfer office in Hong Kong	*Computershare Hong Kong Investor Services Limited* Shops 1712–1716 17/F., Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal banker	*DBS Bank (Hong Kong) Limited* G/F, The Center, 99 Queen's Road Central, Central, Hong Kong
Stock code	00767
Website	http://www.irasia.com/listco/hk/pphl

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 is 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**
Executive Directors	
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

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

(a) The company secretary of the Company is Ms. Tam Hang Yin, who is a member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor's degree in Accountancy from the Chinese University of Hong Kong.

(b) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

PACIFIC PLYWOOD HOLDINGS LIMITED
太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Pacific Plywood Holdings Limited (the "**Company**") will be held at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 7 September 2012 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendment:

ORDINARY RESOLUTIONS

1. "**THAT**, conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the Consolidated Shares (as defined below), with effect from the day following the day of passing of this resolution by the shareholders of the Company:

   (a) every eight (8) existing shares of par value of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) share of par value of HK$0.08 (the "**Consolidated Share(s)**") (the consolidation of the issued and unissued shares in the manner described, the "**Share Consolidation**"); and

   (b) any one director of the Company (the "**Director**") be and is authorised to approve, sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in his/her opinion may be necessary, desirable or expedient to implement and carry into effect this resolution."

2. "**THAT**

   (a) subject to and conditional upon (i) the passing of the resolutions numbered 1, 3 and 4 as set out in this notice; (ii) fulfillment or waiver (as applicable) of the conditions of the Underwriting Agreement (as defined below); (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Bonus Shares (as defined below); and (iv) the Underwriting Agreement not being terminated in accordance with its terms, the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;

* *For identification purposes only*

For the purpose of this resolution, "Rights Issue" means the proposed issue by way of right of not less than 342,412,634 new Consolidated Shares and not more than 435,653,664 new Consolidated Shares (the "**Rights Shares**") at a subscription price of HK$0.56 per Rights Share to the qualifying shareholders (the "**Qualifying Shareholders**") of the Company whose names appear on the register of members of the Company at the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the "**Non-Qualifying Shareholders**") with addresses on the register of members of the Company are outside Hong Kong whom the Directors, after making enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of two (2) Rights Shares for every one (1) Consolidated Share held and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the "**Underwriting Agreement**" including all supplemental agreements relating thereto) (a copy of which will be produced to the SGM and marked "A" and initialed by the chairman of the SGM for the purpose of identification) dated 6 July 2012 and entered into among the Company, Allied Summit Inc. ("**Allied Summit**") and Kingston Securities Limited ("**Kingston Securities**") (Allied Summit and Kingston Securities collectively defined as the "**Underwriters**");

(b) any Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (a) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws of the Company (the "**Bye-laws**") or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (b) the Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;

(c) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriters) be and are hereby approved;

(d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder;

(e) the issue (the "**Bonus Issue**") of new Consolidated Shares (the "**Bonus Shares**"), credited as fully paid, to the first registered holder of the Consolidated Shares on the basis of five (5) Bonus Shares for every one (1) Rights Share taken up under the Rights Issue be and is hereby approved;

(f) any Director be and is hereby authorised to allot and issue the Bonus Shares pursuant to or in connection with the Bonus Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the existing shareholders of the Company and, in particular, the Directors be and are hereby authorised to make such exclusion or other arrangements in relation to fractional entitlements or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

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

3. "**THAT**

(a) the waiver (the "**Whitewash Waiver**") granted or to be granted by the executive director (the "**Executive Director**") of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director to Allied Summit pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") in respect of the obligation on the part of Allied Summit to make a mandatory general offer for all the securities of the Company other than those already owned or agreed to be acquired by Allied Summit and the parties acting in concert with it under Rule 26 of the Takeovers Code, as a result of Allied Summit being called upon by the Company to subscribe or procure subscription for the Untaken Shares (as defined in the Underwriting Agreement) pursuant to the obligations under the Underwriting Agreement be and is hereby approved; and

(b) any one Director be and is hereby authorized to do all acts, deeds and things and to sign and execute all documents as he/she may, at his/her absolute discretion, deem necessary, desirable or expedient to carry out or to give effect to any matters relating to or in connection with the Whitewash Waiver."

SPECIAL RESOLUTION

4. "**THAT** the existing Bye-laws be and are hereby amended by deleting the existing Bye-Law 140(A) in its entirety and substituting therefor the following new Bye-Law 140(A):

"140. (A) The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the shareholders or any class of shareholders who would be entitled thereto if it were distributed by way of dividend, and in the same proportions or such other proportions as approved by the Company by way of an ordinary resolution, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act."

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

Hong Kong, 14 August 2012

Notes:

(1) Any shareholder of the Company (the "**Shareholder(s)**") entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.

(2) The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

(3) Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.

(4) Where there are joint Shareholders any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.

(5) The form of proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.