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PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

- (I) PROPOSED SHARE CONSOLIDATION**
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE AT HK\$0.14 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
(III) APPLICATION FOR WHITEWASH WAIVER
(IV) CONNECTED TRANSACTION
IN RESPECT OF UNDERWRITING COMMISSION
(V) PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY
AND
(VI) RESUMPTION OF TRADING

Underwriters to the Rights Issue



KINGSTON SECURITIES LTD.

ALLIED SUMMIT INC.

* For identification purposes only

(I) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every two (2) issued and unissued Shares of HK\$0.01 each will be consolidated into one (1) issued and unissued Consolidated Share of HK\$0.02 each.

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

The Company proposes to raise not less than approximately HK\$191.75 million and not more than approximately HK\$243.97 million, before expenses, by issuing not less than 1,369,650,536 Rights Shares and not more than 1,742,614,658 Rights Shares to the Qualifying Shareholders by way of the Rights Issue at the Subscription Price of HK\$0.14 per Rights Share on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date.

Subject to the satisfaction (or waiver as the case maybe) of the conditions of the Rights Issue, the Bonus Shares will be issued to the first registered holders of the Rights Shares on the basis of five (5) Bonus Shares for every one (1) Rights Share taken up under the Rights Issue. On the basis of not less than 1,369,650,536 Rights Shares and not more than 1,742,614,658 Rights Shares to be issued under the Rights Issue, not less than 6,848,252,680 Bonus Shares and not more than 8,713,073,290 Bonus Shares will be issued.

Allied Summit, a substantial Shareholder (as defined under the Listing Rules), has irrevocably undertaken to the Company and Kingston Securities that, (a) the Shares beneficially owned by it shall remain registered in its name from the date of the Undertaking up to and including the date on which dealings in the fully-paid Rights Shares and the Bonus Shares are expected to commence on the Stock Exchange (or such later date as may be agreed between the Company and the Underwriters in writing); and (b) it shall subscribe and pay for, or procure the subscription and payment for, its entitlement of 180,000,000 Rights Shares under the Rights Issue prior to the Latest Time For Acceptance.

The Rights Shares (other than the Rights Shares that will be provisionally allotted to Allied Summit pursuant to the Undertaking) will be fully underwritten by the Underwriters, on the terms and subject to the conditions of the Underwriting Agreement, details of which are set out in the section headed “Underwriting Agreement” of this announcement.

The estimated net proceeds from the Rights Issue will be not less than approximately HK\$184.69 million and not more than HK\$236.91 million. It is expected that the proceeds from the Rights Issue will be principally used for the development of the existing businesses of the Group, details of which are set out in the paragraph headed “Reasons for the Rights Issue (with the Bonus Issue), financial and trading prospect and proposed use of proceeds” of this announcement.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares.

(III) APPLICATION FOR WHITEWASH WAIVER

Allied Summit, being one of the Underwriters, is a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder (as defined in the Listing Rules). As at the date of this announcement, Allied Summit was interested in 180,000,000 Shares, representing approximately 13.14% of the existing total issued share capital of the Company.

In the event that Allied Summit, being one of the Underwriters, is called upon to subscribe or procure subscription for the Untaken Shares pursuant to its obligations under the Underwriting Agreement (assuming all Qualifying Shareholders (other than Allied Summit pursuant to the Undertaking) do not accept their respective provisional allotment of the Rights Shares nor apply for any excess Rights Shares), the shareholding of Allied Summit, its beneficial owner(s) and parties acting in concert with any of them in the Company would increase from approximately 13.14% of the existing total issued share capital of the Company to a maximum of approximately 72.97% of the enlarged total issued share capital of the Company immediately upon completion of the Rights Issue (with the Bonus Issue).

Under Rule 26 of the Takeovers Code, the acquisition of voting rights by Allied Summit under such circumstances will trigger a mandatory general offer by Allied Summit, for all the securities of the Company other than those already owned or agreed to be acquired by the Concert Group, unless, amongst others, the Whitewash Waiver is obtained from the Executive and approved by the Independent Shareholders at the SGM by way of poll. An application will be made by Allied Summit to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders on a vote taken by way of poll at the SGM and such other condition(s) as may be imposed by the Executive. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Rights Issue (with the Bonus Issue) will not become unconditional and will not proceed.

(IV) CONNECTED TRANSACTION IN RESPECT OF UNDERWRITING COMMISSION

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

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

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

IMPLICATIONS UNDER THE LISTING RULES

Allied Summit is a substantial Shareholder (as defined in the Listing Rules) and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute connected transactions under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, the allotment and issue of the Untaken Shares to Allied Summit is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the underwriting commission to be received by Allied Summit is on normal commercial terms and pursuant to the Underwriting Agreement will be approximately HK\$3.23 million and the relevant percentage ratios (as defined in the Listing Rules) are less than 25% and the amount is less than HK\$10,000,000, the payment of underwriting commission by the Company to Allied Summit is therefore subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules. Mr. Ng has not voted in respect of the proposed resolutions approving the Underwriting Agreement and the transactions contemplated thereunder, including the payment of the underwriting commission to Allied Summit, at the Board meeting as Mr. Ng is a member of the Concert Group.

Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue (with the Bonus Issue) will be subject to the approval of the Independent Shareholders at the SGM by way of poll.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, no Shareholder has an interest in each of the Share Consolidation and the Bye-laws Amendments that is materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the respective resolutions to be proposed at the SGM to approve the Share Consolidation, the Bye-laws Amendments, and the transactions contemplated thereunder.

The Rights Issue (with the Bonus Issue) is conditional on, among other things, the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver, and the Bye-laws Amendments being approved by the Shareholders and the Independent Shareholders (as the case may be) at the SGM. The Concert Group, the respective associates of the Underwriters and all those parties who are involved or interested in the Underwriting Agreement and/or the Whitewash Waiver shall abstain from voting on the proposed resolution(s) approving the Rights Issue (with the Bonus Issue) and the Whitewash Waiver at the SGM. An independent board committee comprising all the non-executive Directors will be established by the Company to advise the Independent Shareholders as to whether the terms of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver are fair and reasonable and as to voting in respect thereof at the SGM. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in these regards. Further announcement will be made after the appointment of the independent financial adviser as such.

GENERAL

A circular containing, among other things, (i) further details about the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver and the Bye-laws Amendments; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver; and (iv) the notice convening the SGM, will be despatched to the Shareholders as soon as practicable.

Subject to, among other things, the approval of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver by the Independent Shareholders at the SGM, the Prospectus Documents will be despatched to the Qualifying Shareholders and the Prospectus will be despatched to the Non-Qualifying Shareholders for information purposes only as soon as practicable.

(VI) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:05 a.m. on 9 July 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 1:00 p.m. on 10 July 2012.

WARNING OF THE RISK OF DEALINGS IN THE SHARES OR CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue (with the Bonus Issue) is conditional upon, among other things, fulfillment or waiver (as the case may be) of the conditions set out under the paragraph headed “Conditions of the Rights Issue (with the Bonus Issue)” of this announcement. In particular, the Rights Issue (with the Bonus Issue) is subject to the Underwriters not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue (with the Bonus Issue) may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Shares or Consolidated Shares (as the case may be) and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue (with the Bonus Issue) are fulfilled will bear the risk that the Rights Issue (with the Bonus Issue) cannot become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares or the Consolidated Shares (as the case may be) and/or nil-paid Rights Shares, and if they are in any doubt about their position, they should consult his/her/its own professional advisers.

(I) PROPOSED SHARE CONSOLIDATION

Share Consolidation

The Board proposes to implement the Share Consolidation on the basis that every two (2) issued and unissued Shares of HK\$0.01 each will be consolidated into one (1) issued and unissued Consolidated Share of HK\$0.02 each. Fractional Consolidated Shares will be disregarded and not issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Effects of the Share Consolidation

As at the date of this announcement, the authorized share capital of the Company is HK\$400,000,000 divided into 40,000,000,000 Shares of HK\$0.01 each, of which 1,369,650,537 Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective, on the basis that the Company does not allot and issue any further Shares prior thereto, the authorized share capital of the Company shall remain at HK\$400,000,000 but divided into 20,000,000,000 Consolidated Shares of HK\$0.02 each, of which 684,825,268 Consolidated Shares will be in issue.

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

Listing application

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

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. The Consolidated Shares will be identical and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Share Consolidation

The Share Consolidation is conditional on:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the SGM; and
- (ii) the Stock Exchange granting the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the fulfillment of the above conditions, the Share Consolidation will become effective on the business day following the date of the SGM.

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

Implementation of the Share Consolidation will not, of itself, alter the underlying assets, liabilities, business, operations, management, financial position or the share capital of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Share Consolidation will not have any adverse effect on the financial position of the Company and the Board believes that on the effective date of the Share Consolidation, there will be no reasonable grounds for believing that the Company is, or after the Share Consolidation would be, unable to pay its liabilities as they become due. No capital of the Company will be lost as a result of the Share Consolidation and, except for the expenses involved in relation to the Share Consolidation, which are expected to be insignificant to the net

asset value of the Company, the net asset value of the Company will remain unchanged immediately before and after the Share Consolidation becoming effective. The Share Consolidation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

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

Arrangement for odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares, the Company will appoint a securities firm to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lot arrangement will be set out in the Circular.

The Agent Option and the Longjiang Option

As at the date of this announcement, the Agent Option and the Longjiang Option are outstanding and pursuant to relevant subscription agreements, the respective holder(s) of each of the Agent Option and the Longjiang Option has the option to subscribe for up to 49,517,009 Shares. Upon the Share Consolidation becoming effective, the number of Consolidated Shares to be issued upon full exercise by the respective holder(s) of each of the Agent Option and the Longjiang Option shall be adjusted to 24,758,504 Consolidated Shares in accordance with the relevant subscription agreements, such adjustments shall be certified by the Company's auditors or a financial adviser to be appointed by the Company.

Both the Agent Option and the Longjiang Option are exercisable at the subscription price equivalent to the average closing price of the Shares or Consolidated Shares (as the case may be) for the five (5) consecutive trading days immediately prior to the respective date of exercise of the Agent Option and the Longjiang Option on which a notice is given therefor, subject to the maximum subscription price of HK\$0.50 (equivalent to HK\$1.00 per Consolidated Share after the Share Consolidation becoming effective) and the minimum subscription price of HK\$0.25 per Share (equivalent to HK\$0.50 per Consolidated Share after the Share Consolidation becoming effective). The Agent Option and the Longjiang Option may be exercised by its holder(s) in whole or in part at any time and from time to time within 12 months after the issue or grant of the Clearance Authority, but in any event not later than 31 December 2015. Details of the Agent Option and the Longjiang Option have been set out in the circular of the Company dated 29 February 2012.

As a result of the Rights Issue (with the Bonus Issue), the subscription price of both of the Agent Option and the Longjiang Option may be adjusted in accordance with the respective terms and conditions of the relevant subscription agreements and the Listing Rules or guidelines issued by the Stock Exchange from time to time. The Company will

instruct its auditors or a financial adviser to certify the adjustments, if any, to the Agent Option and the Longjiang Option and will inform the holder(s) of such options of the adjustments, if any, accordingly. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may submit share certificates for existing Shares to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, between Friday, 24 August 2012 and Wednesday, 3 October 2012 (both days inclusive) during the business hours, to exchange, at the expense of the Company, for certificates of the Consolidated Shares. It is expected that the new certificates for the Consolidated Shares will be available for collection within 10 business days after the submission of the existing share certificates to the Registrar for exchange. Thereafter, the existing share certificates for the Shares will cease to be valid for delivery, trading and settlement purpose but will remain effective as documents of legal title and will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by Stock Exchange) per existing share certificate cancelled or new share certificate issued (whichever is the higher) by the Shareholders. The existing share certificates are in orange colour and the new share certificates will be in pink colour.

Warning

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

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

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

Issue Statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date
Basis of the Bonus Issue	:	Five (5) Bonus Shares for every one (1) Rights Share taken up
Subscription Price	:	HK\$0.14 per Rights Share with nominal value of HK\$0.02 each (after the Share Consolidation becoming effective)
Number of Shares in issue as at the date of this announcement	:	1,369,650,537 Shares
Number of Consolidated Shares upon the Share Consolidation becoming effective (based on the number of Shares in issue as at the date of this announcement)	:	684,825,268 Consolidated Shares
Number of Shares in issue assuming no new Share/ Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share being repurchased by the Company on or before the Record Date	:	1,742,614,662 Shares
Number of Consolidated Shares upon the Share Consolidation becoming effective (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/ Consolidated Share being repurchased by the Company on or before the Record Date)	:	871,307,329 Consolidated Shares

- Number of Rights Shares : not less than 1,369,650,536 Rights Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 1,742,614,658 Rights Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)
- Number of Bonus Shares : not less than 6,848,252,680 Bonus Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 8,713,073,290 Bonus Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)

As at the date of this announcement, save as and except for the Agent Option and the Longjiang Option, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. The existing Issue Mandate allows the Company to allot, issue and deal with a maximum of 273,930,107 new Shares (equivalent to 136,965,053 Consolidated Shares upon the Share Consolidation becoming effective), representing 20% of the issued share capital of the Company as at the date of the AGM and as at the date of this announcement. As at the date of this announcement, the Company has not yet identified any feasible proposal from financial institutions for the utilization of the Issue Mandate.

Accordingly, a maximum number of 372,964,125 new Shares (equivalent to 186,482,061 Consolidated Shares upon the Share Consolidation becoming effective) shall be issued upon full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate on or before the Record Date.

Based on the above and subject to the satisfaction or waiver (as the case may be) of the conditions of the Rights Issue (with the Bonus Issue), not less than 1,369,650,536 Rights Shares and not more than 1,742,614,658 Rights Shares will be issued. On such basis, not less than 6,848,252,680 Bonus Shares and not more than 8,713,073,290 Bonus Shares will be issued.

Assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date, the total number of 8,217,903,216 new Consolidated Shares based on 1,369,650,536 Rights Shares and 6,848,252,680 Bonus Shares represents:

- (i) approximately 600% of the Company's existing issued share capital as at the date of this announcement; and
- (ii) approximately 92.31% of the Company's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

Assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date, the total number of 10,455,687,948 new Consolidated Shares based on 1,742,614,658 Rights Shares and 8,713,073,290 Bonus Shares represents:

- (i) approximately 763.38% of the Company's existing issued share capital as at the date of this announcement; and
- (ii) approximately 92.31% of the Company's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

Subscription Price

The Subscription Price of HK\$0.14 per Rights Share is payable in full on application. The Subscription Price represents:

- (i) the same price as the adjusted closing price of HK\$0.14 per Consolidated Share, based on the closing price of HK\$0.07 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 0.57% over the adjusted average closing price of approximately HK\$0.1408 per Consolidated Share, based on the closing price of HK\$0.0704 per Share for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation; and
- (iii) a premium of approximately 333.44% over the theoretical ex-entitlement price of HK\$0.0323 per Consolidated Share after the Rights Issue (with the Bonus Issue), based on the closing price of HK\$0.14 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation.

The net price per Rights Share (after deduction of expenses, including the commission to be paid to the Underwriters) will be not less than approximately HK\$0.135 (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than approximately HK\$0.136 (assuming no new Share/Consolidated Share being issued

other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date).

Basis of determining the Subscription Price

The Subscription Price and the Bonus Issue were determined by the Company and the Underwriters after arm's length negotiations with reference to the historical prices and trading liquidities of the Shares. Since the Shares were generally illiquid in the open market and the historical closing price of the Shares showed a sliding trend during the past twelve months, it is difficult for the Company to attract the Qualifying Shareholders to further invest in it through the Rights Issue. Accordingly, the Directors consider that the Bonus Issue can (i) effectively reduce the average price per Rights Share taken up; and (ii) provide incentives to the Qualifying Shareholders to subscribe for the Rights Shares. The Directors (excluding the non-executive Director and the independent non-executive Directors who will give their view on the Rights Issue (with the Bonus Issue) after taking into account the advice of the independent financial adviser) consider that the Subscription Price to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

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

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

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

In order to be registered as members of the Company at the close of business on the Record Date, owners of Consolidated Shares must lodge any transfers of Consolidated Shares (together with the relevant share certificates) with the Registrar, being Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 28 August 2012.

Closure of Register of Member

The register of members of the Company will be closed from Wednesday, 29 August 2012 to Tuesday, 4 September 2012 (both days inclusive). No transfer of Consolidated Shares will be registered during this period.

Rights of Overseas Shareholders

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

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue (with the Bonus Issue) to the Overseas Shareholders (if any). If, based on legal advice, the Directors consider that it is necessary or expedient not to offer the Rights Shares (with the Bonus Issue) to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue (with the Bonus Issue) will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue (with the Bonus Issue), to be despatched to the Qualifying Shareholders on the Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them on the Posting Date.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of the Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares, will be made available for excess application on EAFs by the Qualifying Shareholders. The Non-Qualifying Shareholders are entitled to attend and vote on the proposed resolution(s) approving the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver and the Bye-laws Amendments at the SGM.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue (with the Bonus Issue), subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares or Consolidated Shares (as the case may be).

Basis of Provisional Allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) Consolidated Share held on Record Date, being not less than 1,369,650,536 Rights Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 1,742,614,658 Rights Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang

Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date). Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by no later than the Latest Time For Acceptance.

Fractions of Rights Shares (if any)

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

Application for Excess Rights Shares

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

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

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

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

Investors with their Consolidated Shares held by a nominee company (including HKSCC) should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

Investors with their Consolidated Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Consolidated Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

Investors whose Consolidated Shares are held by their nominee(s) (including HKSCC) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Tuesday, 28 August 2012.

Status of the Rights Shares and the Bonus Shares

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

Certificates of the Rights Shares and the Bonus Shares

Subject to the fulfillment or waiver (as the case may be) of the conditions of the Rights Issue (with the Bonus Issue), certificates for all fully-paid Rights Shares and the Bonus Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Thursday, 27 September 2012. Share certificates will be issued for the fully-paid Rights Shares and the Bonus Shares.

Refund Cheques for Rights Issue

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 27 September 2012 by ordinary post to the applicants at their own risk.

Application for Listing

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

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

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

transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

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

Conditions of the Rights Issue (with the Bonus Issue)

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

- (i) the passing of all the necessary resolution(s) by the Board and the Shareholders (where applicable, the Independent Shareholders) at the SGM by way of poll approving, confirming and ratifying (as appropriate):
 - (a) the Share Consolidation;
 - (b) the Rights Issue (with the Bonus Issue) and the transactions contemplated thereunder and authorising the Directors to allot and issue the Rights Shares (in their nil-paid and fully-paid forms) and the Bonus Shares;
 - (c) the Underwriting Agreement and the performance of the transactions contemplated thereunder by the Company;
 - (d) the Whitewash Waiver; and
 - (e) the Bye-laws Amendments,each in accordance with the Bye-laws, the Listing Rules and the Takeovers Code on or before the Record Date;
- (ii) the Share Consolidation having become effective;
- (iii) the Executive granting to Allied Summit the Whitewash Waiver and the satisfaction of all conditions (if any) attached thereto and such other necessary waiver or consent as may be required to be obtained from the Executive for the transactions contemplated under the Rights Issue (with the Bonus Issue);
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively not later than the Posting Date one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the

Companies Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance;

- (v) the delivery and filing of the Prospectus with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus in compliance with the Companies Act;
- (vi) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue (with the Bonus Issue), on or before the Posting Date;
- (vii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms), and the Bonus Shares by no later than the first day of their dealings;
- (viii) the Underwriting Agreement not being terminated by any of the Underwriters pursuant to the terms thereof on or before the Latest Time For Termination;
- (ix) the compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects;
- (x) if required, the Bermuda Monetary Authority granting consent to the issue of the Rights Shares and the Bonus Shares;
- (xi) there being no Specified Event occur prior to the Latest Time For Termination; and
- (xii) compliance by Allied Summit with its undertaking and obligations under the Undertaking given to the Company and Kingston Securities on or prior to the Latest Time For Acceptance.

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

Undertaking

As at the date of this announcement, Allied Summit was interested in 180,000,000 Shares, representing approximately 13.14% of the issued share capital of the Company. Allied Summit has irrevocably undertaken to the Company and Kingston Securities that (a) all the Shares legally and beneficially owned by it as at the date of the Undertaking shall remain registered in its name up to and including the date on which dealings in the fully-paid Rights Shares and the Bonus Shares are expected to commence on the Stock Exchange (or such later date as may be agreed between the Company and the Underwriters in writing); and (b) it shall subscribe and pay for or procure the subscription and payment for, its entitlement of 180,000,000 Rights Shares, being the rights entitlement which will be provisionally allotted to it under the Rights Issue prior to the Latest Time For Acceptance.

Underwriting Agreement

- Date : 6 July 2012 (after trading hours)
- Underwriters : (i) Allied Summit, which is beneficially owned as to 80% by Mr. Su Weibiao and 20% by Mr. Ng and does not underwrite issues of securities in its ordinary course of business; and
- (ii) Kingston Securities
- Total number of Rights Shares : not less than 1,369,650,536 Rights Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 1,742,614,658 Rights Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)
- Total number of Bonus Shares : not less than 6,848,252,680 Bonus Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 8,713,073,290 Bonus Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)

Total number of Underwritten Shares : not less than 1,189,650,536 Rights Shares (having taken into account the Undertaking and on the basis that no new Share/Consolidated Share being issued, and no Share/Consolidated Share being repurchased, on or before the Record Date) and not more than 1,562,614,658 Rights Shares (having taken into account the Undertaking and on the basis that no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date), which will be underwritten by the Underwriters in the following manner:

- (i) Allied Summit : in priority not less than 809,650,536 Underwritten Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 1,182,614,658 Underwritten Shares (assuming no new Share/Consolidated Share being issued other than full exercise of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date); and
- (ii) Kingston Securities : the remaining 380,000,000 Underwritten Shares, if any.

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

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

In the event of the Underwriters being called upon to subscribe for or procure subscribers to subscribe for the Untaken Shares, (1) Kingston Securities has agreed to use its best endeavours to ensure that each of the subscribers: (i) shall be an Independent Third Party, and not acting in concert with the Directors or chief executive of the Company or substantial Shareholders (as defined in the Listing Rules) or their respective associates; and (ii) none of such subscribers (together with their respective parties acting in concert) will hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue (with the Bonus Issue), such that the Company will be able to comply with the minimum public float requirement sets out under Rule 8.08(1) of the Listing Rules; (2) Kingston Securities shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it exceeding 19.9% of the voting rights of the Company upon the completion of the Rights Issue (with the Bonus Issue); and (3) Allied Summit has agreed to use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it, other than any members of the Concert Group or their respective associates, shall be an Independent Third Party and is not acting in concert with the Directors or chief executive of the Company or substantial Shareholders (as defined in the Listing Rules) or their respective associates. As at the date of this announcement, Allied Summit confirmed that it had no intention to procure any Independent Third Parties to subscribe for the Untaken Shares (if any).

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

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement (i) Kingston Securities and its ultimate beneficial owners are Independent Third Parties; and (ii) Kingston Securities held 581,737 Shares.

Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

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

- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriters, a material omission in the context of the Rights Issue and/or the Bonus Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue and/or the Bonus Issue; or
- (viii) any moratorium, suspension or material restriction on trading of the Shares/ Consolidated Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

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

Any of the Underwriters shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time For Termination:

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

Any such notice shall be served by any of the Underwriters prior to the Latest Time For Termination.

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

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

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

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

	As at the date of this announcement		Immediately after the Share Consolidation but before completion of the Rights Issue (with the Bonus Issue)		Immediately after completion of the Rights Issue (with the Bonus Issue)			
					All Rights Shares are subscribed by the Qualifying Shareholders		None of the Rights Shares are subscribed by the Qualifying Shareholders (except for Allied Summit pursuant to the Undertaking) (Notes 1 & 2)	
	Number of Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%
Substantial Shareholders:								
Allied Summit (Note 3)	180,000,000	13.14	90,000,000	13.14	1,170,000,000	13.14	1,170,000,000	13.14
Underwriting portion of Allied Summit	—	—	—	—	—	—	4,857,903,216	54.57
Sub-total by Allied Summit	180,000,000	13.14	90,000,000	13.14	1,170,000,000	13.14	6,027,903,216	67.71
To Yuk Fung (Note 4)	243,310,344	17.77	121,655,172	17.77	1,581,517,236	17.77	121,655,172	1.37
Public:								
Kingston Securities (Note 5)	581,737	0.04	290,868	0.04	3,781,284	0.04	2,280,290,868	25.61
Other public Shareholders	945,758,456	69.05	472,879,228	69.05	6,147,429,964	69.05	472,879,228	5.31
Total	1,369,650,537	100.00	684,825,268	100.00	8,902,728,484	100.00	8,902,728,484	100.00

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

	As at the date of this Announcement		Immediately after the Share Consolidation and full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate but before completion if the Rights Issue (with the Bonus Issue)		Immediately after completion of the Rights Issue (with the Bonus Issue)		None of the Rights Shares are subscribed by the Qualifying Shareholders (except for Allied Summit pursuant to the Undertaking) (Notes 1 & 2)	
	Number of Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%
Substantial Shareholders:								
Allied Summit (Note 3)	180,000,000	13.14	90,000,000	10.33	1,170,000,000	10.33	1,170,000,000	10.33
Underwriting portion of Allied Summit	—	—	—	—	—	—	7,095,687,948	62.64
Sub-total by Allied Summit	180,000,000	13.14	90,000,000	10.33	1,170,000,000	10.33	8,265,687,948	72.97
To Yuk Fung (Note 4)	243,310,344	17.77	121,655,172	13.96	1,581,517,236	13.96	121,655,172	1.07
Public:								
Kingston Securities (Note 5)	581,737	0.04	290,868	0.03	3,781,284	0.03	2,280,290,868	20.13
Other public Shareholders	945,758,456	69.05	659,361,289	75.68	8,571,096,757	75.68	659,361,289	5.83
Total	1,369,650,537	100.00	871,307,329	100.00	11,326,995,277	100.00	11,326,995,277	100.00

Notes:

1. The above scenario is for illustrative purpose only and will unlikely occur.
2. The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue (with the Bonus Issue).
3. Allied Summit is beneficially owned as to 80% by Mr. Su Weibiao and 20% by Mr. Ng, who is the chairman of the Company and an executive Director.
4. Ms. To Yuk Fung will be regarded as a public Shareholder under the scenario that none of the Rights Shares are subscribed by the Qualifying Shareholders (except for the Underwriters).
5. Kingston Securities has confirmed with the Company that it has sub-underwritten 235,000,000 Rights Shares to sub-underwriters, who are Independent Third Parties. Kingston Securities has agreed to use its best endeavours to ensure that each of the subscribers: (i) shall be an Independent Third Party, and not acting in concert with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their

respective associates; and (ii) none of such subscribers (together with their respective parties acting in concert) will hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue (with the Bonus Issue, such that the Company will be able to comply with the minimum public float requirement sets out under Rule 8.08(1) of the Listing Rules). Kingston Securities shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it to exceed 19.9% of the voting rights of the Company upon the completion of the Rights Issue (with the Bonus Issue).

Expected timetable

Event 2012 (Hong Kong time)

Expected date of despatch of the Circular and form of proxy of the SGM.	not later than Monday, 30 July
Latest time for lodging transfer of Shares in order to qualify for attendance and voting at the SGM	4:30 p.m. on Friday, 17 August
Register of members closes (both days inclusive).	Monday, 20 August to Thursday, 23 August
Record date for attendance and voting at the SGM	Monday, 20 August
Latest time for return of form of proxy for the SGM (not less than 48 hours before the SGM)	9:30 a.m. on Tuesday, 21 August
Expected date of SGM	9:30 a.m. on Thursday, 23 August
Announcement of results of the SGM.	Thursday, 23 August
Effective date of the Share Consolidation	Friday, 24 August
Commencement of dealings in Consolidated Shares	9:00 a.m. on Friday, 24 August
First day for free exchange of existing share certificates for Shares into new share certificates for Consolidated Shares.	Friday, 24 August
Original counter for trading in existing Shares in the board lots size of 40,000 temporarily closes	9:00 a.m. on Friday, 24 August
Temporary counter for trading in Consolidated Shares in the board lots size of 20,000 (in the form of existing share certificates) opens.	9:00 a.m. on Friday, 24 August

Last day of dealings in the Consolidated
Shares on a cum-rights basis Friday, 24 August

First day of dealings in the Consolidated
Shares on an ex-rights basis. Monday, 27 August

Latest time for lodging transfer of the
Consolidated Shares in order to be
qualified for the Rights Issue
(with the Bonus Issue) 4:30 p.m. on Tuesday, 28 August

Register of members closes
(both days inclusive). Wednesday, 29 August to Tuesday, 4 September

Record Date Tuesday, 4 September

Register of members re-opens Wednesday, 5 September

Prospectus Documents expected
to be despatched. Wednesday, 5 September

First day of dealings in
nil-paid Rights Shares Friday, 7 September

Original counter for trading in Consolidated
Shares in the board lots size of
40,000 (in the form of new share
certificates) re-opens 9:00 a.m. on Friday, 7 September

Parallel trading in the Consolidated Shares
(in the form of new and existing
certificates) commences. 9:00 a.m. on Friday, 7 September

Designated broker starts to stand in the
market to provide matching services
for the sale and purchase of odd
lots of the Consolidated Shares. 9:00 a.m. on Friday, 7 September

Latest time for splitting
nil-paid Rights Shares 4:00 p.m. on Tuesday, 11 September

Last day of dealings in nil-paid Rights Shares Friday, 14 September

Latest time for acceptance of and payment
for the Rights Shares and application
and payment for excess Rights Shares 4:00 p.m. on Wednesday, 19 September

Rights Issue expected to become unconditional Monday, 24 September

Announcement of results of acceptance and
excess application of the Rights Shares Wednesday, 26 September

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before. Thursday, 27 September

Certificates for the Rights Shares and Bonus Shares expected to be despatched on or before. Thursday, 27 September

Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares4:00 p.m. on Thursday, 27 September

Temporary counter for trading in board lots of 20,000 Consolidated Shares (in the form of existing share certificates) closes4:00 p.m. on Thursday, 27 September

Parallel trading in the Consolidated Shares (in the form of new and existing certificates) ends.4:00 p.m. on Thursday, 27 September

Expected first day of dealings in fully-paid Rights Shares and Bonus Shares9:00 a.m. on Friday, 28 September

Last day of free exchange of existing certificates for new certificate for the Consolidated Shares Wednesday, 3 October

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

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

The last day of dealing in the Consolidated Shares on a cum-rights basis is Friday, 24 August 2012. The Consolidated Shares will be dealt in on an ex-rights basis commencing from Monday, 27 August 2012. Dealings in the Rights Shares in the nil-paid form are expected to take place from Friday, 7 September 2012 to Friday, 14 September 2012 (both days inclusive). Shareholders and potential investors should note that dealing in the Shares or Consolidated Shares (as the case may be) and/or nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. If the conditions of the Underwriting Agreement are not fulfilled or waived (as the case may be) or the Underwriting Agreement is terminated by the Underwriters, the Rights Issue (with the Bonus Issue) will not proceed.

Any dealings in the Shares or the Consolidated Shares (as the case may be) from the date of this announcement and up to 4:00 p.m. on Monday, 24 September 2012, being the time and date by which all the conditions of the Rights Issue (with the Bonus Issue) are to be fulfilled and when the right of the Underwriters to terminate the Underwriting Agreement is to lapse, and any dealings in the Rights Shares in their nil-paid form between Friday, 7 September 2012 and Friday, 14 September 2012 (both days inclusive) are accordingly subject to the risk that the Rights Issue (with the Bonus Issue) may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or the Consolidated Shares (as the case may be) or the Rights Shares in their nil-paid form and, if they are in any doubt about their position, they should consult their professional adviser(s).

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

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

Money Lending and Provision of Credits Business

The Group is principally engaged in money lending and provision of credits business through its wholly-owned subsidiary, Joy Wealth Finance Limited (“**Joy Wealth**”). As at the date of this announcement, Joy Wealth has provided a wide variety of loans with an accumulated amount of approximately HK\$596 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\$188 million loan principal remained outstanding. For the year ended 31 December 2011, the total interest income of the Group amounted to approximately HK\$52.96 million. Since money lending and provision of credit business constitutes the current major business segment of the Group and being acquainted with this business segment, the Board wishes to allocate additional financial resources of the Group for developing this segment continuously and providing loans to high net-worth customers to generate further revenue for the Group.

Up to the date of this announcement, the Board has received five loan proposals for five respective individual borrowers, among which three of them have proposed to pledge securities/convertible securities issued by companies whose shares are listed on the Main board of the Stock Exchange as collaterals, and the remaining two potential borrowers have proposed to provide securities issued by companies whose shares are listed on the Growth

Enterprise Market (“GEM”) of the Stock Exchange as collaterals. Set out below is a summary of the major terms on the five loan proposals:

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

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

Securities Investments Business

As at the date of this announcement, the Group has invested in Simsen International Corporation Limited (stock code: 993) as a strategic investment, with the intention to utilize the platform provided by Simsen International Corporation Limited to further promote the finance business of Joy Wealth. The Group has also invested in Huili Resources (Group) Limited (stock code: 1303) with the view that the investment has valuable potential in its profitability.

On 26 June 2012, the Company entered into a subscription agreement with China Environmental Energy Investment Limited (the “**China Environmental**”), a company whose shares are listed on the main board of the Stock Exchange (Stock code: 986), to subscribe for the convertible notes in the principal sum of HK\$95 million (the “**Convertible Notes**”) proposed to be issued by China Environmental (the “**Subscription**”). The Directors consider that the Subscription enables the Group to participate in the development of China Environmental and provides the Group with an opportunity to share the returns generated from the business of China Environmental, which will allow the Company to tap into the recycling industry, and to enjoy the potential upside of the share price performance of the

shares of China Environmental through the possible conversion of part or whole of the Convertible Notes. The Directors also consider the Subscription as a good opportunity to further develop its finance business with an option for the Company to invest in a certain stake of China Environmental as a listed company in Hong Kong. If the Convertible Notes are not converted, the Group will receive attractive interest income from the Convertible Notes semi-annually. Details of the Subscription have been disclosed in the joint announcement of the Company and China Environmental dated 26 June 2012. It is noted that the shares of China Environmental have been suspended for trading and pending for the release of its financial results for the year ended 31 March 2012, the Directors have enquired the reasons for such suspension and as advised by China Environmental, other than the reason that additional time was required for finalizing its financial statements and for its auditors to perform and complete their audit procedures, which have been disclosed in the announcement of China Environmental dated 28 June 2012, they were not aware of any other reasons which led to such suspension as at the date of this announcement.

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

Provision of Corporate Secretarial and Consultancy Services Business

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

After its establishment in November 2011, Pacific Vision has successfully identified and has been providing on-going corporate secretarial services to four listed clients in Hong Kong. Looking for a period of two years ahead, it is expected there would be increasing demand for financial advisory and corporate consultancy services in the PRC under the economic environment and situation of the PRC. In order to capture this valuable business opportunity and expand this business segment into the PRC, the Group will allocate around HK\$20 million to recruit a team of experienced professionals, to set up and equip the PRC subsidiaries and branch offices as well as to market, promote, develop and maintain the provision of corporate secretarial and consultancy services business in the PRC.

Forestry Business

On 12 April 2012, the Group has completed the acquisition (the “**Acquisition**”) of Profit Grand Enterprises Limited (“**Profit Grand**”), which through its subsidiary has the harvesting right within a forest sized approximately 65,800 hectares in PNG. The total consideration for the Acquisition of HK\$310 million was satisfied as to (i) HK\$33 million by the issue of the convertible bonds in the principal amount of HK\$33 million with conversion price of HK\$0.087; (ii) HK\$82 million in cash; and (iii) HK\$195 million by the issue of a 10% promissory note in the principal sum of HK\$195 million (the “**Promissory Note**”). Details of the Acquisition have been disclosed in the circular of the Company dated 29 February 2012 (the “**Acquisition Circular**”). As at the date of this announcement, an aggregate amount of HK\$10 million under the Promissory Note is still outstanding.

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

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

Fund raising methods comparison

In view of the financing needs as aforementioned, the Board has from time to time considered and discussed with financial institutions regarding various fund raising methods available to the Group. Among different fund raising methods, the Directors have focused on evaluating the possibilities of carrying out fund raising through rights issue and open offer as they are relatively larger in scale as compared to placing of new shares under a general mandate. In respect of debt financing, the Board will not consider debt financing at this stage as the expected finance costs are high and additional borrowings would only narrow the profit margin of the Group given that its forestry business has not yet commenced production.

In comparison, the Rights Issue (with the Bonus Issue) is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation into the Rights Issue (with the Bonus Issue). The Rights Issue (with the Bonus Issue) allows the Qualifying Shareholders who participate to (a) increase its interests in the shareholding of the Company by (i) acquiring additional rights entitlement in the open market (subject to the availability); and/or (ii) applying through excess applications for Rights Shares or (b) decreasing its interests in the shareholding of the Company by disposing their rights entitlements in the open market (subject to availability). As an open offer does not allow the trading of rights entitlements and accordingly, the Rights Issue (with the Bonus Issue) is preferred.

Intended use of proceeds

The gross proceeds from the Rights Issue (with the Bonus Issue) will be not less than approximately HK\$191.75 million and not more than HK\$243.97 million before expenses. The estimated expenses in relation to the Rights Issue (with the Bonus Issue), including the financial, legal, and other professional advisory fees, underwriting commission, printing and

translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue (with the Bonus Issue) will be not less than approximately HK\$184.69 million and not more than approximately HK\$236.91 million. The Company intends to apply the net proceeds from the Rights Issue (with the Bonus Issue) as to (i) not more than HK\$160 million for the development of the money lending and provision of credits business; (ii) HK\$95 million on the securities investments business; and (iii) around HK\$20 million on the development and provision of corporate secretarial and consultancy services business in the PRC.

In the event that the Company could exercise the Option at an early stage, the Company intends to reallocate the net proceeds from the Rights Issue (with the Bonus Issue) entirely/partially depending on the then actual circumstances for (i) satisfying the cash portion of the consideration for exercising the Option; and (ii) financing the early stage capital expenditure on the forestry business.

Future fund raising exercises

As at the date of this announcement, save for the Rights Issue (with the Bonus Issue), the Company has not identified any concrete fund raising plan with any financial institutions. Based on the current circumstances of the Group, it is noted that the proceeds from the Rights Issue (with the Bonus Issue) will not satisfy the upcoming financing needs in full. Hence, the Board does not rule out the possibility that on the top of the Rights Issue (with the Bonus Issue), the Company will conduct further debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future developments of the Group as aforementioned. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

Independent Shareholders and Qualifying Shareholders

The proposed Rights Issue (with the Bonus Issue) shall be conducted on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date with the Bonus Issue on the basis of five (5) Bonus Shares for every one (1) Rights Share taken up. The Board considers that any potential dilution impact should be balanced against by the following factors:

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

- those Qualifying Shareholders who choose to accept the Rights Issue (with the Bonus Issue) in full can maintain their respective existing shareholding interests in the Company after the Rights Issue (with the Bonus Issue).

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

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

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for disclosed below, the Company has not conducted any other fund raising exercise in the past twelve months immediately prior to the date of this announcement.

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

(III) APPLICATION FOR WHITEWASH WAIVER

Allied Summit, being one of the Underwriters, is a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder (as defined in the Listing Rules). As at the date of this announcement, Allied Summit was interested in 180,000,000 Shares, representing approximately 13.14% of the existing total issued share capital of the Company.

In the event that Allied Summit, being one of the Underwriters, is called upon to subscribe or procure subscription for the Untaken Shares pursuant to its obligations under the Underwriting Agreement (assuming all Qualifying Shareholders (other than Allied Summit) do not accept their respective provisional allotment of the Rights Shares nor apply for any excess Rights Share), the shareholding of Allied Summit in the Company would increase from approximately 13.14% of the existing total issued share capital of the Company to a maximum of approximately 72.97% of the enlarged total issued share capital of the Company immediately upon completion of the Rights Issue (with the Bonus Issue).

Under Rule 26 of the Takeovers Code, the acquisition of voting rights under such circumstances will trigger a mandatory general offer by Allied Summit, being one of the Underwriters, for all the securities of the Company other than those already owned or agreed to be acquired by the Concert Group, unless, amongst others, the Whitewash Waiver is obtained from the Executive and approved by the Independent Shareholders at the SGM by way of poll. An application will be made by Allied Summit to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders on a vote taken by way of poll at the SGM and such other condition(s) as may be imposed by the Executive. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Rights Issue (with the Bonus Issue) will not become unconditional and will not proceed.

Save as disclosed in the paragraph headed “Shareholding structure of the Company in respect of the Rights Issue (with the Bonus Issue)” above, none of the Concert Group and the respective associates of Allied Summit own(s), control(s) or direct(s) any Shares, convertible securities, warrants, options or derivatives in respect of the Shares as at the date of this announcement, and there is no outstanding derivative in respect of securities in the Company which has been entered into by Allied Summit, its beneficial owner(s), its associates and any parties acting in concert with any of them as at the date of this announcement.

Save for the entering into of the Underwriting Agreement, none of the parties in the Concert Group has acquired any Shares in the six-month period prior to and including the date of this announcement.

Save for the transactions contemplated under the Underwriting Agreement, as at the date of this announcement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares held by Allied Summit which might be material to the Underwriting Agreement and/or the Rights Issue (with the Bonus Issue) and/or the Whitewash Waiver. As at the date of this announcement,

none of the Concert Group has received any irrevocable commitment to vote in favour of or against the proposed resolution(s) approving the Rights Issue (with the Bonus Issue) and/or the Whitewash Waiver at the SGM.

As at the date of this announcement, save for the Underwriting Agreement, there is no agreement or arrangement to which Allied Summit, being one of the Underwriters, is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Underwriting Agreement and/or the Rights Issue (with the Bonus Issue) and/or the Whitewash Waiver.

None of the Concert Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement.

(IV) CONNECTED TRANSACTION IN RESPECT OF UNDERWRITING COMMISSION

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

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

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

IMPLICATIONS UNDER THE LISTING RULES

Allied Summit is a substantial Shareholder (as defined in the Listing Rules) and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute connected transactions under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, the allotment and issue of the Untaken Shares to Allied Summit is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the underwriting commission to be received by Allied Summit is on normal commercial terms and pursuant to the Underwriting Agreement will be approximately HK\$3.23 million and the relevant percentage ratios (as defined in the Listing Rules) are less than 25% and the amount is less than HK\$10,000,000, the payment of underwriting commission by the Company to Allied Summit is therefore subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules. Mr. Ng has not voted in respect of the proposed resolution approving the payment of the underwriting commission to Allied Summit at the Board meeting as Mr. Ng is a member of the Concert Group.

Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue (with the Bonus Issue) will be subject to the approval of the Independent Shareholders at the SGM by way of poll.

To the best information, knowledge and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, no Shareholder has an interest in each of the Share Consolidation and the Bye-laws Amendments that is materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the respective resolutions to be proposed at the SGM to approve the Share Consolidation, the Bye-laws Amendments, and the transactions contemplated thereunder.

The Rights Issue (with the Bonus Issue) is conditional on, among other things, the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver, and the Bye-laws Amendments being approved by the Shareholders and the Independent Shareholders (as the case may be) at the SGM. The Concert Group, the respective associates of the Underwriters and all those parties who are involved or interested in the Underwriting Agreement and/or the Whitewash Waiver will abstain from voting on the proposed resolution(s) approving the Rights Issue (with the Bonus Issue) and the Whitewash Waiver at the SGM. An independent board committee comprising all the non-executive Directors will be established by the Company to advise the Independent Shareholders as to whether the terms of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver are fair and reasonable and as to voting in respect thereof at the SGM. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in these regards. Further announcement will be made by the Company once the independent financial adviser is appointed.

GENERAL

A circular containing, among other things, (i) further details about the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver and the Bye-laws Amendments; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver; and (iv) the notice convening the SGM, will be despatched to the Shareholders as soon as practicable.

Subject to the approval of the Rights Issue (with the Bonus Issue) and the Whitewash Waiver by the Independent Shareholders at the SGM, the Prospectus Documents will be despatched to the Qualifying Shareholders and the Prospectus will be despatched to the Non-Qualifying Shareholders for information purposes only as soon as practicable.

(VI) RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange has been suspended from 9:05 a.m. on 9 July 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 1:00 p.m. on 10 July 2012.

DEFINITION

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Agent Option”	an option conditionally granted by the Company to Jia Run Investments Limited to subscribe for up to 49,517,009 Shares (or 24,758,504 Consolidated Shares upon the Share Consolidation becoming effective)
“AGM”	the annual general meeting of the Company held on 12 June 2012
“Allied Summit”	Allied Summit Inc., a company incorporated in the British Virgin Islands, who in aggregated held 180,000,000 Shares, representing approximately 13.14% of the issued share capital of the Company as at the date of this announcement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the proposed issue of Bonus Shares on the basis of five (5) Bonus Shares for every one (1) Rights Share taken up under the Rights Issue
“Bonus Share(s)”	the bonus Consolidated Shares to be allotted and issued pursuant to the Bonus Issue
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business throughout their normal business hours in Hong Kong
“Bye-laws”	the existing bye-laws of the Company
“Bye-laws Amendments”	proposal to amend the Bye-laws to facilitate the Bonus Issue

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders in relation to the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver and the Bye-laws Amendments (together with the notice of the SGM)
“Clearance Authority”	the Forest Clearance Authority granted by the Forest Authority of PNG regarding lawful permission to clear forest areas and harvest merchantable logs
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange
“Concert Group”	Allied Summit, its beneficial owner(s), and the parties acting in concert with any of them (including Mr. Ng who is the sole director of Allied Summit)
“Connected Person”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	share(s) of HK\$0.02 each in the issued share capital of the Company upon the Share Consolidation becoming effective
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriters
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Shareholder(s)”	Shareholders other than (i) the Concert Group; and (ii) those who are involved or interested in the Underwriting Agreement and/or the Whitewash Waiver

“Independent Third Party(ies)”	third parties independent of and not connected with the Directors, chief executive and substantial Shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Issue Mandate”	the issue mandate granted at the AGM to the Directors to allot, issue and deal with a maximum of 273,930,107 new Shares (equivalent to 136,965,053 Consolidated Shares upon the Share Consolidation becoming effective), representing 20% of the issued share capital of the Company as at the date of the AGM and as at the date of this announcement
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under SFO
“Last Trading Day”	6 July 2012, being the date of the Underwriting Agreement, which is a Stock Exchange trading day
“Latest Time For Acceptance”	4:00 p.m. on Wednesday, 19 September 2012, or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time For Termination”	4:00 p.m. on the third Business Day after the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time for the Underwriters to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longjiang Option”	an option conditionally granted by the Company to 中國龍江森林工業(集團)總公司 (China Longjiang Forest Industry (Group) General Corporation*) to subscribe for up to 49,517,009 Shares (or 24,758,504 Consolidated Shares upon the Share Consolidation becoming effective)
“Mr. Ng”	Mr. Ng Kwok Fai, being the Chairman of the Company and an executive Director
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PNG”	the Independent State of Papua New Guinea
“Posting Date”	Wednesday, 5 September 2012 or such other date as the Underwriters may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Non-Qualifying Shareholders
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue (with the Bonus Issue)
“Prospectus Documents”	the Prospectus, PAL(s) and EAF(s)
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Tuesday, 4 September 2012 (or such other date as the Underwriters may agree in writing with the Company), as the date by reference to which entitlements to the Rights Issue (with the Bonus Issue) are expected to be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights issue to the Qualifying Shareholders for subscription at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents

“Rights Shares”	Consolidated Shares to be issued and allotted under the Rights Issue, being not less than 1,369,650,536 new Consolidated Shares (assuming no new Share/Consolidated Share being issued and no Share/Consolidated Share being repurchased by the Company on or before the Record Date) and not more than 1,742,614,658 new Consolidated Shares (assuming no new Share/Consolidated Share being issued other than full exercises of the Agent Option and the Longjiang Option and full utilization of the Issue Mandate and no Share/Consolidated Share being repurchased by the Company on or before the Record Date)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation, the Rights Issue (with the Bonus Issue), the Whitewash Waiver, the Bye-laws Amendments and transactions respectively contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the company and the Consolidated Share(s) (where applicable)
“Share Consolidation”	the proposed consolidation of every two (2) Shares into one (1) Consolidated Share
“Shareholder(s)”	the holder(s) of issued Share(s) and/or Consolidated Share(s) (as the case may be)
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time For Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.14 per Rights Share with nominal value of HK\$0.02 each
“Takeovers Code”	the Code on Takeovers and Mergers of SFC
“Underwriters”	Allied Summit and Kingston Securities

“Underwriting Agreement”	the underwriting agreement dated 6 July 2012 entered into between the Company and the Underwriters in relation to the underwriting arrangement in respect of the Rights Issue (with the Bonus Issue)
“Undertaking”	the irrevocable undertaking dated 6 July 2012 given by Allied Summit to the Company and Kingston Securities, details of which are set out in the section headed “Undertaking” in this announcement
“Underwritten Shares”	all the Rights Shares (other than the Rights Shares that will be provisionally allotted to and subscribed by Allied Summit pursuant to the Undertaking) which are fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement
“Untaken Shares”	the Underwritten Shares which have not been taken up by the Qualifying Shareholders
“US\$”	United States dollars, the lawful currency of the United States of America
“Whitewash Waiver”	a waiver by the Executive to Allied Summit pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Allied Summit to make a mandatory general offer for all the securities of the Company not already owned and/or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Rights Shares by Allied Summit pursuant to the Undertaking and the underwriting obligation under the Underwriting Agreement
“%” or “per cent.”	percentage or per centum

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

Hong Kong, 10 July 2012

As at the date of this announcement, the Directors are:

Executive Directors

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

Independent non-executive Directors

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

Non-executive Director

Mr. Chan Kin Sang

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any such statement contained in this announcement misleading.

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.