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 a licensed securities dealer or other bank manager, solicitor, professional accountant or other professional adviser.

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

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) MAJOR TRANSACTION SUBSCRIPTION OF CONVERTIBLE NOTES PROPOSED TO BE ISSUED BY CHINA ENVIRONMENTAL ENERGY INVESTMENT LIMITED (II) POSSIBLE MAJOR TRANSACTION POSSIBLE CONVERSION OF THE CONVERTIBLE NOTES AND (III) NOTICE OF SPECIAL GENERAL MEETING

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

A letter from the Board is set out on pages 5 to 24 of this circular. A notice convening the SGM to be held at 10:00 a.m. on Wednesday, 3 October 2012 at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong is set out on pages 79 to 80 of this circular. A form of proxy for use at the SGM is enclosed in this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, 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 (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

* *For identification purposes only*

14 September 2012

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

"Acquisition"	the acquisition by the Issuer of 80% equity interests in Ideal Market Holdings Limited which is principally engaged in the waste paper recycling business, details of which have been disclosed in the Acquisition Circular
"Acquisition Circular"	the circular issued by the Issuer on 23 September 2011 in respect of the Acquisition
"Acquisition CN"	the redeemable convertible notes in the principal amount of HK$290 million issued by the Issuer to the vendors (or their nominee(s)) in accordance with the terms and conditions of the sale and purchase agreement dated 9 May 2011 and the supplemental agreement dated 14 September 2011, details of which have been disclosed in the Acquisition Circular
"Acquisition CN Holder"	the holder of the Acquisition CN
"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"associate"	has the meaning ascribed to it in the Listing Rules unless otherwise specified
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, a Sunday and a public holiday) on which the licensed banks in Hong Kong are generally open for business in Hong Kong
"Company"	Pacific Plywood Holdings Limited (太平洋實業控股有限公司*), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 767)
"Completion"	completion of the Subscription pursuant to the Subscription Agreement
"Completion Date"	the third Business Day from the date when the Company gives a notice in writing to the Issuer, or on such other date as the Company and the Issuer may agree in writing
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Conversion Share(s)"	any Issuer Share(s) to be issued by the Issuer upon the holder(s) of the Convertible Notes exercising its/their conversion right(s) under and in accordance with the terms and conditions of the Convertible Notes
"Convertible Notes"	the 18 months to maturity, 8% coupon convertible notes in the aggregate principal amount and initial conversion prices per Conversion Share described in the section headed "Principal Terms of the Convertible Notes" of this circular to be issued by the Issuer on the Completion Date to the Company pursuant to the terms and conditions as set out in the Subscription Agreement
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Initial Conversion Price"	the initial conversion price of the Convertible Notes which shall be the average closing price of the Issuer Shares for the five (5) consecutive trading days prior to the Completion Date, provided that the initial conversion price shall not be more than HK$0.11 per Conversion Share (equivalent to HK$5.5 per Conversion Share after the Issuer Capital Reorganization becoming effective) or less than HK$0.01 per Conversion Share (equivalent to the par value of the Issuer Share), subject to the adjustments in accordance with the terms of the Convertible Notes
"Issuer"	China Environmental Energy Investment Limited (中國環保能源投資有限公司*), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 986)
"Issuer Board"	the board of the Issuer Directors

"Issuer Capital Reorganization"	the capital reorganization of the Issuer comprising (i) the share consolidation of every fifty (50) existing shares of HK$0.01 each in the issued share capital of the Issuer into one (1) consolidated share of HK$0.5 each in the issued share capital of the Issuer; and (ii) forthwith the share consolidation taking effect, the capital reduction (1) by eliminating any fraction of a consolidated share in the issued share capital of the Issuer following the share consolidation in order to round down the total number of consolidated shares to a whole number; and (2) by cancelling the paid-up capital of the Issue to the extent of HK$0.49 on each issued consolidated share so that the nominal value of each issued consolidated share will be reduced from HK$0.5 to HK$0.01, details of which have been disclosed in the Issuer's circular dated 15 August 2012
"Issuer Director(s)"	the director(s) of the Issuer from time to time
"Issuer Group"	the Issuer and its subsidiaries
"Issuer SGM"	the special general meeting of the Issuer to be convened for the Issuer Shareholders to consider, and if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder
"Issuer Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Issuer
"Issuer Shareholder(s)"	holder(s) of the Issuer Share(s)
"Joint Announcements"	the joint announcements issued by the Issuer and the Company on 26 June 2012 and 4 September 2012 in respect of the Subscription Agreement
"Last Trading Day"	26 June 2012, being the date of the Subscription Agreement, which was a Stock Exchange trading day
"Latest Practicable Date"	10 September 2012, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Possible Conversion"	the possible conversion of the Convertible Notes at the sole discretion of the Company or its nominee(s) as holder(s) of the Convertible Notes after the Completion

"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SGM"	a special general meeting of the Company to be convened on 3 October 2012 and held for the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the Possible Conversion thereof)
"Share(s)"	the ordinary share(s) of HK$0.08 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription by the Company of the Convertible Notes pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 26 June 2012 entered into between the Issuer and the Company in relation to the subscription of the Convertible Notes by the Company, as varied and supplemented by the Supplemental Agreement
"Supplemental Agreement"	the supplemental agreement entered into between the Company and the Issuer dated 4 September 2012 to confirm the adjustment to the Initial Conversion Price (if any)
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"%"	per cent.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

* *For identification purposes only*

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 767)

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

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business:
Units 3301–3303, 33/F.
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

14 September 2012

To the Shareholders

Dear Sir or Madam,

(I) MAJOR TRANSACTION SUBSCRIPTION OF CONVERTIBLE NOTES PROPOSED TO BE ISSUED BY CHINA ENVIRONMENTAL ENERGY INVESTMENT LIMITED (II) POSSIBLE MAJOR TRANSACTION POSSIBLE CONVERSION OF THE CONVERTIBLE NOTES AND (III) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

References are made to the Joint Announcements issued on 26 June 2012 and 4 September 2012 and the Company's announcements issued on 30 July 2012 and 31 August 2012.

* *For identification purposes only*

On 26 June 2012, the Company and the Issuer entered into the Subscription Agreement for the Subscription pursuant to which the Issuer 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. Subject to the terms and conditions of the Convertible Notes, they may be converted into Conversion Shares. As the Issuer announced on 3 August 2012 to reorganize the share capital of the Issuer under the Issuer Capital Reorganization, on 4 September 2012, the Company entered into the Supplemental Agreement with the Issuer to confirm that the maximum conversion price ("**Conversion Price**") shall be adjusted from HK$0.11 per Conversion Share to HK$5.5 per Conversion Share upon the Issuer Capital Reorganization becoming effective and the minimum Conversion Price shall remain equivalent to the par value of the Issuer Share. In the event that the Issuer Capital Reorganization does not become effective, there shall be no adjustment to the Initial Conversion Price. On 10 September 2012, the Issuer Capital Reorganization has become effective.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the Subscription; and (ii) the notice of the SGM for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder (including the Possible Conversion thereof).

THE SUBSCRIPTION AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)

Principal terms of the Subscription Agreement (as supplemented by the Supplemental Agreement) are as follows:

Date: 26 June 2012

Parties:

(i) the Company

(ii) the Issuer

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Issuer and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Conditions of the Subscription:

Completion of the Subscription is conditional upon:

(i) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares which fall to be issued upon the exercise of conversion rights attaching to the Convertible Notes;

(ii) the Issuer having committed no default or breach of any of the warranties given by the Issuer in the Subscription Agreement, or its obligations under the Subscription Agreement;

(iii) there shall not have been any circumstance or occurrence that has had, or would reasonably have a material adverse change with respect of the Issuer Group;

(iv) there has not occurred or arisen any change of business nature of any member of the Issuer Group since the date of the Subscription Agreement;

(v) the current listing of the Issuer Shares not having been withdrawn, the Issuer Shares continuing to be traded on the Stock Exchange prior to the Completion (save for any temporary suspension for no longer than 7 trading days or such other period as the Company may agree in writing, or any temporary suspension in connection with transactions contemplated under the Subscription Agreement);

(vi) no statute, regulation or decision which would prohibit or restrict or materially affect the operation of the Issuer Group having been proposed, enacted or taken by any governmental or official authority;

(vii) the Company being satisfied with the results of the due diligence review on the Issuer Group, in particular, the annual results for the financial year ended 31 March 2012;

(viii) the passing by the Issuer Shareholders at the Issuer SGM of all necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;

(ix) all necessary consents, licenses and approvals from the Issuer Shareholders, bankers, financial institutions and regulators required to be obtained in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect by the Issuer;

(x) the passing by the Shareholders at the SGM of all necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and

(xi) all necessary consents, licenses and approvals from the Shareholders, bankers, financial institutions and regulators required to be obtained in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect by the Company.

Save for conditions (i), (viii), (ix), (x) and (xi) above, the Company may waive any of the above conditions at any time by notice in writing to the Issuer.

Save for conditions (i), (viii), (ix), (x) and (xi) above, the Issuer may waive any of the above conditions at any time by notice in writing to the Company.

If the conditions above are not fulfilled (or waived as the case may be) at or before 5:00 p.m. on the date no later than 90 days after the date of the Issuer SGM, or such later date as may be agreed between the Company and the Issuer in writing, the Subscription Agreement will lapse and become null and void and the parties under the Subscription Agreement shall be released from all obligations thereunder, save and except for the liabilities for any antecedent breaches thereof.

Completion of the Subscription: Subject to the conditions of the Subscription having been fulfilled (or waived as the case may be), the Completion will take place at such time and on such Business Day as the Company shall specify by giving not less than three (3) Business Days' notice in writing to the Issuer, or on such other date as the Company and the Issuer may agree in writing.

Principal Terms of the Convertible Notes

The following is a summary of the principal terms of the Convertible Notes:

Aggregate principal amount: HK$95 million

Subscription price: 100% of the principal amount of the Convertible Notes

Initial Conversion Price: The Initial Conversion Price shall be the average closing price of the Issuer Shares for the five (5) consecutive trading days prior to the Completion Date, provided that the Initial Conversion Price shall not in any event be more than HK$0.11 per Conversion Share (equivalent to HK$5.5 per Conversion Share after the Issuer Capital Reorganization becoming effective) or less than HK$0.01 per Conversion Share (equivalent to the par value of the Issuer Share).

On 3 August 2012, the Issuer announced the proposal to implement a capital reorganization, details of which have been set out in the announcement and circular of the Issuer dated 3 August 2012 and 15 August 2012 respectively. The Issuer Capital Reorganization, comprising (i) the share consolidation of every fifty (50) existing shares of HK$0.01 each in the issued share capital of the Issuer into one (1) consolidated share of HK$0.5 each in the issued share capital of the Issuer; and (ii) forthwith the share consolidation taking effect, the capital reduction (1) by eliminating any fraction of a consolidated share in the issued share capital of the Issuer following the share consolidation in order to round down the total number of consolidated shares to a whole number; and (2) by cancelling the paid-up capital of the Issue to the extent of HK$0.49 on each issued consolidated share so that the nominal value of each issued consolidated share will be reduced from HK$0.5 to HK$0.01. As at the Latest Practicable Date, the Issuer Capital Reorganization has become effective.

The minimum Conversion Price of HK$0.01 per Conversion Share represents:

i. a discount of approximately 99.35% to the closing price of HK$1.55 per Issuer Share (as adjusted for the Issuer Capital Reorganization) as quoted on the Stock Exchange on the Last Trading Day;

ii. a discount of approximately 99.34% to the average closing price of HK$1.52 per Issuer Share (as adjusted for the Issuer Capital Reorganization) as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and

iii. a discount of approximately 98.98% to the closing price of HK$0.98 per Issuer Share (as adjusted for the Issuer Capital Reorganization) as quoted on the Latest Practicable Date.

The maximum Conversion Price of HK$5.5 per Conversion Share after the Issuer Capital Reorganization becoming effective represents:

i. a premium of approximately 254.84% over the closing price of HK$1.55 per Issuer Share (as adjusted for the Issuer Capital Reorganization) as quoted on the Stock Exchange on the Last Trading Day;

ii. a premium of approximately 261.84% over the average closing price of HK$1.52 per Issuer Share (as adjusted for the Issuer Capital Reorganization) as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and

iii. a premium of approximately 461.22% over the closing price of HK$0.98 per Issuer Share (as adjusted for the Issuer Capital Reorganization) as quoted on the Stock Exchange on the Latest Practicable Date.

The Initial Conversation Price was agreed after arm's length negotiations between the Company and the Issuer, with reference to, among other things, the recent trading price of the Issuer Shares on the Stock Exchange and the market sentiment of the global stock markets. The maximum Conversion Price of HK$0.11 per Conversion Share (equivalent to HK$5.5 per Conversion Share after the Issuer Capital Reorganization becoming effective) was determined with reference to the conversion price of the convertible notes up to an aggregate principal amount of HK$110,000,000 placed by the Issuer as announced on 7 October 2011, while the minimum Conversion Price of HK$0.01 per Conversion Share (equivalent to the par value of the Issuer Share) was determined based on the par value and trading liquidities of the Issuer Shares.

The Initial Conversion Price mentioned above is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidation of the Issuer Shares, capitalization issues, rights issues and other dilutive events, including but not limited to bonus issue and open offer of the Issuer. Such adjustments shall be certified either (at the option of the Issuer) by the auditors of the Issuer for the time being or by an approved merchant bank in accordance with the terms and conditions of the Convertible Notes.

Maturity:	18 months from the date of issue of the Convertible Notes. To the extent not previously converted, purchased, redeemed or cancelled, the Issuer shall, on the maturity date of the Convertible Notes, redeem the Convertible Notes at 100% of the outstanding principal amount.
Conversion Period:	Provided that the exercise of the conversion rights attaching to the Convertible Notes (i) by the holder thereof and its respective parties acting in concert does not trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the holder thereof and its parties acting in concert; and (ii) by the holder thereof and its associates will not render Issuer Shares held in public hands being less than the minimum public float of the Issuer Shares required under the Listing Rules (i.e. 25% of the issued share capital of the Issuer), holder of the Convertible Notes shall have the rights to convert, at any time during the period commencing from the date of issue the Convertible Notes until the fifth Business Day before the maturity date of the Convertible Notes, the whole or part in an integral multiple of HK$1,000,000 of the outstanding principal amount of the Convertible Notes.
Interest:	8% per annum, which is payable semi-annually
Ranking of Conversion Shares:	The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all other Issuer Shares in issue as at the date of conversion on which a notice is given for the exercise of conversion rights and be entitled to all dividends and other distributions the record date of which falls on a date on or after the notice of the exercise of conversion right is given.

Voting:	The holder(s) of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Issuer by reason only it/they being the holder(s) of the Convertible Notes.
Transferability:	The Convertible Notes may be freely transferred or assigned to any third party. Any transfer of the Convertible Notes shall be in respect of the whole or part only in an integral multiple of HK$1,000,000 of the outstanding principal amount of the Convertible Notes. No transfer shall be made to any connected persons of the Issuer or parties acting in concert with the holder(s) of the Convertible Notes unless compliance of the Listing Rules and the Takeovers Code has been made.
Early redemption:	The Convertible Notes may be redeemed at 100% of the outstanding principal amount of the Convertible Notes (in whole or in part) at any time and from time to time at the option of the Issuer prior to the maturity date of the Convertible Notes.
Listing:	No application will be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Conversion Shares:

The Conversion Shares will rank *pari passu* in all respects with the Issuer Shares in issue on the date of allotment and issue of such Issuer Shares. Assuming the issue of the Convertible Notes is completed and (i) based on the maximum Conversion Price of HK$5.5 per Conversion Share after the Issuer Capital Reorganization becoming effective, a minimum number of 17,272,727 Conversion Shares of the Issuer with par value of HK$0.01 each will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 42.40% of the issued share capital of the Issuer as at the Latest Practicable Date and approximately 29.78% of the Issuer's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full; and (ii) based on the minimum Conversion Price of HK$0.01 per Conversion Share (equivalent to the par value of the Issuer Share), a maximum number of 9,500,000,000 Conversion Shares will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 23,321.63% of the issued share capital of the Issuer as at the Latest Practicable Date and approximately 99.57% of the Issuer's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full.

The Conversion Shares will be allotted and issued under the specific mandate of the Issuer. The Issuer Directors proposed to seek approval from the Issuer Shareholders at the Issuer SGM to issue the Conversion Shares.

Shareholding structure of the Issuer in respect of the Possible Conversion

At the adjusted maximum Conversion Price of HK$5.5 and adjusted minimum Conversion Price of HK$0.01 per Conversion Share

For illustrative purpose only, set out below is a summary of the shareholdings in the Issuer (i) as at the Latest Practicable Date; (ii) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the adjusted maximum Conversion Price of HK$5.5; (iii) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the adjusted maximum Conversion Price of HK$5.5, assuming all the outstanding Acquisition CN are converted in full at the adjusted conversion price of HK$11.35; (iv) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the adjusted minimum Conversion Price of HK$0.01; (v) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the adjusted minimum Conversion Price of HK$0.01, assuming all the outstanding Acquisition CN are converted in full at the adjusted conversion price of HK$11.35; (vi) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes, while the holder(s) of the Convertible Notes do not hold more than 29.9% of the issued share capital of the Issuer; (vii) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes, while the holder(s) of the Convertible Notes do not hold more than 29.9% of the issued share capital of the Issuer, assuming all the outstanding Acquisition CN are converted in full at the adjusted conversion price of HK$11.35. The aforementioned scenarios (ii) to (vii) are set forth below for illustrative purposes only.

Issuer Shareholders	(i) As at the Latest Practicable Date		(ii) After allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the adjusted maximum Conversion Price of HK$5.5		(iii) After allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the adjusted maximum Conversion Price of HK$5.5, assuming all the outstanding Acquisition CN are converted in full at the adjusted conversion price of HK$11.35		(iv) After allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the adjusted minimum Conversion Price of HK$0.01		(v) After allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the adjusted minimum Conversion Price of HK$0.01, assuming all the outstanding Acquisition CN are converted in full at the adjusted conversion price of HK$11.35		(vi) After allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes, while the holder(s) of the Convertible Notes do not hold more than 29.9% of the issued share capital of the Issuer		(vii) After allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes, while the holder(s) of the Convertible Notes do not hold more than 29.9% of the issued share capital of the Issuer, assuming all the outstanding Acquisition CN are converted in full at the adjusted conversion price of HK$11.35	
	Number of shares		*Number of shares*		*Number of shares*		*Number of shares*		*Number of shares*		*Number of shares*		*Number of shares*	
Lucky Start Holdings Limited *(Note 1)*	4,405,286	10.81%	4,405,286	7.59%	4,405,286	6.98%	4,405,286	0.05%	4,405,286	0.05%	4,405,286	7.58%	4,405,286	6.74%
Jia Hong Xing	9,871,400	24.24%	9,871,400	17.02%	9,871,400	15.63%	9,871,400	0.10%	9,871,400	0.10%	9,871,400	16.99%	9,871,400	15.09%
The Company	–	–	17,272,727	29.78%	17,272,727	27.37%	9,500,000,000	99.57%	9,500,000,000	99.52%	17,374,718	29.90%	19,554,361	29.90%
Acquisition CN Holder *(Note 2)*	–	–	–	–	5,110,132	8.10%	–	–	5,110,132	0.05%	–	–	5,110,132	7.81%
Public Issuer Shareholders	26,458,023	64.95%	26,458,023	45.61%	26,458,023	41.92%	26,458,023	0.28%	26,458,023	0.28%	26,458,023	45.53%	26,458,023	40.46%
Total	40,734,709	100.00%	58,007,436	100.00%	63,117,568	100.00%	9,540,734,709	100.00%	9,545,844,841	100.00%	58,109,427	100.00%	65,399,202	100.00%

Note:

1. Lucky Start Holdings Limited is beneficially wholly-owned by Zhao Zhenzhen.

2. As at the Latest Practicable Date, there was outstanding Acquisition CN of HK$58,000,000, which could be converted into 5,110,132 conversion shares at the adjusted conversion price of HK$11.35.

INFORMATION ON THE ISSUER GROUP

The Issuer Group is principally engaged in the trading and manufacturing of printed circuit board and investment in electric vehicle battery business and the waste paper recycling business.

Set out below is a summary of the audited consolidated financial information of the Issuer Group for the three years ended 31 March 2010, 2011 and 2012 (as extracted from the annual reports of the Issuer):

	For the year ended 31 March 2012 *(HK$'000)* (audited)	**For the year ended 31 March 2011** *(HK$'000)* (audited)	**For the year ended 31 March 2010** *(HK$'000)* (audited)
Turnover	178,822	53,455	61,883
Gross profit	26,347	11,249	12,390
Net profit/(loss) before taxation from the continuing operation	9,221	25,837	(12,113)
Net profit/(loss) after taxation from the continuing operation	8,891	21,825	(12,187)

According to the annual report of the Issuer for the year ended 31 March 2012 ("**2012 Annual Report**"), the total asset value and net asset value of the Issuer Group amounted to approximately HK$1,005,054,000 and HK$521,089,000 respectively as at 31 March 2012.

It is noted from the 2012 Annual Report that the auditors of the Issuer have issued a modified opinion (the "**Modified Opinion**") and an emphasis of matters (the "**Emphasis of Matters**").

The Modified Option arose due to the possible effects of the matters referred to below on the comparability of the current year's figures and the corresponding comparative figures contained in the consolidated statement of comprehensive income of the Issuer and the related notes:

"The consolidated financial statements of the Issuer for the year ended 31 March 2010 were audited by the Issuer's predecessor auditor. The Issuer's auditor's report issued by the Issuer's predecessor auditor contained a disclaimer opinion regarding, inter alia, the inability to determine whether the income, expenses, assets and liabilities and related disclosures relating to the issuer's significant subsidiary incorporated and operating in

Thailand included in the consolidated financial statements for that year have been accurately recorded and properly accounted for in that consolidated financial statements of the Issuer. The Issuer Group discontinued the business undertaken by the subsidiary on 18 January 2011 and disposed of the subsidiary on that date. Since the carrying amounts of the opening assets, liabilities and accumulated losses at 1 April 2010 of the subsidiary affect the determination of the Issuer Group's loss from discontinued operations for the comparative year ended 31 March 2011, the Issuer's auditors were unable to determine whether adjustments might be required for the Issuer Group's loss from discontinued operations and, accordingly, the loss of the Issuer Group for that comparative period presented in the consolidated statement of comprehensive income of the Issuer and the related explanatory notes."

Details of the Emphasis of Matters are as follows:

"In preparing the consolidated financial statements, the Issuer Directors have considered the future liquidity of the Issuer Group. As at 31 March 2012, the Issuer Group and the Issuer had net current liabilities of approximately HK$228,315,000 and HK$160,645,000 respectively, which included promissory notes payable of HK$262,023,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Issuer Group's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on the assumption that the Issuer Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Issuer Directors, the Issuer Group can meet its financial obligations as and when they fall due in the coming year, after taking into consideration of several measures and arrangements made subsequent to the reporting date as further detailed below:

— On 1 June 2012, the Issuer entered into a placing agreement with FT Securities Limited ("**FT Securities**") pursuant to which FT Securities Limited has conditionally agreed to procure the placements, on a best effort basis, of the unconvertible bonds to be issued by the Issuer up to an aggregate principal amount of HK$200,000,000. Up to the date of approval of these consolidated financial statements, the Issuer has issued the unconvertible bonds giving rise to a gross proceeds of HK$10,000,000.

— On 26 June 2012, the Issuer entered into the Subscription Agreement with the Company pursuant to which the Issuer has conditionally agreed to issue, and the Company has conditionally agreed to subscribe, for the Convertible Notes to be issued by the Issuer in the aggregate principal amount of HK$95 million in cash. Up to the date of approval of these consolidated financial statements, the Issuer has not issued any of these Convertible Notes.

— In August 2012, the Issuer has entered into a non-binding memorandum of intent with the holder of the promissory notes with an aggregate principal amount of HK$156 million under which the said holder allows the Issuer for the settlement of the notes within one year from the date of their maturity without penalty or additional fees.

In light of the measures and arrangements implemented to date, the Issuer Directors is of the view that the Issuer Group has sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Issuer Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the Issuer Directors is of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Issuer Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements."

As a result of the net current liabilities position of the Issuer Group, the Issuer Directors continued to seek for short to medium term financing to address the Issuer Group's going concern problem and thus the Company could bargain for more favourable terms on the Subscription. In the event that the Convertible Notes are converted in full at the adjusted minimum Conversion Price of HK$0.01 per Conversion Share, a total of 9,500,000,000 Conversion Shares will be issued, representing a maximum of approximately 99.52% of the issued share capital of the Issuer after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the adjusted minimum Conversion Price of HK$0.01, assuming all the outstanding Acquisition CN are converted in full at the adjusted minimum conversion price of HK$11.35 (subject to conversion restriction). In view of the foregoing, the business prospects of the Paper Recycling Business (as defined below) as elaborated in other sections of this letter and the fact that the Issuer, being a listed issuer will have the varieties of fund raising options available, the Directors believes the interests of Company could be safeguarded and the Subscription and the Possible Conversion are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Group is principally engaged in the money lending and provision of credit business, securities investments, provision of corporate secretarial and consultancy services and forestry business.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE POSSIBLE CONVERSION

The Directors have considered the following reasons and benefits in connection with the Subscription and the Possible Conversion:

(i) Participation into the business of the Issuer Group

The Directors consider that the Subscription and the Possible Conversion would enable the Company to participate in the development of the Issuer Group and provide the Company with an opportunity to share the returns generated from the business of the

Issuer Group, which will allow the Company to tap into the recycling industry, and to enjoy the potential upside of the share price performance of the Issuer Shares through the Possible Conversion of part or whole of the Convertible Notes (subject to the conversion restriction) into the Conversion Shares as and when the Company considers appropriate.

It is noted that paper is the largest and fastest growing portion of waste streams and is the major target for recovery and recycling. Driven by a growing demand for paper and boards, there is now a greater appetite for secondary fibres from waste paper, with an increasing demand in seeking more virgin pulp substitutes to reduce raw material costs. Waste paper comes in different types and grades depending on the recovery source. The basic ''upstream'' recovery steps from collection to storage involve primarily decontamination, sorting and segregation of the waste paper to raise material type purity. Upstream sorting and segregation play an important role in maximizing the efficiency of recycling process, starting from an efficient collection and sorting of waste paper by grades and types.

Increasing awareness of climate change has resulted in greater global efforts to accelerate the promotion of recycling and reusing, which are aimed at reducing the final volumes of waste for disposal. On a global basis, paper is the single most abundant source of recyclable solid waste and its proportion to total recyclable solid waste continues to grow. Efforts by governments around the world to minimize the use of landfills and incinerators have led to adoption of increasing ecologically motivated policies and regulations which have driven up costs for landfill and incineration methods. The costs and environmental factors have thus increased the tendency towards waste paper recovery globally as waste paper recovery become more cost effective.

In addition, according to the China Paper Association, there are around 3,700 paper manufacturers in the PRC. In 2010, the PRC's total paper production was approximately 92.70 million tonnes. Consumption was approximately 91.73 million tonnes. Paper consumption grew at a compound annual growth rate of approximately 11.02% during 2004–2010. In view of all the above, the Directors concur with the Issuer Directors that the prospect of the waste paper recycling industry in the PRC is promising. Having also considered the Paper Recycling Business (as defined below) had a historical profit track record and become the major source of income of the Issuer Group, the Directors are of the view that the Subscription and the Possible Conversion are in the interests of the Company and the Shareholders as a whole.

The Directors also consider the Subscription and the Possible Conversion as a good opportunity to further develop its finance business with an option for the Company to invest in a certain stake of a listed company in Hong Kong.

In the event that the Convertible Notes are converted in full into the Conversion Shares after the Completion, the Company will become the largest shareholder of the Issuer and could influence the major decisions of the Issuer at the shareholders meeting of the Issuer. Nevertheless, as at the Latest Practicable Date, the Company has no present intention to convert any of the Convertible Notes into the Conversion Shares after the

Completion and the Company will remain as a holder of the Convertible Notes, and the Company's interest thereunder is protected by the relevant anti-dilution clauses of the Convertible Notes.

During the course of negotiations between the Company and the Issuer regarding the Subscription, the Issuer originally desired to borrow money from the Company instead of issue the Convertible Notes. However, after preliminary due diligence conducted by the Company, including a review on all the documents published by the Issuer (in particular the past annual reports of the Issuer and the Acquisition Circular) and interviewing the senior management of Issuer, the Directors are satisfied on the business and financial performance of the Paper Recycling Business (as defined below) and considered that the issue of Convertible Notes could provide more flexibility and protection to the Company as compared to granting of a loan.

As elaborated in the other sections of this letter, the Company could on one hand receive interest income from the Convertible Notes and on the other hand, in the event that the Convertible Notes are converted by the Company in full (subject to the conversion restriction), the Company will become the single largest shareholder of the Issuer, having also considered that a listed issuer would have more fund raising options and abilities as compared to a private company, the Directors consider that the Subscription and the Possible Conversion are in the interests of the Company and the Shareholders as a whole.

(ii) Interest income earned from the Convertible Notes

If the Convertible Notes are not converted, the Company will receive attractive interest income of 8% per annum from the Convertible Notes semi-annually, amounting to the sum of HK$11,400,000.

(iii) Business prospect of the Issuer Group

When considering the Subscription, the Directors have reviewed all the relevant public information of the Issuer Group. The Directors noted that the Issuer Group has reallocated its existing resources from the business of trading and manufacturing of printed circuit boards (the "**PCB Business**") and the business of trading and manufacturing of industrial laminates and copper foil to the businesses of electric car battery (the "**Electric Car Business**") and waste paper recycling (the "**Paper Recycling Business**"). As the Issuer Group only has minority interests of 9.9% in the Electric Car Business, the new major business of the Issuer Group shall be the Paper Recycling Business.

According to the Acquisition Circular, the Issuer Directors elaborated that the Acquisition represented the first step of the Issuer Group to participate in the environmental industry for the waste paper recycling business, which is highly supported by the PRC government. The Acquisition represents a strategic move of the Issuer Group to increase its investment in the "green industry" and to diversify from its existing businesses, with the aim of broadening the income base of the Issuer Group.

Set out below is the financial information of the Paper Recycling Business as extracted from the Acquisition Circular:

	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010	For the three months ended 31 March 2010	For the three months ended 31 March 2011
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*
Consolidated statement of comprehensive income					
Turnover	18.97	237.06	296.02	61.18	92.11
Net profit/(loss) before taxation	(2.40)	16.29	36.39	2.49	10.25
Net profit/(loss) after taxation	(2.40)	13.15	27.60	2.48	7.69

	As at 31 March 2011
	RMB' million
Combined statement of financial position	
Assets	130.19
Liabilities	93.47
Net assets	36.72

As demonstrated in the table above, the Paper Recycling Business demonstrated a steady growth in terms of size and profitability during the past few years and the Directors concur with the Issuer that the waste paper recycling business, which is highly supported by the PRC government, would continue to be profitable in the future.

According to the 2012 Annual Report, since the completion of Acquisition on 4 November 2011, the Paper Recycling Business recorded a turnover of RMB110,592,000 (equivalent to HK$136,028,000), which accounted for approximately 76.1% of the Issuer Group's total turnover. Gross profit was RMB15,471,000 (equivalent to HK$19,029,000) and gross margin amounted to 14.0%. Operating profit after tax was RMB4,264,000 (equivalent to HK$5,245,000). The Paper Recycling Business has become the main source of income of the Issuer Group. Given that the Paper Recycling Business have already recorded profits and will bring positive cash inflow to the Issuer Group, the Directors are confident the repayment abilities of the Issuer Group in case the Company remains as a holder of the Convertible Notes.

(iv) Future ongoing review on the investment by the Group

Securities investment is part of the ordinary and usual course of business of the Group. Although the Group has no plan to operate and manage the recycling business of the Issuer Group and the daily operation of the Issuer Group will rely on the expertise of its management, the Board will closely monitor the business and financial performance of the Issuer Group, such as (a) ongoing review on the Subscription; (b) communication with the management of the Issuer Group if the Group detects any problem or risk in the Issuer's management; and (c) provision of consultancy services by Pacific Vision Advisory Services Limited ("**Pacific Vision**"), a wholly-owned subsidiary of the Company, to the Issuer Group if it requires. The Directors are of the view that such division of work based on expertise and specializations will fully utilize each party's comparative advantages, increase the efficiency in operations and bring higher return to the Subscription, which is in the interests of the Company and the Shareholders as a whole.

After the Completion, the management of the Company will keep an ongoing review on the business and financial performance of the Issuer Group and from time to time conduct a solvency analysis, covering the liquidity of the Issuer's assets, recoverability of the Convertible Notes, and the profitability, internal fund source and cash flow of the Issuer Group. In the event that any issue detected which may adversely affect the solvency of the Issuer Group and recoverability of the Convertible Notes, the Group, with its extensive expertise and network in financial advisory and securities business, will offer advice and assistance if the Issuer requires. In the future, if required, the Company may consider to nominate directors to the Issuer such that the Company can participate in the management and daily operations of the Issuer.

The Directors noted that there may be certain risks associated with the Subscription, details of which are set out in the section headed "Risks associated with the Subscription" in this letter. In view of the abovementioned factors, the Directors believed that as (i) the risk of the Subscription has been fully assessed as acceptable; and (ii) the Subscription is able to bring in reasonable return to the Company, the Directors consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and that the Subscription is in the interests of the Company and the Shareholders as a whole.

As disclosed in the circular of the Company dated 14 August 2012, the Company proposed to, among other things, raise not less than approximately HK$191.75 million and not more than approximately HK$243.97 million, before expenses, by way of a rights issue (with a bonus issue) (the "**Rights Issue**"). It is expected that HK$95 million from the proceeds of the Rights Issue will be utilized to finance the Subscription.

POSSIBLE CONVERSION

If at any time after the Completion, the Board considers it appropriate and in the interests of the Company and its Shareholders as a whole to exercise the conversion rights attaching to the Convertible Notes or part thereof (subject to the conversion restriction), it may change its intention in relation to the conversion of the Convertible Notes.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder and the Possible Conversion.

FINANCIAL EFFECTS OF THE SUBSCRIPTION AND THE CONVERSION OF THE CONVERTIBLE NOTES

(i) Upon Completion, the Convertible Notes are recognized as a financial asset designated as at fair value through profit or loss of the Company's consolidated statement of financial position. There will be no significant financial impact on the net assets or earnings of the Group. According to applicable Hong Kong Accounting Standard, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, shall be measured at cost. When subsequently a reliable measure becomes available, such unquoted equity instruments should be measured at fair value. As the Conversion Price is not certain until Completion, the fair value of the conversion rights embedded and the Convertible Notes in its entirety cannot be ascertained accurately.

With reference to determination basis of the Initial Conversation Price and other terms of the Convertible Notes which were arrived after arm's length negotiations between the Company and the Issuer, it is considered that the fair value of the conversion rights embedded and the Convertible Notes in its entirety is expected to be approximate to the principal amount of the Convertible Notes of HK$95 million as at the Completion Date. The relevant financial effects have been illustrated in Appendix II to this circular. In the event that Completion takes place on or before the financial year of the Group ended 31 December 2012, the fair value of the Convertible Notes will be valued by a professional valuer to be engaged by the Company and the relevant fair value will be reflected in the financial statements of the Company for the year ended 31 December 2012.

The Directors consider that the aforesaid adoption is in the interests of the Company and the Shareholders as a whole and the fair value of the Convertible Notes will be valued by a professional valuer to be engaged by the Company and to be reflected in the financial statements of the Company for the year ended 31 December 2012 in case Completion takes place on or before 31 December 2012.

(ii) Upon any conversion of the Convertible Notes into the Conversion Shares (subject to the conversion restriction), which will result in the Company to hold 20% or more of the Issuer's issued share capital, the Issuer shall be treated as an associate (within the meaning of Hong Kong Accounting Standard 28 — Investments in Associates) of the Company and the converted Conversion Shares will be accounted for in the Group's consolidated financial statements using the equity method in accordance with Hong Kong Accounting Standard 28 — Investments in Associates. As at the Latest Practicable Date, the Company has no present intention to convert any of the Convertible Notes into the Conversion Shares after the Completion. As such, the below financial effects in relation to the conversion of the Convertible Notes are for illustrative purpose only.

(iii) More attention is also drawn in Appendix II which sets out the additional unaudited pro forma consolidated statement of financial position of the Group for illustrative purposes.

Assets

As at 30 June 2012, the unaudited consolidated total assets of the Group amounted to approximately HK$480,889,000.

As set out in Appendix II to this circular, assuming the Completion (without the Possible Conversion) and the Completion (with the Possible Conversion) had taken place on 30 June 2012, the unaudited pro forma consolidated total assets of the Group would be approximately HK$563,572,000, representing an increase in the total assets of approximately HK$82,683,000.

Liabilities

As at 30 June 2012, the unaudited consolidated total liabilities of the Group amounted to approximately HK$14,284,000.

As set out in Appendix II to this circular, assuming the Completion (without the Possible Conversion) and the Completion (with the Possible Conversion) had taken place on 30 June 2012, the unaudited pro forma consolidated total liabilities of the Group would be approximately HK$96,967,000, representing a decrease in the total liabilities of approximately HK$82,683,000.

Please refer to further details regarding the relevant effects as set out in Appendix II to this circular regarding the unaudited pro forma consolidated statement of financial position of the Group for illustration purposes.

Earnings

The Group recorded an unaudited consolidated profit of approximately HK$26,917,000 for the six month ended 30 June 2012.

Except for the interest income to be received by the Company from the Convertible Notes, there will be no significant financial impact on earnings of the Group upon the Completion.

RISK ASSOCIATED WITH THE SUBSCRIPTION

Risk relating to the recoverability of the Convertible Notes

There is no assurance that the solvency and financial performances of the Issuer Group will remain strong and Issuer is able to repay in full the Convertible Notes on a timely basis. Any unexpected unfavorable changes, such as the economic downturn and the interruption of the existing businesses of the Issuer Group, may increase the risk relating to the recoverability of the Convertible Notes.

In view of the potential risks relating to the recoverability of the Convertible Notes, the Board will closely monitor the performance of the Issuer Group, such as (a) ongoing review on the Subscription; (b) communication with the management of the Issuer Group if the Group detects any problem or risk in the Issuer's management; and (c) provision of consultancy services by Pacific Vision to the Issuer Group if it requires. the management of the Company will keep an ongoing review on the business and financial performance of the Issuer Group and from time to time conduct a solvency analysis, covering the liquidity of the Issuer's assets, recoverability of the Convertible Notes, and the profitability, internal fund source and cash flow of the Issuer Group. In the event that any issue which may adversely affect the solvency of the Issuer Group and recoverability of the Convertible Notes is detected, the Group, with its extensive expertise and network in financial advisory and securities business, will offer advice and assistance if the Issuer requires. The Board believes that the above actions could mitigate the risks relating to the recoverability of the Convertible Notes.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) for the Company in relation to the Subscription and the Possible Conversion exceed 25% but less than 100%, each of the Subscription and the Possible Conversion constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The Issuer Directors proposed to seek the approval from the Issuer Shareholders at the Issuer SGM to issue the Convertible Notes and the Conversion Shares. Application will be made by the Issuer to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Notes.

The Subscription and the Possible Conversion are conditional upon, among other things, the passing of the necessary resolution by the Issuer Shareholders at the Issuer SGM and the passing of the necessary resolution by the Shareholders at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has an interest in each of the Subscription and the Possible Conversion 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 Subscription and the transactions contemplated thereunder (including the Possible Conversion thereof).

SGM

A notice convening the SGM to be held at 10:00 a.m. on Wednesday, 3 October 2012 at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong is set out on pages 79 to 80 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, 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 (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

The Board considers that the terms of the Subscription Agreement and the transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned. In addition, the Board considers that the Subscription and the Possible Conversion of the Convertible Notes are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the Possible Conversion thereof).

ADDITIONAL INFORMATION

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

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

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the six months ended 30 June 2012 has been disclosed in the interim report of the Company for the six months ended 30 June 2012 published on 6 September 2012; (ii) for the year ended 31 December 2011 has been disclosed on pages 26 to 98 of the annual report of the Company for the year ended 31 December 2011 published on 20 April 2012; (iii) for the year ended 31 December 2010 has been disclosed on pages 24 to 86 of the annual report of the Company for the year ended 31 December 2010 published on 14 April 2011; and (iv) for the year ended 31 December 2009 has been disclosed on pages 23 to 84 of the annual report of the Company for the year ended 31 December 2009 published on 27 April 2010. The aforesaid annual reports and interim report 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).

FINANCIAL INFORMATION OF THE ISSUER GROUP

The financial information of the Issuer Group (i) for the year ended 31 March 2012 has been disclosed on pages 39 to 144 of the annual report of the Issuer for the year ended 31 March 2012 published on 31 August 2012; (ii) for the year ended 31 March 2011 has been disclosed on pages 38 to 126 of the annual report of the Issuer for the year ended 31 March 2011 published on 28 July 2011; (iii) for the year ended 31 March 2010 has been disclosed on pages 39 to 112 of the annual report of the Issuer for the year ended 31 March 2010 published on 14 October 2010; and (iv) for the year ended 31 March 2009 has been disclosed on pages 39 to 102 of the annual report of the Issuer for the year ended 31 March 2009 published on 4 September 2009. All the above reports of the Issuer have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Issuer (http://www.986.com.hk).

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company, and through its subsidiaries is principally engaged in the business of money lending, provision of credits, securities investments, and provision of corporate secretarial and consultancy services and forestry business.

Money Lending and Provision of Credits Business

As at the Latest Practicable Date, the Group had, through its wholly-owned subsidiary, Joy Wealth Finance Limited ("**Joy Wealth**"), 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 was remained outstanding. The outstanding principal of approximately HK$192 million consists of approximately HK$99 million of loans that are not yet matured and the remaining approximately HK$93 million of loans that are past due as at the Latest Practicable Date. For the past due loans, the Company is in negotiation with the relevant borrowers for revised terms and/ or demanding repayments. For the year ended 31 December 2011, the total interest income of the Group amounted to approximately HK$52.96 million. Currently, the Board has received five loan proposals in the aggregate principal amount of over HK$400 million and is looking into the possibility of providing these loans. Should any of these proposals materialize, the Company will make further announcements as and when appropriate in accordance with the Listing Rules.

Securities Investments Business

As at the Latest Practicable Date, the Group had invested in Simsen International Corporation Limited ("**Simsen International**") (Stock Code: 993) as a strategic investment with the intention to promote the finance business of Joy Wealth through the retail platform provided by Simsen International as the subsidiaries of the Simsen International have a broad customer base and distribution channels for its businesses such as securities business, insurance products etc. In addition, Simsen International would refer/introduce high net worth clients to Joy Wealth in case they are unable to make such loans due to urgency and/or disclosure requirements under the Listing Rules as the size of these loans may constitute a major transactions/very substantial acquisitions for Simsen International which require, amongst others, shareholders' approval. As the money lending business is highly competitive in nature and loan customers are very often in urgent need for the loans and thus willing to afford higher interests rates, in order to avoid losing these loan customers to other competitors due to the shareholders' approval requirement, Simsen International may make referral to Joy Wealth (subject to then market capitalization of the Company) when it considers appropriate. In addition, the Group had also invested in Huili Resources (Group) Limited (Stock Code: 1303) with a view that the investment has valuable potential in its profitability.

The Directors consider that the Subscription would enable the Company to participate in the development of the Issuer Group and provide the Company an opportunity to share the returns generated from the business of the Issuer Group, which will allow the Company to tap into the recycling industry, and to enjoy the potential upside of the share price performance of the Issuer Shares through the possible conversion of part or whole of the Convertible Notes (subject to the conversion restriction) into the Conversion Shares as and when the Company considers appropriate. Further details regarding the prospect and the Directors' view on the Subscription has been set out in the section headed "Reasons for and benefits of the Subscription and the Possible Conversion" of the letter from the Board to this circular.

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 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 business opportunities and expand this business segment into the PRC, the Group will continue allocating resources 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 a forest acquisition of Profit Grand Enterprises Limited (the "**Forest Acquisition**"), which through its subsidiary has the harvesting right within a forest sized approximately 65,800 hectares in the Independent State of Papua New Guinea ("**PNG**"). The total consideration for the Forest 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. Details of the Forest Acquisition have been disclosed in the circular of the Company dated 29 February 2012. Currently, the Group has successfully been granted the foreign enterprise certificate. As advised by the Company's legal advisor, the application for official licenses and approvals, namely, the environment impact statement, the Forestry Industry Participant and the Clearance Authority are in progress and expected to be obtained by late 2012/early 2013.

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 approximately HK$2,915,000, 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 aforesaid or as otherwise disclosed herein, 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.

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 as set out in the Company's circular dated 14 August 2012, 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.

UNAUDITED PRO FORMA STATEMENT OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

The unaudited pro forma statement of condensed consolidated statement of financial position (the "**Unaudited Pro Forma Financial Information**") of the Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to illustrate the effect of the subscription of convertible notes proposed to be issued by China Environmental Energy Investment Limited in the aggregate principal amount of HK$95 million in cash ("**Subscription of Convertible Notes**") and possible conversion of the convertible notes ("**Conversion of Convertible Notes**") as details stated on the Company's announcement dated 26 June 2012, on the unaudited condensed consolidated statement of financial position of the Group as if the Subscription of Convertible Notes and the Conversion of Convertible Notes had been taken place on 30 June 2012.

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.

Unless the context of this Appendix II otherwise requires, terms used herein shall have the same meanings as those defined in this circular.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012, extract from the interim report of the Group for the six months ended 30 June 2012 which can be accessed on the website of the Stock Exchange, with adjustments described below:

Scenario 1

Assuming no conversion of the Convertible Notes after the completion of the Subscription of Convertible Notes

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012	**Subscription of Convertible Notes**	**Unaudited pro forma condensed consolidated statement of financial position of the Group as at 30 June 2012**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	
Non-current assets			
Property, plant and equipment	2,354		2,354
Investment deposit and other deposits	269		269
Available-for-sale financial assets	7,392		7,392
Financial assets designated as at fair value through profit or loss	—	95,000	95,000
Goodwill	306,081		306,081
	316,096		411,096
Current assets			
Loan receivables	125,118		125,118
Trade and other receivables	9,428		9,428
Investment held for trading	13,930		13,930
Derivative financial assets	4,000		4,000
Bank balances and cash	12,317	(12,317)	—
	164,793		152,476
Current liabilities			
Other payables and accrued expenses	3,221		3,221
Amounts due to directors	148		148
Amount due to a shareholder of a subsidiary	207		207
Note payable	10,000		10,000
Tax liabilities	708		708
Bank overdraft	—	82,683	82,683
	14,284		96,967
Net current assets	150,509		55,509
Total assets less current liabilities	466,605		466,605

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012	Subscription of Convertible Notes	Unaudited pro forma condensed consolidated statement of financial position of the Group as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	
Capital and reserves			
Share capital	13,696		13,696
Share premium	365,344		365,344
Share-based payment reserve	434		434
Other reserves	237,522		237,522
Accumulated losses	(150,431)		(150,431)
Equity attributable to owners of the Company	466,565		466,565
Non-controlling interests	40		40
Total equity	466,605		466,605

Scenario 2

Assuming full conversion of the Convertible Notes at the adjusted maximum Conversion Price of HK$5.5 per Conversion Share after the Issuer Capital Reorganization becoming effective *(Note 3)*

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012	Subscription of Convertible Notes	Conversion of Convertible Notes	Unaudited pro forma condensed consolidated statement of financial position of the Group as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Non-current assets				
Property, plant and equipment	2,354			2,354
Interest in associate	—		95,000	95,000
Investment deposit and other deposits	269			269
Available-for-sale financial assets	7,392			7,392
Financial assets designated as at fair value through profit or loss	—	95,000	(95,000)	—
Goodwill	306,081			306,081
	316,096			411,096
Current assets				
Loan receivables	125,118			125,118
Trade and other receivables	9,428			9,428
Investment held for trading	13,930			13,930
Derivative financial assets	4,000			4,000
Bank balances and cash	12,317	(12,317)		—
	164,793			152,476
Current liabilities				
Other payables and accrued expenses	3,221			3,221
Amounts due to directors	148			148
Amount due to a shareholder of a subsidiary	207			207
Note payable	10,000			10,000
Tax liabilities	708			708
Bank overdraft	—	82,683		82,683
	14,284			96,967
Net current assets	150,509			55,509
Total assets less current liabilities	466,605			466,605

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012	Subscription of Convertible Notes	Conversion of Convertible Notes	Unaudited pro forma condensed consolidated statement of financial position of the Group as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Capital and reserves				
Share capital	13,696			13,696
Share premium	365,344			365,344
Share-based payment reserve	434			434
Other reserves	237,522			237,522
Accumulated losses	(150,431)			(150,431)
Equity attributable to owners of the Company	466,565			466,565
Non-controlling interests	40			40
Total equity	466,605			466,605

Scenario 3

Assuming conversion of the Convertible Notes at the minimum Conversion Price of HK$0.01 per Conversion Share (equivalent to the par value of the Issuer Share), while the Company does not hold more than 29.9% of the issued share capital of the Issuer *(Note 4)*

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012	Subscription of Convertible Notes	Conversion of Convertible Notes	Unaudited pro forma condensed consolidated statement of financial position of the Group as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	
Non-current assets				
Property, plant and equipment	2,354			2,354
Interest in associate	—		174	174
Investment deposit and other deposits	269			269
Available-for-sale financial assets	7,392			7,392
Financial assets designated as at fair value through profit or loss	—	95,000	(174)	94,826
Goodwill	306,081			306,081
	316,096			411,096
Current assets				
Loan receivables	125,118			125,118
Trade and other receivables	9,428			9,428
Investment held for trading	13,930			13,930
Derivative financial assets	4,000			4,000
Bank balances and cash	12,317	(12,317)		—
	164,793			152,476
Current liabilities				
Other payables and accrued expenses	3,221			3,221
Amounts due to directors	148			148
Amount due to a shareholder of a subsidiary	207			207
Note payable	10,000			10,000
Tax liabilities	708			708
Bank overdraft	—	82,683		82,683
	14,284			96,967
Net current assets	150,509			55,509
Total assets less current liabilities	466,605			466,605

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012	Subscription of Convertible Notes	Conversion of Convertible Notes	Unaudited pro forma condensed consolidated statement of financial position of the Group as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	
Capital and reserves				
Share capital	13,696			13,696
Share premium	365,344			365,344
Share-based payment reserve	434			434
Other reserves	237,522			237,522
Accumulated losses	(150,431)			(150,431)
Equity attributable to owners of the Company	466,565			466,565
Non-controlling interests	40			40
Total equity	466,605			466,605

Notes:

1. The unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012 is extracted from the published interim report of the Company for the six months ended 30 June 2012 which can be accessed on the website of the Stock Exchange.

2. The Group entered into the Subscription Agreement and the Supplemental Agreement with the Issuer on 26 June 2012 and 4 September 2012, respectively, pursuant to which the Issuer as conditionally agreed to issue, and the Group has conditionally agreed to subscribe for the Convertible Notes in the aggregate principal amount of HK$95 million in cash. Subject to the terms and conditions of the Convertible Notes, they may be converted into Convertible Shares. The Initial Conversion Price shall be the average closing price of the Issuer Shares for the five (5) consecutive trading days prior to the Completion Date, provided that the Initial Conversion Price shall not in any event be more than HK$0.11 per Conversion Share (equivalent to HK$5.5 per Conversion Share after the Issuer Capital Reorganization becoming effective) or less than HK$0.01 per Conversion Share (equivalent to the par value of the Issuer Share), subject to the adjustments as mentioned under the 'Principal Terms of the Convertible Notes' Section on page 11.

   According to applicable Hong Kong Accounting Standard, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, shall be measured at cost. When subsequently a reliable measure becomes available, such unquoted equity instruments should be measured at fair value. As the Conversion Price is not certain until Completion, the fair value of the conversion rights embedded and the Convertible Notes in its entirety cannot be ascertained accurately.

   With reference to determination basis of the Initial Conversation Price and other terms of the Convertible Notes which were arrived after arm's length negotiations between the Company and the Issuer, it is considered that the fair value of the conversion rights embedded and the Convertible Notes in its entirety is expected to be approximate to the principal amount of the Convertible Notes of HK$95 million as at the Completion Date. In the event that Completion takes place on or before the financial year of the Group ending 31 December 2012, the fair value of the Convertible Notes will be determined by a professional valuer to be engaged by the Company and the relevant fair value will be reflected in the consolidated financial statements of the Group for the year ending 31 December 2012.

   However, the Group did not have sufficient bank balances and cash at 30 June 2012 to settle the HK$95 million in full. The Company proposes to issue not less than 342,412,634 rights shares and not more than 435,653,664 rights shares at the subscription price of HK$0.56 per each Rights Share by way of rights issue.

The estimated net proceeds from the rights issue (with the bonus issue), (i) will not be less than HK$184.691 million, which is 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; and (ii) will not be more than HK$236.906 million, which is 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. Details of the proposed rights issue (with the bonus issue) were stated in the Company's circular dated 14 August 2012.

Assumed the rights issue (with the bonus issue) is completed, the Group will have sufficient funds to settle the HK$95 million in full.

3. For illustration purpose only, Scenario 2 assumes full conversion of the Convertible Notes at the adjusted maximum Conversion Price of HK$5.5 per Conversion Share after the Issuer's Capital Reorganization becoming effective. A minimum number of 17,272,727 Conversion Shares of the Issuer with par value of HK$0.01 each will be allotted and issued by the Issuer, which representing approximately 29.78% of the Issuer's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full. The Issuer shall be treated as an associate (within the meaning of Hong Kong Accounting Standard 28 — Investments in Associates ("**HKAS 28**")) of the Company and with reference to HKAS 28, an investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment any difference between the cost of the investment and investor's share of the net fair value of the associate's identifiable asset and liabilities will be accounted for goodwill (included in the carrying amount of the investment) or any excess of the investor's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired. For the purpose of this unaudited pro forma statement of the Group, the net fair value of the associate's identifiable asset and liabilities are assumed to be equal to their carrying amounts as at 30 June 2012.

4. For illustration purpose only, Scenario 3 assumes full conversion of the Convertible Notes at the minimum Conversion Price of HK$0.01 per Conversion Share (equivalent to par value of the Issuer share), while the Company do not hold more than 29.9% of the issued share capital as enlarged by the allotment and issue of the Conversion Shares. Total 17,374,418 Conversion Shares (assuming no Acquisition CN are converted) will be allotted and issued by the Issuer. The Issuer shall be treated as an associate of the Company and with reference to HKAS 28, an investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment any difference between the cost of the investment and investor's share of the net fair value of the associate's identifiable asset and liabilities will be accounted for goodwill (included in the carrying amount of the investment) or any excess of the investor's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired. For the purpose of this unaudited pro forma statement of the Group, the net fair value of the associate's identifiable asset and liabilities are assumed to be equal to their carrying amounts as at 30 June 2012.

5. No adjustments have been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2012.

ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

14 September 2012

TO THE DIRECTORS OF PACIFIC PLYWOOD HOLDINGS LIMITED

We report on the unaudited pro forma condensed consolidated statement of financial position ("**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 29 to 38 in Appendix II to the circular dated 14 September 2012 (the "**Circular**"), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the subscription of convertible notes proposed to be issued by China Environmental Energy Investment Limited ("**Subscription of Convertible Notes**") and possible conversion of the convertible notes ("**Conversion of Convertible Notes**"), 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 page 30 to 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 30 June 2012 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group so far as such policies related to the transactions; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Ho Yiu Hang, Ricky
Practising Certificate Number: P05494
Hong Kong
Suites 313–317, 3/F
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

*The following text is extracted from Appendix II to the circular of the Company dated 29 February 2012 (the "**February Circular**"). Terms used below shall have the same meanings as those defined in the February Circular. Furthermore, all pages/sections/appendices mentioned in the below text are referred to those of the February Circular.*

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

29 February 2012

The Board of Directors
Pacific Plywood Holdings Limited
Units 3301–3303, 33/F.
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Profit Grand Enterprises Limited (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") for the period from 5 January 2011 (date of incorporation) to 31 October 2011 (the "Relevant Period") for inclusion in the circular dated 29 February 2012 (the "Circular") issued by Pacific Plywood Holdings Limited (the "Company") in connection with its proposed acquisition of 30% of the entire issued share capital of the Target Company (the "Transaction").

The Target Company was incorporated under the Business Companies Act, 2004 of the British Virgin Islands (the "BVI") on 5 January 2011, limited by shares.

At the end of the reporting period, the Target Company had the following subsidiary.

Name of subsidiary	Place and date of incorporation	Issued and fully-paid share capital	Attributable equity interest held	Principal activity
I-Sky Natural Resources (PNG) Limited	Independent State of Papua New Guinea (the "PNG") 9 December 2010	Kina 100	100% (directly held)	Forest development

No audited financial statements have been issued for the Target Company since the date of its incorporation as there is no such statutory requirement in the British Virgin Islands.

No audited financial statements have been issued for the I-Sky Natural Resources (PNG) Limited (the "Target Subsidiary") since the date of its incorporation.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Period set out in this report has been prepared based on Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements for the Relevant Period for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of the Target Group, who approved their issue. The directors of the Company are also responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

OPINION

In our opinion, the Financial Information together with the notes thereto gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 October 2011 and of the results of the Target Group for the period from 5 January 2011 (date of incorporation) to 31 October 2011.

Consolidated Income Statement

	Notes	**For the period from 5 January 2011 (date of incorporation) to 31 October 2011** *HK$*
Administrative expenses		461
Loss before income tax	*8*	(461)
Income tax expense	*9*	—
Loss for the period		**(461)**

Consolidated Statement of Comprehensive Income

	For the period from 5 January 2011 (date of incorporation) to 31 October 2011 *HK$*
Loss for the period	(461)
Other comprehensive income	
Exchange difference arising on translating foreign operations	39
Total comprehensive loss for the period	(422)

Consolidated Statement of Financial Position

	Notes	**At 31 October 2011** *HK$*
NON-CURRENT ASSETS		
Goodwill	*11*	15,247,223
Deposit for acquisition of logging concession	*12*	266,123
		15,513,346
CURRENT LIABILITY		
Accrued charges		488,899
Total assets less current liabilities		15,024,447
NON-CURRENT LIABILITY		
Loan from a shareholder	*13*	15,024,091
NET ASSETS		**356**
CAPITAL AND RESERVES		
Share capital	*14*	778
Reserves		(422)
TOTAL EQUITY		**356**

Consolidated Statement of Changes in Equity

	Share capital *HK$*	Exchange reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
Issuance of shares upon incorporation	778	—	—	778
Exchange difference arising on translating foreign operations	—	39	—	39
Loss for the period	—	—	(461)	(461)
Total comprehensive loss for the period	—	39	(461)	(422)
At 31 October 2011	**778**	**39**	**(461)**	**356**

Notes to the Consolidated Financial Information

1. GENERAL INFORMATION

Profit Grand Enterprises Limited (the "Target Company") was incorporated in the British Virgin Islands ("BVI") with limited liability on 5 January 2011.

The principal activity of the Target Company is investment holding. The principal activity of its subsidiary, I-Sky Natural Resources (PNG) Limited (the "Target Subsidiary") is in conduct of forestry related business.

The address of the registered office of the Target Company is 3/F., Omar Hodge Building, Wickhams Cay 1, Road Town, Tortola, the BVI.

No consolidated statement of cash flows has been presented as the Target Group has no cash transaction during the Relevant Period.

The functional currency of the Target Company is United States dollars ("US$"). The functional currency of the Target Subsidiary is Kina. The Financial Information is presented in Hong Kong dollars ("HK$"), which conform with the presentation currency of Pacific Plywood Holdings Limited (the "Company").

2. BASIS OF PREPARATION

As at 31 October 2011, the Target Company and its subsidiary (hereinafter collectively known as the "Target Group") reported a net current liabilities of HK$488,899. The condition indicates the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liability in the normal course of business. Nevertheless, the sole director of the Target Company is of the opinion that the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 October 2011 given that the corporate shareholders and the potential investor agreed to provide adequate funds for the Target Group to meet its liability in full as they fall due.

Accordingly, the sole director of the Target Company is of the opinion that it is appropriate to prepare the consolidated financial statements of the Target Group on a going concern basis. Should the Target Group be unable to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the Relevant Period, the Target Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

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

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

New and revised Standards on consolidation and disclosures

In June 2011, the standards on consolidation and disclosures were issued, including HKFRS 10 and HKFRS 12, HKAS 27 (as revised in 2011) was issued. The key requirements of these 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 investors' returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Target Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') and the Hong Kong Companies Ordinance. These policies have been consistently applied to all the Relevant Periods presented and are materially consistent with the accounting policies adopted by the Company, unless otherwise stated.

The Financial Information has been prepared on the historical cost basis. The Financial Information has been prepared in accordance with the following accounting policies which confirm to HKFRSs issued by the HKICPA.

Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and entity controlled by the Target Company (its subsidiary). Control is achieved where the Target Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The result of a subsidiary acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statement of a subsidiary to bring its accounting policies into lines with those used by other members of the Target Group.

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

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 Target Company, liabilities incurred by the Target Company to the former owners of the acquiree and the equity interests issued by the Target Company in 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, 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 Target Company 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 acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, 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 acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Target 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Target 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 as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Impairment losses on tangible assets

At the end of the reporting period, the Target 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the Financial Information of the Target Group, transactions in currencies other than the functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the Target Group operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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 periods in which they arise, except for exchange differences arising on a monetary item that forms part of the Target Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the periods except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 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 equity under the heading of translation reserve.

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 Relevant Period. 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 Target 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 Financial Information 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, except where the Target 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 the Relevant 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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the Relevant Period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in to 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.

Financial instruments

Financial liabilities are recognised in the consolidated statement of financial position when the Target Group becomes a party to the contractual provisions of the instruments.

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Target Group 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 Target Group after deducting all of its liabilities. Equity instruments issued by the Target 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 and 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.

Other financial liabilities

Other financial liabilities including accrued charges and loan from a shareholder are subsequently measured at amortised cost, using the effective interest method.

Provisions

Provisions are recognised when the Target Group has a present obligation as a result of a past event, and it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the Relevant Period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Related parties

A party is considered to be related to the Target Group if:

(i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Target Group; (ii) has an interest in the Target Group that gives its significant influence over the Target Group; or (iii) has joint control over the Target Group;

(ii) the party is an associate;

(iii) the part is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Target Group;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Target Group, or of any entity that is a related party of the Target Group.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 4, the sole director of the Target Company are required to make judgments, 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.

Key sources of estimation uncertainty

The following 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.

Going concern basis

The assessments of the going concern assumptions involve making judgment by the sole director of the Target Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The sole director of the Target Company considers that the Target Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in Note 2.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Target Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of impairment testing on goodwill are set out in Note 11.

6. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to owner through the optimisation of the debt and equity balance. The Target Group overall strategy remains unchanged during the Relevant Period.

The capital structure of the Target Group consists of debt, which includes loan from a shareholder and equity attributable to owners of the Target Company, comprising issued share capital as disclosed in Note 14 and reserves as disclosed in the consolidated statement of changes in equity. The sole director of the Target Company reviews the capital structure on a regular basis. As part of this review, the sole director of the Target Company considers the cost of capital and the risks associated with each class of capital. The Target Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 October 2011 *HK$*
Financial liabilities	
Other financial liabilities at amortized cost	
Accrued charges	488,899
Loan from a shareholder	15,024,091
	15,512,990

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include accrued charges and loan from a shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include liquidity risk. The policies on how to mitigate this risk is set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk

In the management of liquidity risk, the Target Group finances its working capital requirements mainly from funds transferred from its shareholders, detail of which is set out in note 2.

At the end of the reporting period, the Target Group's financial liabilities have contractual maturities which are summarised below:

At 31 October 2011	**Weighted average interest rate**	**Less than one year**	**After one but within two years**	**Total undiscounted cash flows**	**Carrying amount**
		HK$	*HK$*	*HK$*	*HK$*
Accrued charges	—	488,899	—	488,899	488,899
Loan from a shareholder	—	—	15,024,091	15,024,091	15,024,091
		488,899	15,024,091	15,512,990	15,512,990

(c) Fair value

All financial instruments are carried at amount not materially different from their fair values as at 31 October 2011.

8. LOSS BEFORE INCOME TAX

	For the period from 5 January 2011 (date of incorporation) to 31 October 2011
	HK$
Loss before income tax is arrived at after charging:	
Directors' remuneration	
— Fees	—
— Other emoluments	—
Auditor's remuneration	—

9. INCOME TAX EXPENSE

No provision for profits tax for the Target Group has been made as it has not generated any estimated assessable profits during the Relevant Period.

10. DIVIDEND

No dividend was paid or proposed during the Relevant Period, nor has any dividend been proposed since the end of the reporting period.

11. GOODWILL AND IMPAIRMENT TESTING ON GOODWILL

(a) Goodwill

The goodwill arose from the acquisition of a subsidiary during the Relevant Period. Details of the acquisition of this subsidiary during the Relevant Period are set out in Note 15. In the opinion of the directors of the Company, the goodwill represents the future economic benefits arising from the concession right to harvest logs in the Vabari Timber Authority Area.

(b) Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to the cash generating unit ("CGU") of forestry related segment. The recoverable amount of this cash-generating unit is determined based on income approach and discounted cash flow method was adopted. In applying the discounted cash flow method, the free cash flows covering a 22 year period were determined. The results were then discounted using a discount rate of 14.15% to determine the present value of the free cash flows. The key assumptions for the income approach calculations are those regarding the growth rates and discount rates. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

During the Relevant Period, the sole director of the Target Company determines that there are no impairments on the goodwill.

12. DEPOSIT

	At 31 October 2011 *HK$*
Deposit for acquisition of logging concession *(Note 15)*	266,123

13. LOAN FROM A SHAREHOLDER

Loan from a shareholder is unsecured, interest-free and will not be repayable within the next twelve months.

14. SHARE CAPITAL

	At 31 October 2011 *HK$*
Authorised:	
500,000 shares of US$1 each	3,890,000
Issued and fully paid	
100 shares of US$1 each	778

15. ACQUISITION OF A SUBSIDIARY

The Target Company acquired 100% of the share capital of the Target Subsidiary from vendors, Ms. To Yuk Fung and Mr. Kong Wai Fan at a consideration of Kina100. The Target Subsidiary was incorporated in PNG with limited liability. The acquisition has been completed on 27 October 2011.

Details of the identifiable net liabilities acquired on 27 October 2011 and goodwill arising on acquisition of the Target Subsidiary are as follows:

	HK$
Consideration	
Advance from a shareholder	356
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Deposits for acquisition of logging concession	266,123
Accrued charges	(488,899)
Loan from a shareholder	(15,024,091)
Total identifiable net liabilities	(15,246,867)
Goodwill	15,247,223

The acquired business did not contribute any revenue or result to the Target Group for the period from the date of acquisition to 31 October 2011. If the acquisition had occurred on 5 January 2011, no revenue and a loss of HK$15,247,223 would be contributed to the Target Group.

On 30 May 2011, the Target Subsidiary has entered into a project agreement with Vabari Development Corporation Limited (the "Landowners") for a forest development project in which forest logs will be harvested for purposes of sale and export and other related activities incidental to and arising out of the project. According to the project agreement, the Target Subsidiary is going to acquire an agriculture lease from the Landowners for a term of 99 years. The Target Subsidiary shall pay the Landowners required premiums, royalties and levies and pay to the Landowners 3% share of its annual net profit before tax, from all agricultural projects the Target Subsidiary undertakes within the project area. A deposit for acquisition of logging concession had been paid by the Target Subsidiary (Note 12). Details of the project agreement are set out in the announcements of the Company dated 28 July 2011, 13 October 2011, 31 October 2011 and 4 December 2011.

16. COMMITMENTS

At the end of the reporting period, the Target Group had commitments for future minimum payments under non-cancellable consultancy agreement as follows:

	At 31 October 2011 *HK$*
Consultancy fee	1,135,456

17. EVENTS AFTER THE REPORTING PERIOD

On 1 December 2011, the Target Company allotted 70 ordinary shares of US$1 each at the total subscription price of US$1,947,716.13 (equivalent to HK$15,153,231) to a shareholder and the shareholder agreed to set off the shareholder's loan owed by the Target Company in the sum of Kina4,234,165.51 (equivalent to HK$15,024,091).

18. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 October 2011.

Yours faithfully,
ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Ho Yiu Hang, Ricky
Practising Certificate Number: P05494
Suites 313–317, 3/F.,
Shui On Centre,
6–8 Harbour Road,
Wanchai,
Hong Kong

*Set out below are the management discussion and analysis on the Issuer Group as extracted from the annual reports of the Issuer for the two years ended 31 March 2012 and 2011 (the "**Financial Information**"). Terms used below shall have the same meanings as those defined in the Financial Information. Furthermore, all pages/sections/appendices mentioned in the below text are referred to those of the Financial Information:*

For the year ended 31 March 2012

BUSINESS REVIEW AND PROSPECTS

Consolidated turnover of the Group for the year ended 31 March 2012 was HK$178,822,000, representing a 234.5% increase as compared with HK$53,455,000 of the previous year. Operating profit after tax of the Group was HK$8,891,000, which included a gain of HK$77,658,000 on valuation of convertible notes and impairment loss of HK$44,888,000 on investment in electric car battery business. Excluding the results of the above gain and loss, the Group experienced a loss of HK$23,879,000 as compared with HK$46,243,000 (excluding a gain of HK$49,800,000 on the disposal of land and buildings in the Suzhou subsidiary in Mainland China and loss of HK$7,001,000 on the disposal of sustained loss-incurring subsidiaries in the Group) of the previous year. The increase in turnover and improved results were attributable to the acquisition of the recycling business during the year.

Trading and manufacturing of printed circuit boards ("PCB")

For the year ended 31 March 2012, the PCB division recorded a turnover of HK$42,253,000 (2011: HK$49,860,000), which accounted for approximately 23.6% of the Group's total turnover and represented a decrease of 15.3% as compared with the previous year. Gross profit was HK$7,218,000 and gross margin was 17.1%. The decrease in turnover was attributable to lower market demand arising from the European debts crisis, in the PCB market.

Trading and manufacturing of industrial laminates

During the year under review, the industrial laminate business achieved a turnover of HK$541,000 (2011: HK$4,692,000), representing approximately less than 1% of the Group's total turnover and a decrease of 88.5% as compared with last year. The industrial laminate division continued to sustain loss due to strong competition and weak market demand. Sales orders for the year persistently decreased. The industrial laminate operation in Suzhou, Mainland China during the year remained idle.

Investment in electric car battery business

The Company acquired 9.9% of the issued share capital of Swift Profit International Limited ("**Swift Profit**") on 29 December 2010. Swift Profit has been granted an exclusive licence to apply the patent and the related technology for manufacturing electric car batteries. Due to the downturn in global investment market conditions, sales orders tumbled more than expected. The carrying value of the business was reduced by HK$44,888,000 by reference to a business valuation as valued by a professional valuer.

The impairment loss on the investment in the electric car battery business is mainly attributable to the change in industry environment and prospect related to electric cars and batteries for electric cars, as well as the increase in costs of operation. Recently, there have been negative incidents, which raised consumers' concerns about the quality, safety and potential problems on electric cars and batteries for electric cars, affecting both domestic and global market and demand for electric cars. In March 2012, A123 Systems Inc., an United States-based developer and manufacturer of advanced lithium iron phosphate batteries, discovered a problem in certain prismatic cells at its Livonia facility and announced it would replace the faulty batteries shipped to five customers, including Fisker Automotive. In addition, an e6 battery-electric car produced by China's best-known electric car manufacturer, the Shenzhen-based BYD, was involved in a fatal car fire accident. Despite the BYD's electric car technology has been found to be safe, the incident put consumers on doubts that fire may have been caused by the batteries exploding or the leaking of electrolyte liquid.

On the other hand, due to the inflation in China, there has been an increase in costs of raw materials, labor and manufacturing overhead in the production of electric car battery. All of these have a negative impact on the profit margin and affect the performance of the electric car battery business.

The electric car battery business has been adversely affected by the battery faults and electric car fire incidents, and the increase in costs of operation. The Company forecasted that the demand for electric car batteries might not as robust as expected and the growth of the business might be restrained.

Acquisition of subsidiaries — recycling business

On 9 May 2011, the Company entered into a Sale and Purchase Agreement, pursuant to which the Company, as the purchaser, conditionally agreed to acquire the sale shares and the sale loans at consideration of HK$850 million. The sale shares represent 80% of the issued share capital of Ideal Market Holdings Limited. Ideal Market Holdings Limited indirectly holds Suzhou Baina Renewable Resources Co., Ltd. which is principally engaged in the recycling business of waste paper, scrap metal and consumable waste. The acquisition was completed on 4 November 2011.

Since its acquisition, the recycling business recorded a turnover of RMB110,592,000 (equivalent to HK$136,028,000), which accounted for approximately 76.1% of the Group's total turnover. Gross profit was RMB15,471,000 (equivalent to HK$19,029,000) and gross margin came to 14.0%. Operating profit after tax was RMB4,264,000 (equivalent to HK$5,245,000). This became the main source of income of the Group.

The Company is in the process of preparation of the financial statements of Ideal Market Holdings Limited and its subsidiaries ("**recycling business**") for the year ended 31 March 2012 (full year) in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). Management is of the view that the profit of recycling business for the year ended 31 March 2012 (full year) is below the Profit Guarantee (as defined in the Circular dated 23 September 2011), giving rise to a gain on redemption or repurchase of the Contingency Note (as specified in the Circular dated 23 September 2011). However, the results of recycling business prepared in accordance with HKFRSs cannot be ascertained with reasonable certainty at this stage, any gain on redemption or repurchase of the Contingency Notes has not been recognised in the consolidated financial statements of the Group for the current year. As soon as the results of recycling business for the year ended 31 March 2012 prepared in accordance with HKFRSs are available, the Company will consider whether it is appropriate to make an announcement to its shareholders in this respect.

Continuing connected transactions

On 28 June 2010, the Group entered into the following agreements and transactions: (1) Sale and Purchase Agreement in relation to the disposal of substantial loss incurring subsidiaries manufacturing and trading in industrial laminates and copper foils (the "**Disposed Group**"), with a company named Nature Ample Limited which is wholly owned by a former director of the Company, namely Mr. Lau Chung Yim, at a consideration of HK$28 million; (2) Master Supply Agreement with Zhongshan Chung Yuen Electronic Applied Materials Company Limited (a member of the Disposed Group) in relation to the Group's purchase of industrial laminates from the Disposed Group for a term commencing from the completion of the disposal of the Disposed Group (the "**Disposal**") up to 31 March 2012 (with the maximum purchase amounts of HK$4,000,000 and HK$15,000,000 for the period ended 31 March 2011 and for the year ended 31 March 2012, respectively) so as to ensure that the Group has a steady supply of laminates for trading in the market; and (3) continued provision of financial assistance by the Company to the Disposed Group by way of loans advances up to a maximum amount of HK$25,000,000 and by way of a corporate guarantee executed on 11 February 2004 in favour of Bangkok Bank Public Company Limited in respect of borrowing by Bangkok Industrial Laminate Company Limited (a member of the Disposed Group) up to a maximum principal amount of Thai Baht 70,000,000 (equivalent to HK$17,633,000) after the completion of the Disposal.

During the year, the Group purchased industrial laminates amounting to RMB7,342,000 (equivalent to HK$9,031,000) from the Disposed Group and continued to provide financial assistance to the Disposed Group by way of a corporate guarantee in favour of Bangkok Bank

Public Company Limited in respect of borrowing of Thai Baht 21,648,000 (equivalent to HK$5,453,000) by Bangkok Industrial Laminate Company Limited (a member of the Disposed Group) as at 31 March 2012.

Pursuant to the Rule 14A.37 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the above continuing connected transactions have been reviewed by the independent non-executive directors of the Company and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Company than those available to independent third parties; and

(3) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to the Rule 14A.38 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The conclusion in the auditor's letter is as follows:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement dated 28 June 2010 and the circular dated 24 December 2010 made by the Company in respect of each of the disclosed continuing connected transactions.

Outlook

The European debt crisis and stagnant economic growth in the United States have severely reduced the market demand of consumers. The management anticipates that the trading environment would be worsened and there would be pressure on the Group's costs and profit margin. The Company will continue to implement a more conservative approach in the procurement of resources to reduce operating costs. The acquisition of the waste paper recycling business during the year became a main source of income to the Group. We believe that the financial performance of the Group will improve.

LIQUIDITY AND FINANCIAL RESOURCES

In April 2011, the Company had implemented a rights issue of the new shares of the Company at the subscription price of HK$0.068 per rights share on the basis of twenty six (26) rights shares for every one (1) share held. The rights issue became unconditional on 18 April 2011 and 3,030,531,634 new shares of HK$0.001 each were issued by the Company pursuant to the terms of the rights issue, giving rise to gross proceeds of approximately HK$206.08 million (before expenses).

On 27 May 2011, the Company proposed to implement a share consolidation scheme on the basis that every ten (10) issued and unissued shares of HK$0.001 each in the share capital of the Company were consolidated into one (1) consolidated share of HK$0.01 each in the issued share capital of the Company. The share consolidation was effected on 30 June 2011.

As at 31 March 2012, the Group's total cash and bank balances, cash deposit held by securities broker and pledged fixed deposits amounted to HK$94,830,000 (2011: HK$3,266,000). Total bank loans, other borrowings, convertible notes, financial liabilities designated at fair value through profit or loss and promissory note payable increased from HK$55,829,000 as at 31 March 2011 to HK$323,021,000 as at 31 March 2012. The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, increased from 0.25 as at 31 March 2011 to 0.40 as at 31 March 2012. Net debt included bank and other borrowings, trade and bills payable, other payables and accruals, promissory note payable, financial liabilities designated at fair value through profit or loss and obligation under finance leases less cash and bank balances, cash deposits and pledged bank deposits. As at 31 March 2012, the Group had a current ratio of 0.52 (2011: 1.77) and net current liabilities of HK$228,315,000 (2011: net current assets of HK$74,972,000).

On 7 October 2011, the Company had entered into an agreement with a placing agent under which the placing agent conditionally agreed to the procurement, on a best effort basis, of placement of convertible notes with an aggregate principal amount of HK$110 million to be issued by the Company for the estimated net proceeds of approximately HK$106 million. The placement of convertible notes was approved by the shareholders of the Company on 29 November 2011. As at 31 March 2012, the Company has issued convertible notes in principal value of HK$77 million.

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars and Renminbi. Given the continuous revaluation of Renminbi, the Group is expected to experience pressure on its operating costs.

CONTINGENT LIABILITIES

The Company has provided a corporate guarantee of Thai Baht 70,000,000 (equivalent to HK$17,633,000) to a bank for banking facilities granted by the bank to a former subsidiary of the Company (2011: HK$16,848,000).

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 March 2012. As at 31 March 2011, the Group had commitment for the outstanding consideration payable for the acquisition of 80% equity interest in and shareholders' loan to Ideal Market Holdings Limited amounted to HK$84,000,000.

PLEDGE OF ASSETS

As at 31 March 2012, the Group's assets pledged as security for banking facilities amounted to approximately HK$37,632,000 (2011: HK$14,434,000).

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the year under review, the Group continued to strengthen staff quality through staff development and training programmes. The Group had approximately 452 employees as at 31 March 2012 (2011: 231). The increase in number of employees was due to the acquisition of the recycling business during the year. Remunerations are commensurate with the nature of job, experience and market conditions.

For the year ended 31 March 2011

BUSINESS REVIEW AND PROSPECTS

Consolidated turnover of the Group for the year ended 31 March 2011 was HK$58,818,000, representing a 14.8% decline as compared with HK$69,042,000 of the previous year. Operating loss of the Group was HK$3,444,000, which included a gain of HK$49,800,000 on the disposal of land and buildings in the Suzhou subsidiary in Mainland China and loss of HK$7,001,000 on the disposal of sustained loss-incurring subsidiaries in the Group. Excluding the results of the above disposals, the Group experienced a loss of HK$46,243,000 as compared to HK$39,963,000 of the previous year.

As reflected in the trends and results of the current year, operating loss has arisen from the unfavourable operating environment, in particular the environment for the laminate division. Decrease in market demand and increase in raw material costs overall during the year imposed great pressure on the Group's operations. The Group has continued to implement a number of measures to minimize operating costs while maintaining an adequate production level, and at the same time, looking for further business opportunities to diversify the business of the Group, streamline the business and dispose of non-profitable and sustained loss-incurring operating units.

Trading and manufacturing of printed circuit boards ("PCBs")

For the year ended 31 March 2011, the PCB division recorded a turnover of HK$49,860,000 (2010: HK$44,844,000), which accounted for approximately 85% of the Group's total turnover and represented an increase of 11% as compared to the previous year. Increase in turnover was attributable to increase in market demand in the PCB market.

The Group had placed greater focus on the PCB business in the year under review. Although the PCB market had not been picking up generally, the Group still achieved an increase in turnover. With attendance at trade shows and launching of more aggressive marketing and promotion campaigns, new customers have been attracted to the Group. With the increase in turnover, the profitability of the Group's PCB business is expected to be improved.

Trading and manufacturing of industrial laminates

During the year under review, the industrial laminate business achieved a turnover of HK$4,692,000 (2010: HK$21,914,000), representing approximately 8% of the Group's total turnover and a decrease of 79% as compared to the previous year.

The industrial laminate division continued to sustain losses due to strong competition and weak market demand. Sales orders for the year persistently decreased.

The industrial laminate operation in Suzhou, Mainland China during the year under review remained idle and the management disposed of the Suzhou land and factory in March 2011. Sale proceeds were received subsequently in May 2011 and used for repayment of directors' loans, bank loans and other borrowings.

Connected transactions

On 28 June 2010, the Group entered into the following agreements and transactions: (1) Sale and Purchase Agreement in relation to the disposal of substantial loss incurring subsidiaries manufacturing and trading in industrial laminates and copper foils (the "**Disposed Group**"), with a company named Nature Ample Limited which is wholly owned by one of the Company's directors, namely Mr. Lau Chung Yim, at a consideration of HK$28 million; (2) Master Supply Agreement with Zhongshan Chung Yuen Electronic Applied Material Company Limited (a member of Disposal Group) in relation to the Group's purchase of industrial laminates from the Disposed Group for a term commencing from the completion of the disposal of the Disposed Group (the "**Disposal**") up to 31 March 2012 (with the maximum purchase amounts of HK$4,000,000 and HK$15,000,000 for the period ended 31 March 2011 and for the year ending 31 March 2012, respectively) so as to ensure that the Group has a steady supply of laminates for trading in the market; and (3) continued provision of financial assistance by the Company to the Disposed Group by way of loans advances up to a maximum amount of HK$25,000,000 and by way of a corporate guarantee executed on 11 February 2004 in favour of Bangkok Bank Public Company Limited in respect of borrowing by Bangkok Industrial Laminate Company Limited (a member of the Disposed Group) up to a maximum principal amount of Thai Baht 70,000,000 after the completion of the Disposal. The Group incurred a loss of HK$7 million on the Disposal.

Investment in electric car battery business

On 16 July 2010, the Company entered into an agreement pursuant to which the Company conditionally agreed to acquire 9.9% of the issued share capital of Swift Profit International Limited ("**Swift Profit**") at a consideration of HK$170,000,000. Swift Profit is exclusively licensed to apply the technology for the manufacturing of electric car battery. Completion of the acquisition took place on 29 December 2010 and HK$99 million of the consideration was settled in convertible notes and the balance in cash. Under the business model of Swift Profit, it will receive a royalty fee of 12% from Zhongsheng Dongli New Energy Investment Limited ("**Zhongsheng**") on sale of multi-element polymer battery to the market without bearing any production cost or capital expenditure. Zhongsheng has already secured orders from automotive manufacturers for 200 electric vehicles. Based on the secured orders from automotive manufacturers, it is estimated that 3,000 sets of multi-element polymer batteries will be sold to these automotive manufacturers in 2012. The electric car battery business has generated revenue of approximately HK$21 million to Swift Profit in the first quarter of 2011. The Board is of the view that the electric car battery business will be developed into a sustainable income source for the Group.

Proposed recycling business acquisition

On 19 November 2010, the Company entered into a framework agreement with four parties in relation to a possible acquisition of 80% of the issued share capital of Ideal Market Holdings Limited. Ideal Market Holdings Limited indirectly holds Suzhou Baina Renewable Resources Co., Ltd ("**Suzhou Baina**") which is principally engaged in the recycling business of waste paper, scrap metal and consumable waste. As announced on 9 May 2011, the Company entered into a Sale and Purchase Agreement, pursuant to which the Company, as the purchaser, conditionally agreed to acquire the sale shares and the sale loans at the consideration of HK$850 million. The sale shares represent 80% of the issued share capital of Ideal Market Holdings Limited. The Company has paid HK$270,000,000 in cash as purchase deposit and the balance of the consideration is expected to be settled in a combination of cash, the issue of promissory notes and the issue of convertible notes. The management expects to complete the acquisition in August 2011 and the recycling business will bring another source of main income to the Group in the future.

Outlook

The continuing unfavourable operating environment has exerted great pressure on the operation of industrial businesses. Recovery of the economy is not expected within a short period of time. The Group has experienced tight profit margins in the year under review in both the laminate and PCB divisions and is of the view that the unfavourable operating environment will continue in the foreseeable future.

Unfavourable operating results in turn exerted significant pressure on the Group's cashflow position. In the coming years, the Group will implement a series of measures to improve the situation. Such measures will include a more conservative approach in the procurement of resources to reduce operating costs.

LIQUIDITY AND FINANCIAL RESOURCES

It is the Group's policy to rely on internally generated funds, bank borrowings and equity and debt financing to finance its operations and proposed acquisition.

As at 31 March 2011, the Group's total cash and bank balances and pledged fixed deposits amounted to HK$3,266,000 (2010: HK$17,659,000). Total bank loans and other borrowings decreased from HK$98,376,000 as at 31 March 2010 to HK$55,829,000 as at 31 March 2011. The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, decreased from 0.75 as at 31 March 2010 to 0.25 as at 31 March 2011. Net debt included bank and other borrowings, trade, bills and other payables and accruals, less cash and bank balances. As at 31 March 2011, the Group had a current ratio of 1.77 (2010: 0.74) and net current assets of HK$74,972,000 (2010: net current liabilities of HK$33,571,000).

The overall financial position of the Group as at 31 March 2011 was favourable as compared with the previous year. The management had used the sales proceeds from the disposal of land and buildings in its Suzhou subsidiary for the repayment of bank loans and other borrowings to improve the gearing ratio of the Group.

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai Baht and Renminbi ("**RMB**"). Given the continuous revaluation of Thai Baht and RMB, the Group is expected to experience pressure on its operating costs.

PLEDGE OF ASSETS

As at 31 March 2011, the carrying amounts of the Group's assets pledged as security for banking facilities amounted to an aggregate of approximately HK$14,434,000 (2010: HK$77,525,000).

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the year under review, the Group continued to reduce the size of its workforce and strengthen staff quality through staff development and training programmes. The Group had approximately 231 employees as at 31 March 2011 (2010: 431). Remunerations are commensurate with the nature of the job, experience and market conditions.

For the year ended 31 March 2010

BUSINESS REVIEW AND PROSPECTS

Consolidated turnover of the Group for the year ended 31 March 2010 was HK$69,042,000, representing a 46.6% decline as compared with HK$129,394,000 of the previous year. Operating loss of the Group decreased from HK$82,405,000 to HK$39,963,000 in which HK$2,090,000 incurred from the impairment loss on property, plant and equipment (2009: HK$52,438,000).

As reflected in the trends and results of the previous year, operating loss arose from the unfavourable operating environment for the whole Group, in particular for the laminate division. Decrease in market demand and increase in raw material costs during the year imposed great pressure on the Group's operations. The Group has introduced a number of measures to minimize operating costs while maintaining an adequate production level, and at the same time, looking for further business opportunities to diversify the business of the Group.

Industrial Laminate Division

During the year under review, the industrial laminate business achieved a turnover of HK$21,914,000 (2009: HK$55,031,000), representing approximately 32% of the Group's total turnover and a decrease of 60% as compared with the turnover of the previous year.

The industrial laminate division continued to sustain loss due to the substantial impairment of plant and machinery and the unfavourable economic conditions arising from the recent global financial tsunami. Sales orders for the year significantly decreased owing to the decrease in overall market demand and the careful selection of sales orders to minimize the possibility of doubtful debts.

The industrial laminate operation in Suzhou, Mainland China in the year under review has remained idle as the management considers it unprofitable to re-start the production plant at this point in time. Maintenance cost incurred in the Suzhou plant has been reduced to the minimum. The management team is actively looking for opportunities to dispose of the Suzhou section of the Group.

The laminate sector is considered to be in a downturn because of huge competition and higher material cost. The Group will focus on supply to the printed circuit board division rather than looking for outsider customers.

Printed Circuit Board (PCB) Division

For the year ended 31 March 2010, the PCB division recorded a turnover of HK$44,844,000 (2009: HK$72,899,000), which accounted for approximately 65% of the Group's total turnover and represented a decrease of 38% as compared with the turnover of the previous year. Decrease in turnover was attributable to decrease in market demand in the PCB market. This is a prevalent phenomenon in the global economy since the financial tsunami.

Nevertheless, business remained steady and the Group considers the PCB business, together with the development of car battery business, to be its main focus in the coming years. The Group will put more emphasis on exploring more customers, in particular those overseas, in order to maintain the business level.

The plant in Zuhai, Mainland China has not yet commenced operation as the management considers it unprofitable to put the plant into operation at this point in time given the limited financial resources available to the Group.

Copper Foil Division

For the year ended 31 March 2010, the copper foil plant in Thailand recorded an operating loss of approximately HK$11,681,000 due to the sustained high prices of copper and other production materials. As copper prices have been unsteadily fluctuating in the current year, the management has been very cautious in the procurement of copper to minimize the adverse effect.

Proposed Disposal of Loss-making Subsidiaries

In view of continuing losses from certain manufacturing subsidiaries, particularly the laminate production factory in Zhongshan and copper foil production subsidiary in Thailand, the Board has made the decision, after careful consideration, to dispose of these subsidiaries in order to improve the Group's overall performance.

On 28 June 2010, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with a company, which is wholly owned by one of the directors of the Company (the "**Purchaser**"), pursuant to which the Purchaser agreed to acquire and the Company agreed to sell certain subsidiaries of the Group at a consideration of HK$28 million. After the disposal, however, the disposed subsidiaries will continue to be the Group's manufacturing suppliers under a master supply agreement between the Company and the disposed subsidiaries for a term up to 31 March 2012.

The directors consider the disposal to be in the best interest of the Group as a whole as the disposed subsidiaries have been making huge losses for a number of years.

As at the date of this report, the transaction is still under vetting by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Proposed Acquisition of an Electric Car Battery Related Business

As noted in a series of announcements from December 2009, the Group is entering into a number of memoranda of understanding regarding a possibly very substantial acquisition of an electric car battery related business (the "**Target Company**").

On 15 April 2010, the Company entered into an agreement with a car battery company (the "**Vendor**") in respect of a proposed acquisition, which was subsequently terminated as the Stock Exchange considered this transaction constitutes a reverse takeover transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

On 16 July 2010, the Company entered into an agreement with the Vendor, pursuant to which the Company conditionally agreed to acquire from the Vendor 9.9% of the issued share capital of the Target Company at a consideration of HK$170,000,000, to be paid to the Vendor partly by cash and partly by the Company's issue of convertible notes. The Target Company is exclusively licensed to apply the technology of electric car battery for the manufacturing of electric cars.

As at the date of this report, the transaction is still under vetting by the Stock Exchange.

Outlook

The continuing unfavourable operating environment arising from the recent financial tsunami has exerted great pressure on the operation of industrial businesses. Recovery of the economy is not expected in a short period of time. The Group has experienced a tight profit margin in the past year in the laminate division and considers the unfavourable operating environment will continue for a period of time.

Unfavourable operating results in turn exerted significant pressure on the Group's cashflow position. In the coming years, the Group will implement a series of measures to improve the situation. Such measures include a more conservative approach in the procurement of resources to reduce operating costs and the disposal of certain non-productive facilities, properties and assets.

The Group is optimistic about the abovementioned proposed acquisition and disposal as they will bring business opportunities with attractive profit margins to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

It is the Group's policy to rely on internally generated funds and bank borrowings to finance its operations.

As at 31 March 2010, the Group's total cash and bank balances and pledged fixed deposits amounted to HK$17,659,000 (2009: HK$20,276,000). Total bank loans and other borrowings increased from HK$81,622,000 as at 31 March 2009 to HK$98,376,000 as at 31 March 2010. The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, increased from 0.82 as at 31 March 2009 to 0.75 as at 31 March 2010. Net debt included bank and other borrowings, obligations under finance leases, trade, bills and other payables and accruals, less cash and bank balances. As at 31 March 2010, the Group had a current ratio of 0.79 (2009: 0.59) and net current liabilities of HK$24,576,000 (2009: HK$47,061,000).

The overall financial position of the Group as at 31 March 2010 was less favourable as compared with that of the last year. Although concerted efforts have been made to reduce the bank borrowing level, the management considers the current ratio and gearing ratio to be unsatisfactory and will put in further efforts to rectify, through certain financing activities, the net current liabilities situation arising from the mismatch of short-term and long-term borrowings in previous years. Furthermore, the management has already implemented plans to dispose of certain non-operating properties and assets to provide additional working capital for the Group's operations.

The debt maturity profile of the Group is analysed as follows:

	As at 31 March	
	2010	**2009**
	HK$'000	*HK$'000*
Repayable within one year	77,838	59,000
Repayable in the second year	6,561	5,401
Repayable in the third to fifth years, inclusive	10,001	13,201
Repayable beyond five years	3,976	4,020
	98,376	81,622

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai Baht and Renminbi ("**RMB**"). Given the continuous revaluation of the Thai Baht and RMB, the Group is expected to experience pressure on its operating costs.

PLEDGE OF ASSETS

As at 31 March 2010, the Group's assets pledged as security for banking facilities amounted to approximately HK$81,324,000 (2009: HK$93,401,000).

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the year under review, the Group continued to reduce the size of its workforce and strengthen staff quality through staff development and training programmes. The Group had approximately 431 employees as at 31 March 2010 (2009: 519). Remunerations are commensurate with the nature of job, experience and market conditions. Eligible employees are offered discretionary bonuses and share options depending on the Group's performance and individual effort. The principle is reward for performance.

RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, save as mentioned below, none of the Directors and chief executive had any interests or short position in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (ii) were required to be entered into the register maintained by the Company, pursuant to section 352 of the SFO; or which (iii) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules:

Long positions in the Shares:

Name of Director	Capacity	Number of issued/ underlying Shares held	Approximate % of the Company's issued share capital as at the Latest Practicable Date
Ng Kwok Fai *(Note)*	Interested in controlled corporation	22,500,000	13.14%

Note: As at the Latest Practicable Date, Mr. Ng Kwok Fai, is the sole director and holds 20% of the equity interest in Allied Summit Inc., a company which was in turn interested in 22,500,000 Shares. Mr. Ng Kwok Fai is therefore deemed to be interested in 22,500,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO.

DIRECTORS' INTEREST IN CONTRACT AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2011 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and any of their associates had any interest in a business which competes or may compete with the business of the Group, or may have any conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

MATERIAL ADVERSE CHANGE

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

Save for the above, as at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up.

LITIGATION

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

DIRECTORS' 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 Latest Practicable Date;
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).

MISCELLANEOUS

(a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda and its principal place of business in Hong Kong is Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.

(b) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

(d) The English text of this circular shall prevail over their respective Chinese text in the case of inconsistency.

EXPERTS AND CONSENTS

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

Name	Qualification
ZHONGLEI (HK) CPA Company Limited	Chartered Accountants and Certified Public Accountants

The above expert 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, the above expert was not beneficially interested in the share capital of any member of the Group and the Issuer 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 and the Issuer Group, nor did it have any interest, either directly or indirectly, in the assets or disposed of by or leased to any member of the Group and the Issuer Group or are proposed to be acquired or disposed of by or leased to any member of the Group and the Issuer Group, since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

(a) the Subscription Agreement and the Supplemental Agreement;

(b) the underwriting agreement dated 6 July 2012 and the supplemental underwriting agreement dated 10 August 2012 entered into between the Company, Allied Summit Inc. and Kingston Securities Limited in relation to the rights issue on the basis of two rights shares for every one consolidated share held on the record date at HK$0.56 per rights share with the bonus issue on the basis of five bonus shares for every one rights share taken up under the rights issue;

(c) the supplementary facility letter and supplemental share mortgage dated 1 July 2012 entered into between the Company as the lender and Super Century Investments Limited as the borrower in relation to revise the key terms of the original facility letter and share mortgage which is conditional upon, among other things, the passing of the necessary resolution(s) by the Shareholders at the special general meeting of the Company;

(d) 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;

(e) 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**") with respect to the development and management of a forest in the PNG at a consideration 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;

(f) 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;

(g) 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 of the Company at the share placing price of HK$0.032 per placing share;

(h) 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;

(i) the convertible notes placing agreement dated 18 October 2011 entered into between the Company and United Simsen Securities Limited as the convertible notes placing agent in relation to the placing of placing convertible notes in the principal amount of HK$89,600,000 and a placing conversion price of HK$0.028 per placing conversion share;

(j) the conditional sale and purchase agreement dated 13 October 2011 entered into between Best Harvest Asia Limited as vendor (a wholly-owned subsidiary of the Company) and Favor Way Investments Limited as purchaser in relation to the disposal of 51% interest in Delta Wealth Finance Limited (formerly Head & Shoulders Finance Limited ("**Head & Shoulders**")) at a total consideration of HK$52,000,000;

(k) a series of subscription agreements entered between the Company and independent places 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;

(l) the placing agreement dated 8 March 2011 entered into between the Company and United Simsen Securities Limited in relation to the placing of the placing convertible notes in an aggregate amount of HK$100,000,000;

(m) the underwriting agreement dated 8 March 2011 entered into between the Company and Kingston Securities Limited in relation to the rights issue on the basis of thirty (30) rights share on every one (1) Share held on the record date of 26 April 2011;

(n) 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;

(o) 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;

(p) 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;

(q) 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 entire share capital of Ankan Holdings Limited ("**Ankan**"), Georich Trading Limited and SMI Global Corporation, which are direct wholly-owned subsidiaries of the Company. Ankan 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;

(r) 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

(s) the sale and purchase agreement dated 24 September 2010 between Best Harvest Asia Limited as purchaser (a wholly-owned subsidiary of the Company) and Favor Way Investments Limited as vendor in respect of the acquisition of 51% interest in Head & Shoulders at a total consideration of HK$52,000,000.

DOCUMENTS AVAILABLE 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 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:

(a) the Subscription Agreement and the Supplemental Agreement;

(b) the bye-laws of the Company;

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

(d) the interim report of the Company for the six months ended 30 June 2012;

(e) the unaudited pro forma statement as set out in appendix II in this circular;

(f) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(g) a copy of each circular of the Company pursuant to the requirements set out in Chapter 14 and Chapter 14A of the Listing Rules which has been issued since the date to which the latest published audited consolidated financial statements of the Group were made up; and

(h) this circular.

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 OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of Pacific Plywood Holdings Limited (the "**Company**") will be held at 10:00 a.m. on Wednesday, 3 October 2012 at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong for the purposes of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) the subscription agreement (the "**Subscription Agreement**") dated 26 June 2012 and the supplemental agreement dated 4 September 2012 (the "**Supplemental Agreement**") (a copy of which has been produced to the SGM marked "A" and signed by the chairman of the SGM for the purpose of identification) and entered into between the Company and China Environmental Energy Investment Limited (the "**Issuer**") in relation to the subscription by the Company of the convertible notes with the aggregate principal amount of HK$95,000,000 (the "**Convertible Notes**") to be issued by the Issuer and the transactions contemplated thereunder are hereby approved, ratified and confirmed;

(b) the exercise of the conversion rights attaching to the Convertible Notes or part thereof by the Company or its nominee(s) as the holder(s) of the Convertible Notes at any time after completion of the Subscription Agreement (as supplemented by the Supplemental Agreement) are hereby approved (the "**Possible Conversion**"); and

* *For identification purposes only*

(c) any one or more of the directors of the Company be and is/are hereby authorized to do all such acts and things and execute all such documents on behalf of the Company which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement (as supplemented by the Supplemental Agreement), the Possible Conversion and the transactions contemplated thereunder and all acts by the directors of the Company as aforesaid be and are hereby approved, ratified and confirmed."

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

Hong Kong, 14 September 2012

Registered office:
Canon's Court
22 Victoria Street
Hamilton, HM12
Bermuda

Head office and principal place of business:
Units 3301–3303, 33/F.
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

Notes:

1. Any shareholder of the Company (the "**Shareholders**") 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 authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized 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) 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.