

PACRIM INTERNATIONAL CAPITAL INC.

MATERIAL CHANGE REPORT

1. *Name and Address of Reporting Issuer:*

Pacrim International Capital Inc. ("Pacrim")
Suite 3203 Tower II
Lippo Centre, 89 Queensway, Central
Hong Kong

2. *Date of Material Change:*

November 14, 2008

3. *News Release:*

A news release was issued and disseminated on November 15, 2008 through Canada NewsWire and filed on SEDAR. See Schedule "A" attached hereto.

4. *Summary of Material Change:*

Pacrim today announced completion of its previously announced intended retirement of various loans that had been made by Pacrim to a number of companies in which Guy Lam, the Chairman and Chief Executive Officer of Pacrim, has an interest. Pacrim funded the loans in order to allow the borrowing companies to develop investment opportunities in the People's Republic of China to be subsequently offered for sale to Pacrim. These opportunities took longer to develop than originally anticipated.

The loans totalled approximately Cdn\$26,619,000 of principal and accrued interest as of November 14, 2008. The loans were secured, part of the security consisting of the pledge of the outstanding common shares of Pacrim International Capital Holdings Inc. ("PICH"), a holding company owned by Mr. Lam with business interests in the People's Republic of China consisting of an indirect 87.81% interest in Wah Sang Paper Products (Shenzhen) Co. Ltd. ("Wah Sang"), a corrugated packaging company. The loans were retired by the transfer of 46% of the shares of PICH to Pacrim pursuant to the realization on this security.

A committee of all of the directors of Pacrim except Mr. Lam (the "Independent Committee") retained American Appraisal China Limited (the "Valuator") to render an independent opinion as to the equity value of PICH based on a valuation of the business enterprise of Wah Sang (the "Valuation") as of June 30, 2008. The Valuation is summarized in Schedule "A" to the press release and is available electronically at www.sedar.com. In dealing with the Valuation for the purposes of the retirement of the loans, the Independent Committee adjusted the value range for PICH as determined by the Valuator to reflect real estate unrelated to Wah Sang that was transferred out of PICH

after June 30, 2008 and to reflect the retirement of loans owed by PICH to Pacrim. The resulting range for the equity value of PICH was US\$40,667,000 to US\$55,566,000 or Cdn\$50,081,000 to Cdn\$68,430,000. The Independent Committee determined the percentage of shares of PICH to be transferred to Pacrim through retirement of the loans by dividing Cdn\$26,619,000 (being the principal and accrued interest of the loans to November 14, 2008), being the value of PICH adopted by the Independent Committee for such calculation on the basis of the adjusted value range for PICH derived from the Valuation. 46% of the shares of PICH were thus transferred to Pacrim with the balance of the shares of PICH being retained by Mr. Lam. Reference is made to the "Valuation" section of Schedule "A" to the press release for further details.

Following the settlement of the loans, Pacrim intends to file a business acquisition report in accordance with National Instrument 51-102 - Continuous Disclosure Obligations..

5. *Full Description of Material Change:*

Please see Schedule "A" attached hereto.

6. *Reliance on subsection 7.1(2) or (3) of National Instrument 51-102:*

Not applicable.

7. *Omitted Information:*

None.

8. *Executive Officer:*

For further information, please contact:
Cindy Fung, Acting Chief Financial Officer
Tel. 852.2526.1554

9. *Date of Report:*

November 18, 2008

Schedule "A"
PRESS RELEASE

PRESS RELEASE

PACRIM INTERNATIONAL CAPITAL INC. ANNOUNCES RETIREMENT OF LOANS

- ACQUIRES INTEREST IN CORRUGATED PACKAGING COMPANY IN CHINA -

FOR RELEASE – CANADA WIDE

HONG KONG, November 15, 2008 – PACRIM INTERNATIONAL CAPITAL INC. (PCN: TSX) (“Pacrim”) today announced completion of its previously announced intended retirement of various loans that had been made by Pacrim to a number of companies in which Guy Lam, the Chairman and Chief Executive Officer of Pacrim, has an interest. Pacrim funded the loans in order to allow the borrowing companies to develop investment opportunities in the People’s Republic of China to be subsequently offered for sale to Pacrim. These opportunities took longer to develop than originally anticipated.

The loans totalled approximately Cdn\$26,619,000 of principal and accrued interest as of November 14, 2008. The loans were secured, part of the security consisting of the pledge of the outstanding common shares of Pacrim International Capital Holdings Inc. (“PICH”), a holding company owned by Mr. Lam with business interests in the People’s Republic of China consisting of an indirect 87.81% interest in Wah Sang Paper Products (Shenzhen) Co. Ltd. (“Wah Sang”), a corrugated packaging company. The loans were retired by the transfer of 46% of the shares of PICH to Pacrim pursuant to the realization on this security.

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The corrugated packaging operations of Wah Sang are located in Shenzhen, in the Pearl River Delta of southern China which houses one of the world’s largest concentrations of manufacturing of consumer electronics, office and telecommunication equipment. Wah Sang sells its high-end packaging products almost exclusively to multinational corporations which export from China. Wah Sang has annual production capacity of 63,000 tonnes of containerboard, 50,000 tonnes of flexo containers and 18,000 tonnes of off-set colour containers. The bulk of the containerboard produced is used internally for further processing into flexo containers or off-set colour

containers. A detailed description of Wah Sang and a description of PICH are contained in Schedule "A" hereto. Exhibit I to Schedule "A" contains the audited financial statements of PICH for the year ended December 31, 2007 and the unaudited financial statements of PICH for the six month interim period ended June 30, 2008.

There is litigation in Hong Kong with respect to PICH's indirect ownership interest in Wah Sang. Based on the information available to it, including a legal opinion, Pacrim believes that PICH is the rightful owner. Reference is made to the "Litigation" section of Schedule "A" for further details.

Pacrim intends to file a business acquisition report in accordance with National Instrument 51-102 - Continuous Disclosure Obligations with respect to the retirement of the loans.

Under Mr. Lam's direction, Pacrim intends to continue to explore other investment opportunities in China.

Caution concerning forward-looking statements

Statements made in this news release, other than those concerning historical financial information, should be considered forward-looking and subject to various risks and uncertainties. Some forward-looking statements may be identified by words like "may", "will", "anticipate", "estimate", "expect", "intend" or "continue" or the negative thereof or similar variations. Readers are cautioned not to place undue reliance on such statements, as actual results may differ materially from those expressed or implied in such statements. Factors that could cause results to vary include, but are not limited to: risks associated with China including state ownership, government sector intervention, foreign investment, repatriation of profit and currency conversion, tax, the developing legal system, protection of intellectual property rights, shareholder rights and enforcement of judgments, permits and business licenses, appropriation, political stability considerations, the central planned economy, fluctuations in foreign exchange rates and Chinese accounting and auditing standards; litigation risk with respect to the ownership of Wah Sang; risks in business and operations including risks associated with expansion, future capital requirements, dependence on key personnel, environmental regulation, competition, risk in purchasing abroad, risk of change in the price of raw materials, product price volatility, insurance and operating plant risk; customer risk including risk of a single market and risk depending on major customers; technical risk including risk in the advance of technology and risk of relying on technology abroad; financial risk including foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk; investment strategy risk; and short term management transition risk.

We caution that the foregoing list of factors is not exhaustive and that when reviewing our forward-looking statements, investors and others should refer to the "Risk Factors" section of Pacrim's Annual Information Form, the "Risks and Uncertainties" and other sections of our Management's Discussion and Analysis, the "Risk Factors" section of Schedule "A" to this press release and our other periodic filings with Canadian securities regulatory authorities. All forward-looking statements presented herein should be considered in conjunction with such filings. Except as required by Canadian securities law, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time-to-time by us or on our behalf; such statements speak only as of the date made.

For further information, please contact:

Cindy Fung
Acting Chief Financial Officer
Pacrim International Capital Inc.
Tel. 852.2526.1554

SCHEDULE "A"

DESCRIPTION OF

WAH SANG PAPER PRODUCTS (SHENZHEN) CO. LTD.

AND

PACRIM INTERNATIONAL CAPITAL HOLDINGS INC.

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CURRENCY

Unless otherwise indicated, all references herein to “dollar” or the use of the symbol “\$” or “Cdn.\$” are to Canadian dollars, all references to “US dollars” or “US\$” are to United States dollars, and all references to “RMB” are to Renminbi, the legal currency in the People’s Republic of China (“China” or the “PRC”).

I. Canadian Dollar/RMB Exchange Rates

The following table sets forth, for the periods indicated, certain information concerning the exchange rate for translating RMB into Canadian dollars using rates quoted by the Bank of Canada website. No representation is made that RMB could be converted into Canadian dollars at that rate or any other rate.

One Canadian dollar expressed in RMB

Year ended December 31	Average During Period
2004	6.3573
2005	6.7613
2006	7.0323
2007	7.0822

II. US Dollar/RMB Exchange Rates

The following table sets forth, for the periods indicated, certain information concerning the exchange rate for translating RMB into US dollars constructed using rates quoted by the Bank of Canada website. No representation is made that RMB could be converted in US dollars at that rate or any other rate.

One US dollar expressed in RMB

Year ended December 31	Average During Period
2004	8.2741
2005	8.1922
2006	7.9749
2007	7.6119

III. US Dollar/Canadian Dollar Exchange Rates

The following table sets forth, for the periods indicated, certain information concerning the exchange rate for translating Canadian dollars into US dollars using rates quoted by the Bank of Canada website. No representation is made that Canadian dollars could be converted in US dollars at that rate or any other rate.

One US dollar expressed in Canadian dollars

Year ended December 31	Average During Period
2004	1.3015
2005	1.2116
2006	1.1341
2007	1.0748

WAH SANG PAPER PRODUCTS (SHENZHEN) CO. LTD.

Wah Sang Paper Products (Shenzhen) Co. Ltd. (“**Wah Sang**”) is strategically located in Shenzhen, in the heart of China’s Pearl River Delta, which houses one of the world’s largest concentrations of manufacturing of consumer electronics and office and telecommunication equipment. All these products, especially those produced by local operations of multinational corporations for export purposes, require sophisticated high-end packaging such as that produced by Wah Sang, which sells quality corrugated packaging products almost exclusively to multinational corporations.

Please note in the following discussion all information for the year ended December 31, 2006 and for the interim period ended June 30, 2008 is unaudited.

Wah Sang’s History

The business of Wah Sang was founded by the father of Guy Lam, the President and Chief Executive Officer of Pacrim International Capital Inc. (“**Pacrim**”), in 1958 in Hong Kong. It started as a simple converter plant, buying containerboard from local suppliers and converting it into single-colour, single-wall containers. Wah Sang moved its manufacturing operations to Shenzhen, China in 1989. This move was made for two strategic reasons. Firstly, China’s labour rates were (and continue to be) a fraction of those in Hong Kong. More important was the belief that China would become the manufacturing base for not just Hong Kong-based companies, but also manufacturers from around the world. By relocating to Shenzhen, Wah Sang, with its roots and track record in Hong Kong, would be better positioned than its competitors in mainland China to supply these multinational enterprises.

In 1993, Wah Sang undertook to expand and to vertically integrate its operations. A 20,000 square metre plant was custom built to house two multi-layered production lines, capable of producing three-colour flexo print containers. In 1995, a product testing centre was set up. In 1997, Wah Sang started an offset printing operation by purchasing a new German made KBA

colour printing press. An enterprise wide Quality Control Circle initiative was implemented in 1998. In 1999, Wah Sang introduced innovative Paper Pallet and Slip Sheet to facilitate and streamline the delivery system. In 2000, Wah Sang commenced formal recruiting efforts at local universities and technical colleges in order to strengthen the newly created R&D centre. In 2003, Wah Sang started expansion of its offset printing operation, with a view to the establishment of a stand-alone offset printing centre.

Wah Sang is a joint stock limited company with foreign investment, as approved by the Ministry of Foreign Trade and Economic Cooperation in China, with a registered capital of US\$20,700,000.

Intercorporate Relationships

Wah Sang owns 100% of the outstanding shares of Wah Sang Industrial (HK) Co. Ltd., a subsidiary of Wah Sang incorporated in Hong Kong which trades in paper materials for Wah Sang.

China's Corrugated Container Industry

The Pearl River Delta region hosts a concentration of export oriented manufacturing industries which generally require corrugated boxes for packaging. This region, which includes the cities of Guangzhou, Shenzhen, Dongguan and Huizhou, is widely known as the production base for many global manufacturers of consumer electronics and telecommunication products such as Hi-Fi equipment, televisions and monitors, DVD players, computers, printers and cellular phones. These products require high quality and sophisticated corrugated packaging, both in terms of design and protection during transportation. Wah Sang is strategically located in Shenzhen, in the heart of this manufacturing heartland of China. Virtually all of Wah Sang's customers are located within a radius of 200 kilometres of its facilities, allowing Wah Sang to save on transportation costs while offering just-in-time delivery service to customers.

Wah Sang's business strategy is to grow its business through internal means as well as through acquisitions. Initially, Wah Sang plans to concentrate on selective acquisitions within the Pearl River Delta region. In the medium term, Wah Sang would seek acquisition opportunities in the Yangtze River Delta region, including the cities of Shanghai, Suzhou, Nanjing and Hangzhou, which region also hosts a concentration of export-oriented manufacturing industries. The longer-term phase of Wah Sang's acquisition strategy is to target the Beijing-Tianjin region, including the Province of Shandong, which is the third major consumption area of corrugated products in China.

Competitive Advantages of Wah Sang

Management of Wah Sang and management of Pacrim believe that Wah Sang enjoys the following advantages over its competitors:

Blue Chip Customer Base

Wah Sang's customers are primarily Fortune 500 consumer products, electronics and telecommunications companies, including Wal-Mart, Foxconn Technology Group ("**Foxconn**"), Brother, Sony, IBM, Canon, Samsung, HP, Xerox, DHL and UPS, and other multinational

corporations. These companies all have extremely high standards for the packaging of their products. Wah Sang's ability to acquire these customers and subsequently maintain a strong relationship with them results in a stable revenue base. Furthermore, Wah Sang is in an excellent position to grow with these customers as they expand their operations in China.

Quality of Products

Through a comprehensive quality control system that covers every stage of its production, including assessment of suppliers, sample testing of raw materials, control over usage of raw materials, computerized and monitored production process and quality testing of all finished products, Wah Sang maintains a consistently high level of product quality. Consequently, Wah Sang's products have consistently met its customer acceptance target of 99% while the customer complaint rate has consistently been below the 0.25% target. Wah Sang was ISO 9002 certified in 1996 and obtained its ISO 9000/14000 certification in 2002. Wah Sang has also been awarded Sony's "Green Partner" designation.

Superior Equipment and Technologies

Over the years, Wah Sang has invested heavily in technologies and equipment. For example, Wah Sang's equipment list includes three KBA printing presses imported from Germany, capable of producing four, five and six-colour offsets, respectively. The last one purchased, KBA 162, has a maximum printing size of 47.5 inches x 63.75 inches, the largest available in the world today and only three of such offset printing machines in southern China. Management of Wah Sang believes that the quality of its equipment approaches world standard, allowing it to service even the most demanding clients.

Customer Knowledge and Product Development Capabilities

Management and staff of Wah Sang maintain close relationships with customers and keep up-to-date with market trends and customers' needs. They do so by regularly visiting customers to discuss market trends, pricing and customer requirements, participating in industry conferences and exhibitions and carrying out customer surveys. Consequently, Wah Sang has developed a capability that enables it to conceptualize, design and produce new products based on customers' needs in a timely manner. Examples of such capabilities include shipments of point-of-sale display cases for Wal-Mart and corrugated colouring doll houses for Target Stores.

Strong Profit Margins

Most of Wah Sang's products are considered to be mid or high-end packaging products, which command higher price points than commodity products produced by many of Wah Sang's competitors. Cost control practices are followed at all levels at Wah Sang. These factors combine to give Wah Sang consistent and strong profit margins: Gross margins for 2005, 2006 and 2007 were 23.3%, 17.9% and 22.3% respectively, while net margin (after tax) was 12.5% for 2005, 5.3% for 2006 and 7% for 2007. The margin fluctuation is related to the constant change in commodities prices worldwide, particularly for kraft liner and medium liner paper.

Strategic Location

Wah Sang is strategically located in Shenzhen, in the heart of the Pearl River Delta region of southern China. As above noted, this region is the production base for many global manufacturers, all of which require high quality and sophisticated corrugated packaging. Shenzhen is also adjacent to Hong Kong and serves as the gateway for a significant portion of China's import and export activities. Wah Sang is able to supply customers in Hong Kong, Taiwan and other countries in Southeast Asia.

Products and the Production Process

Corrugated cardboard is made of paper and has an arched layer called "fluting", between smooth sheets called "liner". Wah Sang has three major product lines: containerboards, "flexo containers" and "offset colour containers". Containerboard is the paper used for making corrugated containers. Flexo containers refer to corrugated containers with colour logos, text and graphics printed directly on the surface of the container. Offset colour containers refer to corrugated containers with brilliant and detailed colour graphics printed on laminated offset sheets which are pasted onto the surface of the container. Because of the thickness and rigidity of the containerboard, graphics on the flexo containers are generally inferior in quality to those on offset colour containers.

Wah Sang's production capacity and actual production volume by product line are provided below:

	<u>2003</u>	<u>2004</u>	<u>2005</u> (tonnes)	<u>2006</u>	<u>2007</u>	<u>2008</u> (to June 30)
Containerboard						
Capacity	60,000	60,000	60,000	63,000	63,000	63,000
Actual volume produced	56,647	60,229	58,962	57,455	56,392	24,820
Flexo Containers						
Capacity	50,000	50,000	50,000	50,000	50,000	50,000
Actual volume produced, tonnes	41,430	44,499	46,988	39,673	39,099	19,260
Offset Colour Containers						
Capacity	12,000	12,000	18,000	18,000	18,000	18,000
Actual volume produced	13,622	14,027	13,891	16,588	16,086	4,700

The bulk of the containerboard produced is used internally for further processing into flexo containers or offset colour containers. In 2003, Wah Sang embarked on a major expansion program to significantly increase the capacity of the offset operation. The first phase of this program is now complete and the capacity of the new Offset Centre is presently 18,000 tonnes. Current plans call for further phased increase of the capacity, reaching 68,000 tonnes by the end of 2009 and reaping its full financial impact in 2010.

Production Process

Wah Sang has adopted a flexible and efficient production process which vertically integrates the manufacture of corrugated containerboard and the manufacture and printing of corrugated

containers. This production process enables Wah Sang to fulfill customer orders within a short lead time. Wah Sang's lead time from the receipt of a customer's order to delivery of finished goods, depending on the customer's specifications and order size, typically ranges from one to seven days.

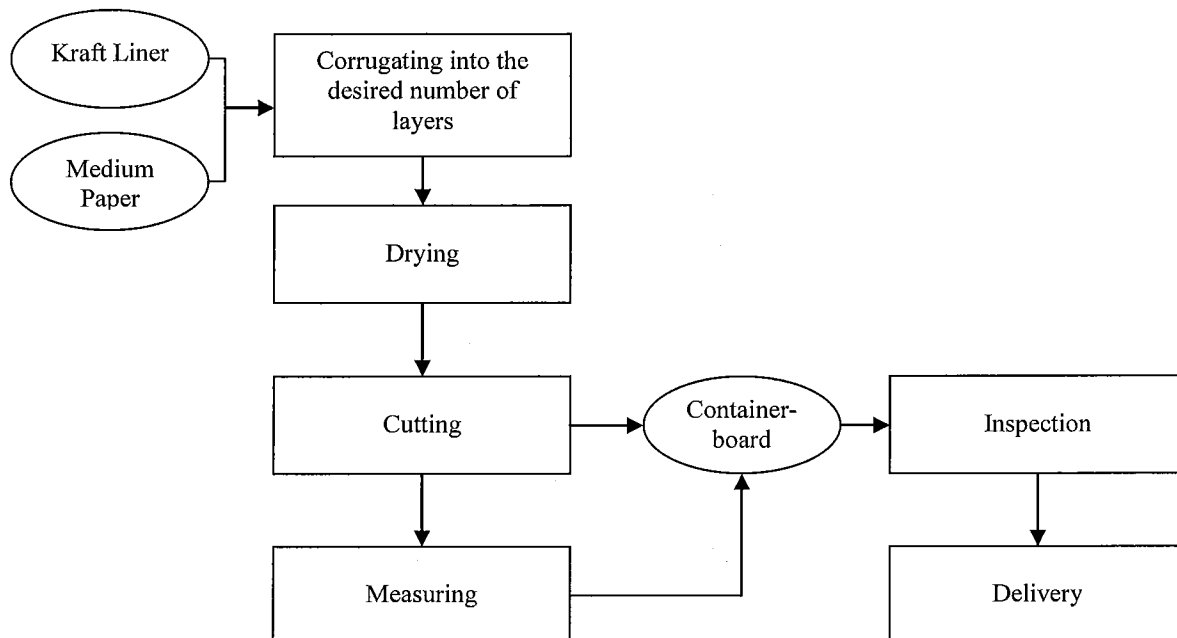
The principal raw materials used in the manufacture of containerboard and corrugated containers are kraft liner paper and medium paper. The latter, also known as fluting material or corrugated medium, is passed through a corrugator machine at Wah Sang which presses the corrugation (known as flutes) into the medium. These flutes resist pressure and bending from all directions, and their dimensions can be altered to increase or decrease the strength of the containerboard. Adhesives are then applied to the outer tips of the flutes to attach a sheet of liner paper to each side of the corrugated medium to form a rigid containerboard which is then used in the manufacture of corrugated containers.

Production of Corrugated Containers

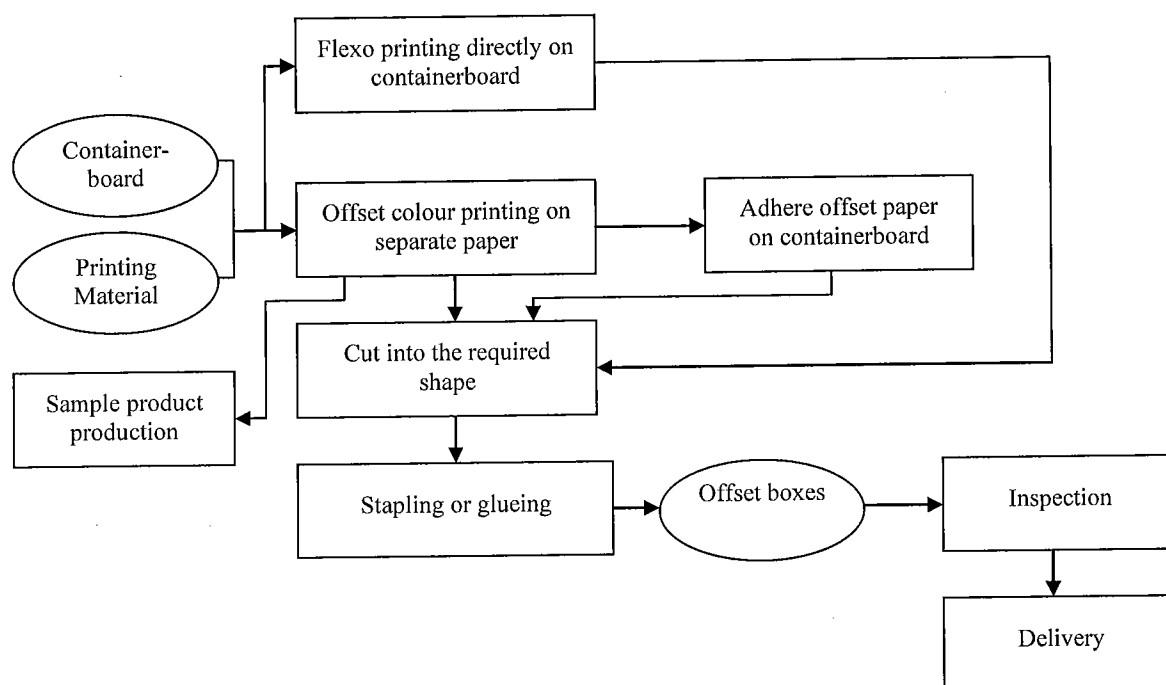
The containerboards are further processed by Wah Sang into corrugated containers according to customer specifications. Logos of the customer, depictions of the end-products and other graphic designs are printed directly onto the containerboard (a process called flexo printing), which is then moulded or cut into the required design and size, stapled or glued into individual containers and packaged. After inspection, the flexo boxes are then delivered to the customer. Alternatively, should a customer require a printing quality that flexo printing cannot provide, the graphics are printed on separate laminated offset sheets which are then glued onto the containerboards before they are processed into boxes.

A flow chart illustrating the key steps of Wah Sang's production process for containerboard and corrugated containers is provided below:

(a) *Containerboard*



(b) *Corrugated Containers*



Production Facilities and Quality Control

Wah Sang's facilities are located in two adjacent lots in the city of Shenzhen. The original facilities were built in 1993, comprising six buildings with an aggregate building area of 30,415 square metres on a site of 24,518 square metres under long-term land lease from the municipal government of Shenzhen, expiring in 2041. The Offset Centre is a building of 32,747 square metres on a site of 24,125 square metres adjacent to the original facilities. This latter site is under a long-term land lease from the municipal government of Shenzhen, expiring in 2053. A breakdown of the building areas of the two facilities is provided below.

	Original Building (sq. metres)	Offset Centre (sq. metres)
Production Area A	4,189	13,600
Production Area B	11,102	17,100
Production Area C and warehouse	12,227	2,047
Office	1,025	---
Dormitory	1,872	---
Total	30,415	32,747

Wah Sang maintains product quality targets that are set to international standards, including a customer acceptance rate of 99% or higher and a customer complaint rate of 0.25% or less.

The quality control team at Wah Sang had a staff of 55 as at December 31, 2007. The first component of the quality control system is a strict supplier evaluation process whereby raw

material suppliers are assessed at regular intervals in accordance with a specific set of criteria including pricing, quality of raw material supplied and quality of service. As raw materials arrive at Wah Sang, they are examined on a random sampling basis to ensure the materials meet established quality standards. Work-in-process inventories are inspected to ensure that Wah Sang's products are manufactured in accordance with customer specifications and standards. Finally, finished goods are subject to physical tests and inspection before delivery.

Wah Sang has in place a company-wide Quality Central ("QC") Circle initiative, in which representatives from each department participate in weekly QC Circle meetings to explore different ways to ensure and improve on product quality. As above noted, Wah Sang obtained ISO 9001/14000 certification in 2002.

Raw Material and Suppliers

The principal raw materials used by Wah Sang are kraft liner paper and medium paper. Wah Sang sources these materials from various countries, including China, the United States, Korea, Indonesia, Australia, New Zealand, France, Brazil, South Africa and Canada. Wah Sang normally settles its purchases, which are denominated either in U.S. dollars or Hong Kong dollars, by letter of credit.

Domestically supplied paper material is generally 12% to 18% cheaper than imported material. Furthermore, Wah Sang is exempt from paying VAT for its domestic purchases due to its export company status. The quality of the Chinese domestic paper supply has been steadily improving during the past few years and consequently, Wah Sang has been buying more domestic paper to take advantage of the lower cost. Wah Sang buys its raw material from over 30 suppliers. For the years 2005, 2006 and 2007, the total purchase attributable to the five largest suppliers represented 66%, 46% and 71% of total purchases respectively. The table below sets out the breakdown of Wah Sang's purchases of paper raw material by domestic and foreign sources.

	<u>2003</u>	<u>2004</u>	<u>2005</u> (US\$000s)	<u>2006</u>	<u>2007</u>	<u>2008</u> (to June 30)
Paper purchases						
Domestic	1,221	1,405	3,257	4,683	1,866	492
Foreign	19,468	23,239	20,292	18,072	18,866	10,091
Total	<u>20,689</u>	<u>24,644</u>	<u>23,549</u>	<u>22,755</u>	<u>20,732</u>	<u>10,583</u>

Inventory Control and Delivery System

Wah Sang monitors and controls the inventory levels of its raw material and finished goods in order to ensure an efficient operation and to reduce the risk of over-stocking and obsolescence. For raw material, it is Wah Sang's policy to keep 30 to 45 days of supply in storage. With the gradual shift to buying paper raw material internationally, management expects the paper inventory will be maintained. Wah Sang's policy on finished goods is to keep a minimum level of stock due to its short production lead time and the fact that corrugated products cannot be stored for an extended period of time due to moisture absorption and discolouration.

For local deliveries, Wah Sang has a team of 46 trucks each with delivery routes covering a radius of 200 kilometres from its plant in Shenzhen. These trucks are leased by Wah Sang, which generally signs an agreement with each truck owner annually setting out the unit delivery prices for each destination. The trucks are painted with the name and logo of Wah Sang and are used exclusively by Wah Sang.

The occasional shipment of Wah Sang's products to overseas destinations is made by container. Wah Sang has ongoing arrangements with forwarding companies which transport Wah Sang's product from the plant by truck to the shipping port in Shenzhen where the product is then transferred into containers to be delivered by ship.

Product Development, Sales and Marketing

Wah Sang provides a comprehensive product offering to its customers, including product development, product structure design, a complete graphics design and production facility and product testing service. Most of Wah Sang's customers consider corrugated containers as providing a selling function in addition to protecting the end-product. To this end, Wah Sang offers its customers full graphics capabilities that use state-of-the-art digital photographic and computer technologies. This service is of particular importance to Wah Sang's international customers in that it saves a significant amount of time and expense usually incurred with traditional advertising agencies and design houses, particularly in China where such services at acceptable standards are difficult to find. The in-house design capabilities also allow Wah Sang to achieve better quality control.

Wah Sang's customers may from time to time request Wah Sang to design packaging cartons with specific levels of protection, visual appearance or other particular needs. While some of Wah Sang's customers may have their own in-house packaging design capabilities, Wah Sang often works closely with its customers in designing the packaging. In addition, Wah Sang continuously explores and develops new techniques for producing durable but lightweight cartons to help its customers in reducing costs.

Wah Sang aims to strengthen its ongoing relationship with existing customers, maintain a high level of customer satisfaction and attract new customers by continuously promoting its products and market research. Specific sales and marketing activities include:

- Monthly visits with customers to discuss market trends, pricing and the customers' needs;
- Regularly provide product samples and specifications to customers and potential customers;
- Participation in industry conferences, trade shows and exhibitions in China;
- Carrying out customer surveys to gather feedback and suggestions from customers; and
- Advertising in, and contributing articles to, industry periodicals.

Wah Sang's sales and marketing department employees visit with each customer at least once a month. Customer feedback from these visits is documented in detail and followed closely. The regular customer visits also serve to monitor customer credit issues. Wah Sang has also implemented a roving after-sales program whereby a dedicated team travels to visit customers which have just received a product shipment to ascertain customer satisfaction and deal with any discrepancies and concerns.

Customers

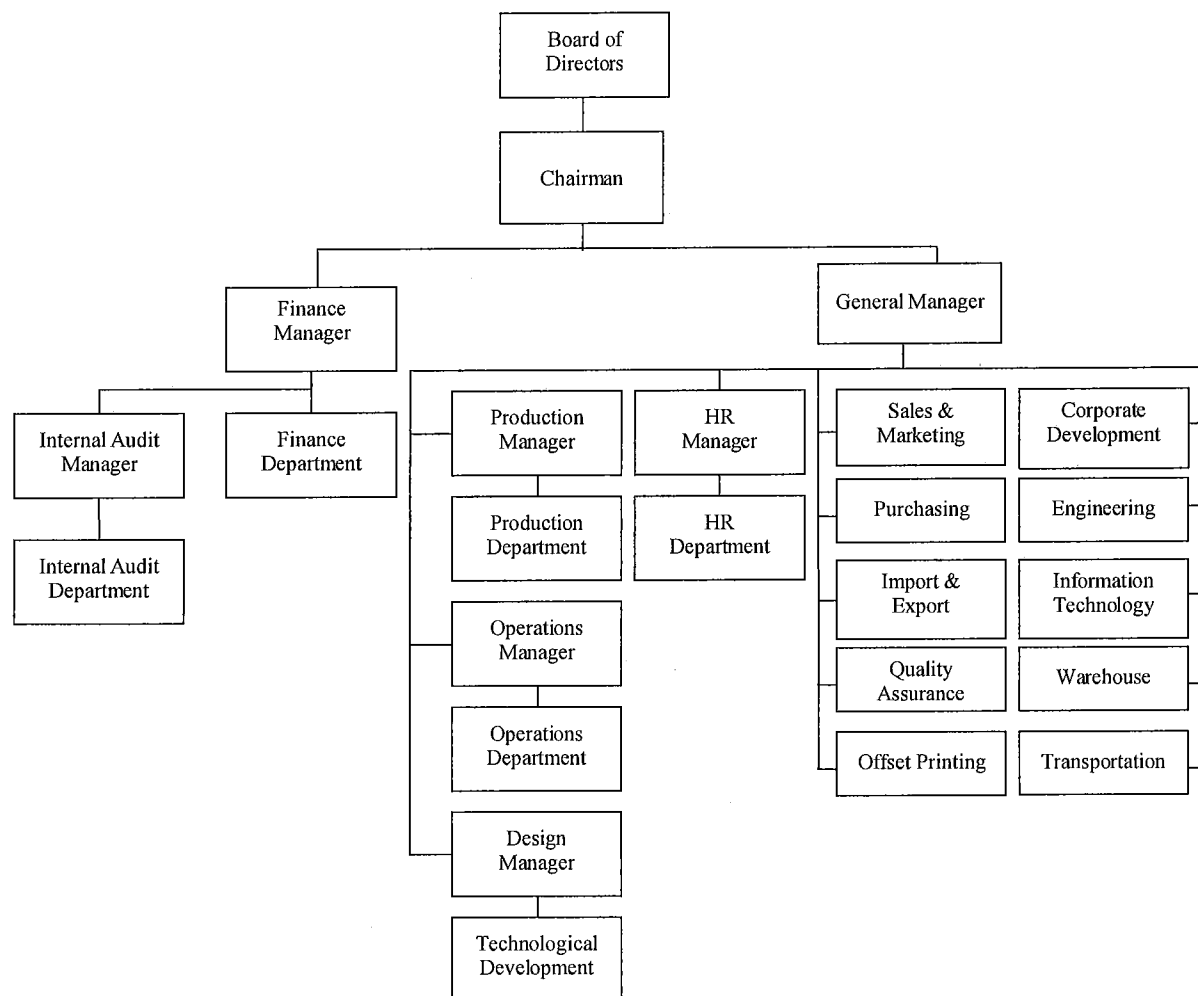
Approximately 95% of Wah Sang's sales are to domestic subsidiaries or affiliates of foreign, international manufacturing companies. The bulk of Wah Sang's customers are Fortune 500 companies or otherwise substantial multinational enterprises, as above noted.

The top five customers of Wah Sang accounted for approximately 48% of Wah Sang's gross revenue in 2005, 52% in 2006 and 57% in 2007. Management of Wah Sang aims to increase sales to other customers and to secure new customers in order to lessen its dependence on its top five customers and the consumer electronics industry. The top five customers (by revenue) in 2007 were Foxconn, Walmart, Brother, TCL King Electrical Appliance (Huizhou) Co., Ltd., and Dynapac Co., Ltd. In May 2007 Wah Sang entered into a strategic partnership arrangement with Foxconn, the largest electronic and cell phone manufacturer in the world. Foxconn has stationed operational staff at the Wah Sang premises to strengthen daily operations. Another strategic partner Dynapac Co. Ltd., a listed company on the Tokyo Stock Exchange, also stationed permanent operational staff at the Wah Sang premises to ensure smooth operations.

Organizational Structure, Senior Management and Employees

Wah Sang's organizational structure is set out below:

Senior Management



Mr. Guy Lam, Chairman

Mr. Lam has been Chairman since 2006. He obtained a degree in mechanical engineering and a LL.B law degree in Canada, and a LL.M graduate degree in the United States. He is an entrepreneur with experience in both North America and Asia over the past 20 years.

Mr. William Lin, General Manager

Mr. Lin joined Wah Sang in April, 2003, as Deputy General Manager, and became General Manager in July, 2006. He has over 20 years of paper industry experience, and held senior management positions with paper products company in Taiwan, Shanghai and Vietnam before joining Wah Sang. Mr. Lin graduated from university in Taiwan.

Mr. Huang Wei Rong, Finance Manager

Mr. Huang joined Wang Sang in September 2006 as Finance Manager, having held management positions in manufacturing companies for the past ten years. He is a university graduate and a qualified accountant in China.

Employees

As at June 30, 2008, there were 885 employees at Wah Sang. A break down of staff complement by function is provided below:

	Staff Count
Production	342
Offset printing	206
Sales and marketing	80
Warehouse and inventory control	49
Quality control	52
Finance and administration	78
Transportation	38
Product development	18
Engineering and maintenance	9
Executive office	13
Total	885

Wah Sang provides room and board to all employees who elect to take this benefit. Its expense in this regard for 2007 was approximately \$52,135. Wah Sang also pays all social insurance premiums on behalf of its employees, including work related injury, health care, and retirement insurance, in compliance with all labour laws and regulations.

Summary Compensation Table

The following table sets forth information concerning the compensation paid by Wah Sang by way of salary and bonus for services rendered during the year ended December 31, 2007, 2006 and 2005 to the equivalent of its Chief Executive Officer and the Chief Financial Officer, and to the three other most highly compensated executive officers during the year ended December 31, 2007 who met the applicable threshold of \$150,000, based on total salary and bonuses of which there were none. These individuals are collectively referred to as the “**Named Executive Officers**”.

Name and Principal Position	Annual Compensation				Long-Term Compensation
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities under Options Granted (#)
William Lin General Manager ⁽²⁾	2007	120,000	-	-	Nil
	2006	108,874	-	(1)	Nil
	2005	87,235	43,618	(1)	Nil

Name and Principal Position	Annual Compensation				Long-Term Compensation
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities under Options Granted (#)
Huang Wei Rong Finance Manager ⁽³⁾	2007	17,808	-	1,369	Nil
	2006	5,688	Nil	⁽¹⁾	Nil

Notes:

(1) The aggregate amount of perquisites and other personal benefits, securities or property received in the fiscal year was no greater than the lesser of \$50,000 and 10% of the total of annual salary and bonus of such Named Executive Officer for such fiscal year.

(2) Mr. Lin became General Manager in July, 2006, having been Deputy General Manager from April, 2003.

(3) Mr. Huang commenced as Finance Manager in September, 2006.

Material Contracts

Wah Sang has not entered into any material contracts within the last two years not in the ordinary course of business.

PACRIM INTERNATIONAL CAPITAL HOLDINGS INC.

Pacrim International Capital Holdings Inc. (“**PICH**”) is a corporation incorporated under The International Business Companies Ordinance of the British Virgin Islands whose only asset is a 100% equity interest in PRC Realty Inc. (“**PRC Realty**”) which in turn holds an 87.81% equity interest in Wah Sang. PICH has an authorized capitalization of 50,000 ordinary shares of US\$1.00 each of which 10,000 ordinary shares are issued and outstanding. Pacrim owns 4,600 of the shares of PICH, being 46%, while Guy Lam owns the balance.

PRC REALTY INC.

PRC Realty is a corporation incorporated under The International Business Companies Ordinance of the British Virgin Islands whose only asset is an 87.81% equity interest in Wah Sang. PRC Realty has an authorized capitalization of 100,000 ordinary shares of US\$1.00 each and 1,000,000 10% preference shares of \$13.50 each of which one ordinary share only is issued and outstanding, which share is owned by PICH.

Guy Lam had acquired the 87.81% equity interest in Wah Sang and a smaller packaging company from members of his family between 2001 and 2004 for Hong Kong \$186,000,000 (being approximately Cdn. \$27,800,000) in cash and common shares of Pacrim.

See “Litigation” below for a description of certain litigation with respect to PRC Realty.

FINANCIAL STATEMENTS OF PICH

Included in the following Exhibit I are the audited consolidated financial statements of PICH for the year ended December 31, 2007 and the unaudited consolidated financial statements of PICH for the six month interim period ended June 30, 2008.

Selected Financial Results

The following table contains selected income statement and balance sheet information with respect to PICH and has been derived from, and should be read in conjunction with, the historical financial statements of PICH set out in Exhibit I.

	For the years ended December 31,		For the six months ended June 30,
	2006	2007	2008
<u>Consolidated Income Statement</u>			
(US\$000s)	(unaudited)		(unaudited)
Turnover	39,663	37,305	19,856
Cost of sales	32,556	28,967	16,020
Gross profit	7,107	8,338	3,836
Gross margin %	17.92%	22.35%	19.32%
Other revenue	353	297	847
Other operating cost	1,754	1,645	995
Administrative expenses	2,211	1,879	3,480
Profit from operations	3,495	5,111	208
Finance cost	2,507	5,679	1,451
Profit before taxation	988	(568)	(1,243)
Taxation	(8)	303	205
Profit before minority interests	996	(871)	(1,448)
Minority interests	254	303	146
Profit attributable to shareholders	742	(1,174)	(1,594)
 <u>Selected Consolidated Balance Sheet Data (at period-end)</u>			
(US\$000s)			
Cash and bank balances	574	4,342	1,266
Non-cash working capital	60,220	55,562	67,833
Total assets	60,794	59,904	69,100
Total interest-bearing debt	38,053	36,869	45,952
Total capital & reserves	22,741	23,035	23,148

VALUATION

A committee of all of the directors of Pacrim except Guy Lam (the “**Independent Committee**”) retained American Appraisal China Limited (the “**Valuator**”) on 1 September, 2008 to render an independent opinion as to the equity value of PICH based on a valuation of the business enterprise of Wah Sang (the “**Valuation**”).

The Valuator is a subsidiary of American Appraisal Associates, the world’s largest independent valuation firm with over 50 offices around the world. American Appraisal Associates has been providing appraisals and business valuations for over 100 years. In China, the Valuator has performed valuations since 1976 for a variety of purposes, including acquisitions, formation of joint ventures, initial public offerings and financings.

The Valuator was selected to carry out the Valuation on the basis of its expertise in such matters. The Valuator advised the Independent Committee that it is independent of the Lam family. The Valuator further advised the Independent Committee that the Valuator and the shareholders thereof have not at any time provided any financial advisory services or participated in any financing involving Pacrim or any of its affiliates and that there are no understandings or agreements between the Valuator and the above parties with respect to any future business dealings. Having reviewed all such circumstances, the Independent Committee was satisfied that the Valuator is independent of Pacrim and is qualified for the purposes of preparing the Valuation.

The fee payable to the Valuator by Pacrim under the terms of its engagement was not contingent in whole or in part on the conclusions of the Valuator or the completion of any transaction and was determined by negotiation between the Independent Committee and the Valuator. No limitations were imposed by the Independent Committee on the Valuator in connection with the provision of the Valuation.

Summary of the Valuation and Methodologies

The Valuator’s mandate was to deliver to the Independent Committee the Valuation.

For purposes of the Valuation, the Valuator was guided by the concept of “fair market value”, defined as the estimated amount at which a property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

In preparing the Valuation, the Valuator conducted such analyses, investigations, research and testing of assumptions as were considered to be necessary in the circumstances. In the course of preparing the Valuation, the Valuator was granted access to management of Wah Sang and PICH. A detailed description of the scope of the review by the Valuator is set out in the Valuation, a copy of which can be found at www.sedar.com.

In preparing the Valuation, the Valuator relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from management of PICH and Wah Sang (collectively, the “**Information**”). Except as expressly described in the Valuation, the Valuator assumed the

completeness, accuracy and fair presentation of the Information and has not attempted to independently verify the Information.

The Valuation has been rendered on the basis of the securities markets, economic, financial, and general business conditions prevailing as at the date of the Valuation and the conditions and prospects, financial and otherwise, of PICH and its direct and indirect subsidiaries as they were reflected in the Information and as they have been presented to the Valuator in discussions with management. In the analyses and in preparing the Valuation, the Valuator has also made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of PICH and its subsidiaries.

The Valuator relied on two approaches to determine fair market value: the income approach and the market approach. The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principal that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk. The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

Based upon the investigation and analysis outlined in the Valuation and the appraisal methods employed, it was the opinion of the Valuator that as at June 30, 2008, the fair market value of the business enterprise of Wah Sang was in the range of US\$56,237,000 to US\$73,204,000. It was the further opinion of the Valuator that as at June 30, 2008 the equity value of PICH was in the range of US\$39,134,000 to US\$54,033,000. Excluding common shares of Pacrim held by PICH at June 30, 2008 (subsequently transferred out of PICH), it was the opinion of the Valuator that as at June 30, 2008 the equity value of PICH was in the range of US\$34,942,000 to US\$49,841,000.

The Valuator did not consider the litigation described below (see “Litigation”) in preparing the Valuation.

The foregoing discussion is a summary of the Valuation and is qualified in its entirety by the Valuation available at www.sedar.com.

In dealing with the Valuation for the purposes of the retirement of loans made by Pacrim to companies in which Guy Lam has an interest, the Independent Committee adjusted the value range for PICH to reflect real estate unrelated to Wah Sang transferred out of PICH after June 30, 2008 and to reflect the retirement of loans owed by PICH to Pacrim. The resulting range for the equity value of PICH was US\$40,667,000 to US\$55,566,000.

LITIGATION

Guy Lam, PICH, PRC Realty and others are named as defendants in a civil action (the “**Action**”) brought by Lam Pak Cheung (the “**Plaintiff**”), the father of Guy Lam, in November 2007 in the High Court of the Hong Kong Special Administrative Region. The dispute concerns the ownership of PRC Realty and thus its 87.81% equity interest in Wah Sang. The Plaintiff claims that he is the owner of PRC Realty and that the Register of Members of PRC Realty be rectified by recording the Plaintiff (rather than PICH) as the owner of the one outstanding share of PRC

Realty. The Plaintiff also asked for monetary damages. The Plaintiff alleges fraud and/or undue influence by Guy Lam with respect to certain share transfers. Guy Lam and PICH have counterclaimed for monetary damages.

Pacrim has been provided with an opinion from a Hong Kong barrister involved in the Action that the Plaintiff is unlikely to be successful in challenging Guy Lam's indirect ownership interest in Wah Sang.

Pacrim understands the parties to the Action have had settlement discussions of various times, which have not been successful, and that settlement discussions are continuing.

Based on the information available to it, including the above-noted legal opinion, Pacrim believes that PICH is the rightful owner of PRC Realty. However, an unfavourable outcome or settlement of the Action could involve significant damage to PICH. See "Risk Factors - Litigation" below. In that regard, Guy Lam has agreed to indemnify Pacrim from any claim, demand, action, cause of action, direct or indirect loss (excluding loss of profits or consequential loss), damage, liability, cost or expense (including reasonable legal fees) which Pacrim and/or PICH (in the case of PICH, pro rata in accordance with the parties' respective share ownership in PICH) may suffer as a direct or indirect consequence of the Action or any other claim, demand or action brought by the Plaintiff or Christine Lam with respect to the ownership of PRC Realty or Wah Sang, provided that in no event will Mr. Lam be obligated to indemnify Pacrim in an amount exceeding \$26,619,000. As security for his obligations under the indemnity, Mr. Lam has agreed to pledge or cause to be pledged in favour of Pacrim a total of 26,566,763 common shares of Pacrim and all of the 5,400 common shares of PICH held directly or indirectly by Mr. Lam.

RISK FACTORS

In addition to the risk factors described in Pacrim's Annual Information Form and elsewhere in this Circular (see in particular Management's Discussion and Analysis of Financial Condition and Results of Operation above), there are a number of risk factors that could materially affect the business of Pacrim upon its indirect acquisition of the controlling interest in Wah Sang, which include, but are not limited to, the risk factors set out below:

Risk Associated with China

Wah Sang's results of operations, financial position and prospects are subject to a significant degree to economic, political, social and legal developments in China.

Wah Sang's operations are conducted in the PRC and it is anticipated that this will continue to be the case. As such, Wah Sang's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; government corruption; changing political conditions; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in investment policies or shifts in political attitudes in China may adversely affect Wah Sang's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, land use, land claims of local people and water use. Any events resulting in an adverse impact on the Chinese economy will likely have an adverse effect on Wah Sang's profitability and prospects.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on Wah Sang's business, financial condition and results of operations. The following risk factors are risks unique to China that investors should be aware of.

State Ownership

Wah Sang carries on its business in China. As such, Wah Sang's results of operations, financial position and prospects are subject to a significant degree to economic, political, social and legal developments in China.

The Chinese economy differs from the economies of most developed countries in a number of respects, including its structure, the level of government involvement, the level of development, the control of foreign exchange and the allocation of resources.

Before its adoption of reform and open door policies beginning in 1978, China was primarily a planned economy. Since that time, China's economy has been undergoing a transition from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented economic reforms, reduced state ownership and established sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, control for foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Furthermore, government policies relating to currency conversion, taxation, import restrictions and the trading of imported goods, among others, continue to have a significant impact on the overall economy, as does the presence of the government as a market participant as well as the market regulator. Many of the policy changes initiated since 1978 are unprecedented in China, experimental in nature, and are frequently refined and readjusted. Political and social factors may also lead to further refinements and readjustments. Any changes in Chinese political, economic, or social conditions, or to the current laws and regulations, or their interpretations may adversely affect Wah Sang's profitability and prospects.

The economy of China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. The Chinese government has implemented various macro-economic control measures from time to time in order to try and control the rate of economic growth, including certain measures which were put in place to restrict bank lending. Some of these measures may have a negative effect on Wah Sang. For example, Wah Sang's operating results and financial position may be adversely affected by: changes in the rate or method of taxation; imposition of additional restrictions on

currency conversion and remittances abroad; reduction in tariff or quota protection and other import restrictions; changes in the usage and costs of state-controlled transportation services; and, state policies affecting the forestry industry. In addition, such macro-economic control measures may have a general adverse impact on the Chinese economy that would, in turn likely have an adverse impact on Wah Sang's business and profitability.

Government Sector Intervention

If the Chinese government changes its currency policies or the interpretation of those policies Wah Sang may face significant constraints on its flexibility and ability to expand its business operations or to maximize its profitability. Under current Chinese regulatory requirements, all major capital expenditure projects require Chinese national and/or provincial government approval.

Foreign Investment

In China, companies with a foreign ownership component could be required to work within a framework which is different to that imposed on local companies. However, the Chinese government is opening up opportunities for foreign investment and this process is expected to continue, especially with China's entry into the World Trade Organization. However, if the Chinese government should reverse this trend and impose greater restrictions on foreign companies, Wah Sang's ability to conduct business in China could be negatively affected.

Repatriation of Profit and Currency Conversion

The PRC government imposes control over the convertibility of the RMB into foreign currencies. With effect from July 21, 2005, the PRC government has reformed the RMB exchange rate regime into a managed floating exchange rate regime based on market supply and demand with reference to a portfolio of currencies, giving more flexibility as compared with the former system in which the RMB was pegged to the US dollar. See "Foreign Exchange Risk" below. Under such reformed system, the People's Bank of China ("PBOC") announces the closing price of a foreign currency traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day. PRC banks licensed to engage in foreign exchange transactions use the closing price announced by the PBOC as a basis and decide a rate of their own to enter into foreign exchange sale and purchase transactions with customers; such rate shall be within a specified floating band around the central parity which may be adjusted by the PBOC from time to time according to the economic and financial condition in the PRC. Although such new regulations have provided for greater liquidity of the RMB, the RMB is still not a freely convertible currency.

While Wah Sang is paid for its products in US dollars, it converts such proceeds into RMB. Under current regulations, there is no restriction on foreign exchange conversion on the current account (including dividend payments to foreign investors) although any foreign exchange transaction on the capital account is subject to significant foreign exchange controls and requires the prior approval from the State Administration of Foreign Exchange ("SAFE"). However, even on the current account, the RMB is not a freely convertible currency. Wah Sang is allowed to pay outstanding current account obligations in foreign exchange but must present the proper documentation to a designated foreign exchange bank to prove the authenticity of foreign

exchange under the current account. While the Chinese government is generally relaxing restrictions on foreign trade and investment, there is no certainty that all future local currency can be repatriated.

There can be no assurance that the availability of foreign currency will be sufficient for Wah Sang to pay dividends to Pacrim or to satisfy other foreign currency obligations. There is also no guarantee that foreign exchange control policies will not be changed so as to require government approval to convert RMB into foreign currency on the current account. In addition, failure to obtain approval from SAFE for currency conversion on the capital account may impact on Wah Sang's capital expenditure plans and its ability to expand in accordance with its objectives.

Tax

Wah Sang receives special tax treatment in China. Wah Sang is a joint stock limited company with foreign investment established in the Shenzhen Special Economic Zone. Pursuant to the "Provisions of Shenzhen City People's Government on Certain Questions Concerning Tax Policies on Enterprises in Shenzhen Special Economic Zone", income tax is levied at the rate of 15% on the issuer enterprise. As a result of national tax regulations and local incentives, a reduced enterprise income tax rate is granted to foreign invested companies registered in specific economic development zones. Accordingly, Wah Sang pays enterprise income tax at a reduced rate.

In March 2007, the new Enterprise Income Tax Law (the "EITL") was enacted in China. The EITL, which took effect in 2008, will bring foreign and domestic companies in the PRC under the same tax code with most companies doing business in China to have a corporate income tax rate of 25%. The EITL removes the tax incentives offered to foreign invested enterprises since domestically owned companies did not receive such incentives.

Wah Sang will enjoy certain "grandfathering" provisions under the EITL with gradual increase in its tax rate to 25% in 2012 pursuant to a five year transition period. The 15% tax rate for 2007 will increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012. Any increase in the tax rate to which Wah Sang is subject pursuant to the EITL or otherwise will reduce the after tax profit of Wah Sang and have a direct impact on the profit available for distribution to its shareholders. Historical financial results may thus not be indicative of results for future periods.

Wah Sang is preparing to apply to obtain more favourable tax treatment under the new and high technology category but there can be no certainty such application will be successful.

Under current Chinese laws, any dividends Wah Sang may receive from its subsidiaries are not subject to Chinese tax. There can be no assurance that these dividends would continue not to be subject to tax in the future.

Developing Legal System

The Chinese legal system is a system based on written statutes that are often incomplete or drafted ambiguously. They are interpreted by the Supreme Peoples' Court and prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws, and

considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade.

However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. In addition, many judges in the PRC take a pragmatic view of the law and seek to resolve problems without necessarily enforcing the legal rights of the aggrieved parties. As the Chinese legal system develops, changes in such laws and regulations, their interpretation, or their enforcement, may have a material effect on Wah Sang.

Protection of Intellectual Property Rights

Intellectual property rights in China are still developing and there are uncertainties involved in their protection and the enforcement of such protection. Wah Sang will need to pay special attention to protecting its intellectual property and trade secrets. Failure to do so could lead to the loss of a competitive advantage that could not be compensated by a damages award.

Shareholder rights and enforcement of judgments

As a Chinese legal entity, Wah Sang is subject to Chinese company law and regulations. Company law in general and, in particular, provisions for the protection of shareholders' rights and access to information are less developed than those applicable to companies in other countries. Substantially all of Wah Sang's assets are located in China. China does not have a treaty with Canada providing for the reciprocal recognition and enforcement of judgments of courts and as such, recognition and enforcement in China of judgments of a Canadian court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Judgments rendered against Pacrim, PICH and/or Wah Sang in Canada would likely not be enforceable in China.

Permits and business licenses

Wah Sang holds various permits, business licences and approvals authorizing its operations and activities, which are subject to periodic review and reassessment by the Chinese authorities. Standards of compliance necessary to pass such reviews change from time to time and differ from jurisdiction to jurisdiction, leading to a degree of uncertainty. If renewals, or new permits, business licenses or approvals required in connection with existing or new facilities or activities, are not granted or are delayed, or if existing permits, business licenses or approvals are revoked or substantially modified, Wah Sang will suffer a material adverse effect. If new standards are applied to renewals or new applications, it could prove costly to Wah Sang to meet any new level of compliance.

Appropriation

Wah Sang has purchased certain land use rights in China. Under Chinese law, land use rights can be revoked in the public interest, although holders of such appropriated land use rights typically receive compensation. Events in China have shown that the public interest rationale is interpreted quite broadly and the process of land appropriation may be less than transparent.

Litigation Risk

An unfavourable outcome or settlement of the Action described under “Litigation” above with respect to the ownership of PRC Realty, or of any other lawsuit or legal proceeding with respect to the ownership of PRC Realty or Wah Sang, could involve significant damage to Pacrim. The interest in Wah Sang is the primary operating asset of Pacrim and any such damage to Pacrim could have a material adverse effect on Pacrim’s business, financial condition and results of operations.

Risks in Business and Operations

Risks Associated with Expansion

The success of Wah Sang’s expansion strategy will depend on a number of factors. There can be no assurance that Wah Sang’s expansion strategy will be successful, that modifications to its strategy will not be required or that Wah Sang will be able to effectively market and/or manage and enhance profitability. Wah Sang’s ability to manage its growth effectively will require it to develop its management information systems capabilities and improve its operational and financial systems. Moreover, Wah Sang will need to train, motivate and manage its employees and attract senior managers and technical professionals. Any failure to expand these areas and implement and improve such systems, procedures and controls in an efficient manner at a pace consistent with Wah Sang’s business could have a material adverse effect on Wah Sang’s business, financial condition and results of operations.

Future Capital Requirements/Chinese Monetary Policy

Wah Sang’s future capital requirements will depend upon many factors, including the expansion of its sales and marketing efforts and the status of competition, if any. There can be no assurance that any additional financing will be available to Wah Sang on acceptable terms, or at all. Lending may be obtained from Canadian banks, Chinese banks or other debt markets.

Although Chinese banks are in the midst of reform, the basis on which they can lend money is not transparent and they do not often lend money to foreign invested enterprises. Obtaining financing from a Chinese bank will, to a certain extent, involve leveraging personal relationships. There is no guarantee that Wah Sang will have the right relationships if and when it requires further financing. Recently the Chinese government has articulated the need to try and control the rate of economic growth in China and has set out stricter lending policies. This too could affect Wah Sang’s ability to obtain future bank financing.

If additional funds are raised by Pacrim issuing equity securities, further dilution to the existing shareholders may result. If adequate funds are not available, Wah Sang may be required to delay, scale back or eliminate its programs. Accordingly, the inability to obtain such financing could have a material adverse effect on Wah Sang’s business, financial condition and results of operations.

Dependence on Key Personnel

Due to the specialized and sophisticated nature of Wah Sang’s business, it is highly dependent on the continued service of, and on its ability to attract and retain, qualified personnel. With the

growth of China's economy has come new-found mobility for employees such that many employees switch jobs on a regular basis. Wah Sang may need to provide incentives to retain its key personnel and such incentives could decrease profit.

Environmental Regulation

Wah Sang's operations are subject to various environmental laws which regulate matters such as health, safety, treatment of waste and land use. Failure to comply with applicable laws, regulations and licensing requirements may result in enforcement actions thereunder. Penalties could include suspension or revocation of necessary licenses or permits, civil liability or the imposition of fines. The cost of compliance, remediation or liability could materially affect future operating results. Furthermore, the operational or financial impact of new or amended laws or regulations cannot be predicted and could have a material adverse impact on Wah Sang's financial condition and operating results.

Competition

As the international packaging market expands, competition has become fierce. Various packaging factories in China have expanded their production scale, improved their product quality and have lowered their production costs. The rapid introduction of foreign capital has resulted in the establishment of joint ventures in packaging and foreign owned enterprises in southern and western China in particular. These joint ventures and foreign enterprises possess relatively large production scale, resulting in stronger competition within the trade. Many of these entities are well established and have extensive experience in connection with identifying and effecting business acquisitions directly or through affiliates. Many of these competitors possess greater financial, technical, personnel and other resources than Wah Sang and there can be no assurance that Wah Sang will have the ability to compete successfully. Competitors may introduce technological innovation in any of Wah Sang's businesses, resulting in increased competitive pressures. Wah Sang's financial resources will be relatively limited when contrasted with those of many of their competitors. Although Wah Sang's projections assume that the industry will generate competition, there can be no assurances on how any level of competition may impact the future revenues of Wah Sang. China can be a fiercely competitive market and small price differentials between otherwise competitive goods and services can make an enormous difference to the customer.

Risk in purchasing abroad

Major raw and processed materials used by Wah Sang are mostly purchased abroad, mainly in the United States, Korea and Indonesia. As purchases abroad involve links of international trade, there may be certain risks, including quality control, transport security, transaction safety, and applicable law. Any obstacles in the supply abroad, or any conflict between Wah Sang and its suppliers abroad, will impact normal day to day operations.

Wah Sang closely monitors the development of the packaging printing industry, obtaining information in a timely manner on changes in the supply of raw materials in China. Where possible, Wah Sang intends to substitute Chinese raw and processed materials for imported ones in order to reduce its dependence on foreign suppliers of raw and processed materials.

Risk of change in the price of raw materials

Paper (including kraft, corrugated paper and white card paper) accounts for approximately 65% of Wah Sang's total cost of major raw and processed materials. Changes in the price of such materials thus has a relatively large impact on profit. At present, Wah Sang imports most of its raw paper materials. Prices are thus greatly affected by price changes in the international market, the international political situation and transportation costs.

In order to reduce the risk resulting from changes in the price of raw paper materials, Wah Sang participates in international trade of advanced-orders for paper so as to reduce the impact of international market fluctuations.

Share Price Volatility

The market price of Pacrim's Common Shares is likely to be highly volatile and may be significantly affected by factors such as actual or anticipated fluctuations in Wah Sang's operating results, announcements of technological innovations, changes in estimates or analysis by securities analysts, new contracts by Wah Sang, its competitors or their customers, government regulatory action, general market conditions and other factors.

Product Price Volatility

Wah Sang's financial performance is also linked to the selling prices of its products. The price at which Wah Sang sells its products could fall or fluctuate unpredictably in the event of changes in industry supply and demand conditions. Wah Sang is not able to predict future market conditions and selling prices of its products with any certainty. Any price volatility in raw materials, other inputs, or in Wah Sang products may have a material adverse effect on Wah Sang's business results of operations, cash flow and its ability to satisfy its debt obligations and capital expenditure requirements.

Insurance

Wah Sang maintains property and casualty insurance on certain of its assets. However, not all risks are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis. Wah Sang may also elect not to be insured against certain liabilities due to high premium costs or for other reasons. Furthermore, although Wah Sang maintains insurance against such claims and in such amounts it considers adequate, there can be no assurance that such insurance policies will be sufficient to cover each and every claim or loss involving Wah Sang. In the event Wah Sang was to suffer an uninsured loss, its business, financial condition and results of operations could be materially adversely affected.

Operating Plant Risk

There are many risks associated with operating facilities, including the ability to secure raw materials and components, utility prices, the failure or substandard performance of equipment, hiring and maintaining a productive and reliable workforce, labour disputes, natural disasters, suspension of operations and compliance with existing and new governmental statutes, regulations and policies. The occurrence of material operational problems, including but not

limited to the events described above, could have a material adverse effect on Wah Sang's business, financial condition and results of operations.

Customer Risk

Risk of having only a single market

At present, Wah Sang's income from major operations comes solely from packaging for products to be exported from China. Sales are mainly to enterprises with foreign investment through which multinational companies have invested in the Chinese mainland. There is thus the risk of having only a single market: Factors such as a change in China's policies toward enterprises with foreign investment, the situation in international market and market competition may each give rise to fluctuations in the customer base that Wah Sang serves at present.

Risk of depending on major customers

Wah Sang's five biggest customers accounted for approximately 57% of revenue in 2007. Any change in the total amount or mix of demand or the purchasing power of these major customers will have a direct impact on production, operations and results.

Technical Risks

Risk in the advance of technology

At present, Wah Sang has leading edge technology in China. However, the popularization of the application of new technology, processes and products in the packaging industry will affect the advanced position of Wah Sang's existing production technology and processes and thus may affect its competitive advantage.

Risk of relying on technology abroad

Wah Sang's technology has mainly been purchased from abroad along with the importation of advanced equipment; Wah Sang thus relies heavily on imports for development of products and advances in technology. As major technology for the printing and packaging industry is concentrated in machines and printing materials and as the technology changes quickly, it is necessary to replace equipment as required in the market in order to maintain a leading technological position. There can be no certainty that Wah Sang will continue to be able to purchase advanced technology at suitable prices.

Financial Risk

Foreign exchange risk

Wah Sang operates in China with most of its transactions in RMB although it is paid for its products in US dollars.

The value of the RMB fluctuates and is subject to various factors such as changes in the PRC political and economic conditions. Since 1994, the official exchange rate for the conversion of RMB to US dollars has generally been stable. On July 21, 2005, the RMB was revaluated upwards by approximately 2% against the US dollar when the PBOC announced the change of

the RMB exchange regime from a US dollar peg system to a managed floating exchange rate regime based on a basket of currencies. Thereafter, the RMB was allowed to fluctuate daily by not more than 0.3% against the US dollar. On May 18, 2007, PBOC announced the daily fluctuation rate of the RMB against the US dollar would be increased to 0.5% as of May 21, 2007.

Exchange rate fluctuations may adversely affect PICH's financial position and results. There is no assurance that the value of the RMB will remain at the current level against the US dollar or against any other foreign currency. PICH does not currently have in place a policy for managing or controlling foreign currency risks.

As Pacrim reports financial results in Canadian dollars but Wah Sang operates with RMB and US dollars, an increase in the Canadian dollar relative to the RMB or the US dollar will adversely affect the value, translated or converted into Canadian dollars, of Pacrim's revenue and net income.

Credit risk

PICH has no significant concentrations of credit risks. The carrying amount of the trade receivables included in the consolidated balance sheet represents PICH's maximum exposure to credit risk in relation to its financial assets.

Liquidity risk

PICH attempts at all times to maintain sufficient cash and credit lines to meet its liquidity requirements.

Cash flow and fair value interest rate risk

As PICH has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

PICH's interest rate risk arises from borrowings. Borrowings issued at variable rates expose PICH to cash flow interest rate risk. Borrowings issued at fixed rates expose PICH to fair value interest rate risk. PICH has not hedged its cash flow and fair value interest rate risk.

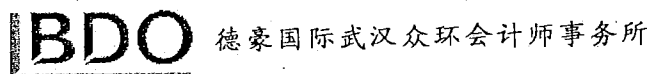
Short-term Management Transition Risk

As the management of Wah Sang is undergoing a restructuring at the operating level, there has been a slow down in the filling of customer order, and higher-than-planned production costs. While the portfolio of core customers maintains intact, the new management faces the challenge of bringing the operation back to its previous profitability benchmark and maintaining a sustainable growth. Wah Sang is also arranging refinancing without recourse to the personal assets of its shareholders.

EXHIBIT I

**Consolidated Financial Statements of Pacrim International Capital Holdings Inc.
for the Year Ended December 31, 2007**

**Unaudited Consolidated Financial Statements of Pacrim International Capital
Holdings Inc. for the Six Month Interim Period Ended June 30, 2008**



BDO Wuhan Zhonghuan Certified Public Accountants

**PACRIM INTERNATIONAL CAPITAL
HOLDINGS INC.
(Incorporated in the British Virgin Islands)
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007**

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INDEPENDENT AUDITOR'S REPORT

ZHSZ [2008] No. 644

TO THE SHAREHOLDERS OF PACRIM INTERNATIONAL CAPITAL HOLDINGS INC.

We have audited the accompanying financial statements of Pacrim International Capital Holdings Inc., which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹³ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we

have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Disagreement on accounting policies-Inappropriate accounting method

As discussed in Note 20 to the financial statements, subsidiary Pacrim International Capital Inc. has not been included in the consolidated financial statements. According to unaudited financial statement provided by Pacrim International Capital Inc., the total assets and net assets of the subsidiary as at December 31, 2007 were USD 51,490,948 and USD27,513,409 respectively; the net loss for the year then ended was USD5,745,225. In our opinion, it is not in accordance with International Financial Reporting Standards.

Limitation on scope

1. We did not obtain the evidence of fair value of PRC Realty Inc as of December 31, 2004. Owing to the nature of the Company's records, we were unable to satisfy ourselves as to goodwill amounted USD 8,145,666 by other audit procedures.
2. The Company has not maintained any supportive the evidence in relation to rental incomes of investment properties in previous years. We could not perform alternative procedures to express our opinion on the completeness of amount due from shareholders and retained earnings

Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of Pacrim International Capital Holdings Inc. as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Wuhan Zhonghuan Certified Public Accountants

BDO Wuhan Zhonghuan Certified Public Accountants

July 4th, 2008

Wuhan, China



PACRIM INTERNATIONAL CAPITAL HOLDINGS INC.
CONSOLIDATED INCOME STATEMENT
AS AT DECEMBER 31, 2007

		2007	2006
			Unaudited
	Note	USD	USD
Revenue	5	37,305,014	39,662,846
Cost of sales		<u>28,966,747</u>	<u>32,555,881</u>
Gross profit		8,338,267	7,106,965
Investment income	6	19,464	39,181
Other operating income		277,525	313,673
Distribution expenses		1,645,040	1,753,921
Administration expenses		1,858,455	2,091,219
Finance costs	7	5,679,507	2,507,380
Non-operating expense		<u>20,418</u>	<u>119,293</u>
Profit before tax		(568,164)	988,006
Income tax expense	8	<u>302,533</u>	<u>(7,619)</u>
Profit for the year		<u>(870,697)</u>	<u>995,625</u>
Attributable to:			
Equity holders of the parent		(1,173,513)	741,553
Minority interest		<u>302,816</u>	<u>254,072</u>

		2007	2006
	Note	USD	Unaudited USD
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	10	14,590,597	15,011,391
Investment property	11	5,374,495	5,517,749
Goodwill	12	8,145,666	8,192,418
Other intangible assets	13	528,993	509,187
Deferred tax assets	14	103,064	61,241
Long term investment	15	2,824,876	519,020
Total non-current assets		<u>31,567,691</u>	<u>29,811,006</u>
<i>Current assets</i>			
Inventories	16	3,243,841	3,984,920
Trade receivables	17	15,717,784	17,439,951
Other receivables	17	4,475,806	494,018
Prepayment and other deposit		557,371	2,138,437
Cash and cash equivalents		4,341,625	573,617
Amounts due from related parties			6,352,386
Total current assets		<u>28,336,427</u>	<u>30,983,329</u>
Total Assets		<u><u>59,904,118</u></u>	<u><u>60,794,335</u></u>
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	21	1	1
Retained earnings		14,843,956	16,261,702
Accumulated other comprehensive reserves		4,445,854	3,037,520
Minority interests		3,744,809	3,441,430
Total equity		<u>23,034,620</u>	<u>22,740,653</u>
<i>Non-current liabilities</i>			
<i>Current liabilities</i>			
Short-term loans	18	5,475,919	5,657,899
Trade payables		1,156,480	2,122,129
Other payable and accrued charges	19	5,569,588	461,901
Amounts due to related parties	22	24,193,367	29,626,157
Tax payable		474,144	185,596
Total current liabilities		<u>36,869,498</u>	<u>38,053,682</u>
Total liabilities		<u>36,869,498</u>	<u>38,053,682</u>
Total liability and equity		<u><u>59,904,118</u></u>	<u><u>60,794,335</u></u>

PACRIM INTERNATIONAL CAPITAL HOLDINGS INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007

	Attributable equity holders of the parent					Total
	Share	Exchange	Statutory	Retained	Minority	
	Capital	fluctuation	reserve	earning	Interests	
		reserve	fund			
	USD	USD	USD	USD	USD	USD
Balance at 1 January						
2007 (unaudited)	1	1,050,092	1,987,428	16,261,702	3,441,430	22,740,653
Exchange differences arising on translation of financial statements of the subsidiaries in other jurisdictions		329,913	834,190	(2)	563	1,164,664
Dividends paid to minority shareholders of the subsidiaries						
Transfer of profits to Statutory reserves			244,231	(244,231)		
Profit for the year				(1,173,513)	302,816	(870,697)
Balance at 31 December 2007	<u>1</u>	<u>1,380,005</u>	<u>3,065,849</u>	<u>14,843,956</u>	<u>3,744,809</u>	<u>23,034,620</u>

PACRIM INTERNATIONAL CAPITAL HOLDINGS INC.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 USD
Cash flow from operating activities		
Net income/loss after tax		(870,697)
Reconciliation between profit and cash inflow/outflow from operating activities:		
Depreciation	10, 11	1,939,110
Amortisation	13	15,325
Provision for bad debts		265,822
Losses on disposal of property, plant and equipment		5,367
Interest expense	7	2,558,161
Tax expense		302,533
Changes in:		
Receivables, other receivables and prepaid expenses		2,030,591
Inventories		1,016,084
Accounts payable, other payables and accrued expenses		1,953,305
Tax paid		<u>(344,356)</u>
Net cash provided by operating activities		<u>8,871,245</u>
Cash flows from investing activities:		
Acquisitions of property, plant and equipment		(102,484)
Proceed of property, plant and equipment		6,749
Acquisitions of long-term investment		(2,305,856)
Net cash used in investing activities		<u>(2,401,591)</u>
Cash flows from financing activities:		
Repayment of borrowing		(181,980)
Financial expense		(2,558,161)
Net cash used in financing activities		<u>(2,740,141)</u>
Net increase/(decrease) in cash		<u>3,729,513</u>
Exchange difference		38,495
Cash at beginning of year		<u>573,617</u>
Cash at end of year		<u>4,341,625</u>

1. General information

Pacrim International Capital Holdings Inc. (thereafter "PICH") is a private limited company incorporated in the British Virgin Islands.

The Company is principally engaged in investment holding. The activities of its subsidiaries are set out in Note 20 of the financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"), and the related consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") including International Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB). The basis of accounting is different from that used in the preparation of the statutory financial statements in HKSSAPs. Appropriate adjustments have been made to the statutory financial statements to conform to IFRSs. The transition from HKSSAPs to IFRSs has had no material effect on the results for the prior accounting period.

The consolidated financial statements are prepared under the historical cost convention. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements have been disclosed in Note 4.

Although these estimates are based on management's best knowledge of current events and actions,

actual results ultimately may be different from those estimates.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group's entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction and minority interests

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group.

Details of the Group's subsidiaries are set out in Note 20.

2.3 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating

units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in USD, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in USD using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.5 Property, plant and equipment

- (a) All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation of the property, plant and equipment is calculated to write off their cost of the assets on the straight-line basis over their expected useful lives to the Group, taking into account their estimated residual values. The principal annual depreciation rates used are:

Property and building	Over the lease term or 4.5%
Plant and machinery	9%
Motor vehicle	18%
Furniture and equipment	18%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

(b) Construction in progress represents factory premises under construction, production plants and machinery and other related fixed assets under installation. Construction in progress is stated at cost, which includes the cost of construction, purchase cost of plant and machinery, as well as interest charges arising from borrowings used to finance the construction during the period of time that is required to complete and prepare the asset for its intended use.

Construction in progress for production plants and machinery is transferred to fixed assets on the commissioning date. Plant and machinery are considered to be commissioned when they are capable of producing saleable quality output in commercial quantities on an ongoing basis.

(c) An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

(d) Gains and losses on disposal are determined by comparing proceeds with carrying amounts of assets disposed. These are included in the income statement.

(e) Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenances are charged to the income statement during the financial period in which they are incurred.

2.6 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost method.

2.7 Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs for sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group's financial assets are mainly the loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade receivables, other receivables and prepayments in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

2.9 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost of raw materials represents invoiced price calculated using the weighted average costing method. Cost of work in progress and finished goods includes direct materials, direct labor and an appropriate proportion of production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to be ready for their intended use or sale are capitalised as part of the costs of the assets. All other borrowing costs are expensed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 Taxation

Income tax for the financial year comprises current and deferred taxes. Income tax is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly in equity, in which case such income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is provided using the liability method, providing for temporary differences at the balance sheet date between the carrying amounts and tax bases of assets and liabilities in the financial statements. The amount of deferred tax provided is based on the manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.14 Retirement scheme

Pension obligations

The Group participates in a defined contribution retirement scheme (the "Scheme") operated by the local government. The Group's obligations include contributions to the Scheme determined at a certain percentage of the salaries of the employees. The regular contributions, which are charged to the income statement on an accrual basis, constitute net periodic costs for the year in which they are due and as such are included in staff costs. Once the contributions have been paid, the Group has no further payment obligations.

2.15 Provision

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised

even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.16 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Sales of goods

Sales are recognised where the following terms are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The economic benefits associated with the transaction will flow to the Company; and
- The relevant amount of revenue and costs can be measured reliably.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income is recognised when the right to receive payments is established.

2.17 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset; otherwise the property, plant and equipment is depreciated over the shorter of the lease term and its useful life.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of relevant leases.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk.

Foreign exchange risk

The Group's entities operate in the PRC with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against USD and HKD. The Group has not hedged its foreign exchange rate risk.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

Market risk

The Group is in the normal course of business, exposed to foreign exchange risk, credit risk, inventory risk and exchange control risk. The Group risk management strategy aims to minimise the adverse effects of financial risk on the Group financial performance.

Credit risk

The Group has no significant concentrations of credit risks. The carrying amount of the trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

Liquidity risk

The Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk.

Fair value estimation

The carrying amounts of the following financial instruments approximate to their fair values.

Cash and cash equivalents, trade receivables, other receivables and deposits, trade payables, other payable and accrued charges, and other non-current liabilities and borrowings.

4. Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of property, plant and equipment and available-for-sale investments

Property, plant and equipment and available-for-sales investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment and available-for-sale investments have been determined based on value-in-use calculations. These calculation and valuations require the use of judgement and estimates.

Current taxation and deferred taxation

The Group is subject to taxation in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the periods in which such determination are made.

5. Revenue

Revenue comprises the net amounts received and receivable for goods sold, less returns and allowances during the year.

	<u>2007</u>	<u>2006 (Unaudited)</u>
	USD	USD
Paper products	<u>37,305,014</u>	<u>39,662,846</u>

6. Investment income

	<u>2007</u>	<u>2006 (Unaudited)</u>
	USD	USD
* Bank deposits	19,464	39,181
* Other loans and receivables		
Total interest revenue	<u>19,464</u>	<u>39,181</u>

7. Finance costs

	<u>2007</u>	<u>2006(Unaudited)</u>
	USD	USD
Interests on:		
* Bank loans	271,256	455,812
* Loan from a related company	2,286,905	1,601,924
* Foreign exchange difference	2,846,046	(306,296)
* Other finance costs	<u>275,300</u>	<u>755,940</u>
	<u>5,679,507</u>	<u>2,507,380</u>

8. Income tax expense

Taxation	<u>2007</u>
	USD
Tax expense comprises:	
Current tax expense	454,189
Adjustments recognized in the current year in relation to the current tax of prior years	(109,833)
Deferred tax expense relating to the origination and reversal of temporary differences	<u>(41,823)</u>
Total tax expense	<u>302,533</u>

No provision for Hong Kong income Tax has been made in the financial statements, because the Group has not got any assessable profits derived in Hong Kong during the year.

No provision for deferred tax has been made as the Group did not have any significant un-provided deferred tax liabilities during the year.

The charge for the year can be reconciled to the profit per the income statement as following:

	2007
	USD
Profit before taxation	2,783,457
Tax computed at applicable tax rate of 15% (2006:15%)	417,519
Tax effect of non-deductible expenses	(5,678)
Tax effect of non-taxable income	
(Over)/under provision in prior years	(109,308)
	<u>302,533</u>

Effective tax rate of 15% prevailing in the SZWS is adopted as the Group's applicable tax rate in the above reconciliation as the Group's major operation is located in the SZWS.

9. Profit for the year

Profit for the year has been arrived at after charging:

	2007
	USD
Depreciation and amortisation	
* Depreciation of property, plant and equipment	1,815,790
* Depreciation of investment property	123,320
* Amortisation of intangible assets	15,325
Total depreciation and amortisation expense	<u>1,954,435</u>
Impairment losses on financial assets	
* Impairment loss recognised on trade receivables	265,822
Staff cost	599,648
Financial cost	5,679,507

10. Property, plant and equipment

	Property & building USD	Furniture & equipment USD	Plant & machinery USD	Motor vehicle USD	Total USD
Cost					
At 1 January 2007					
(unaudited)	7,671,668	695,445	17,447,348	96,590	25,911,051
Additions		50,448	306,245	19,051	375,744
Disposal		3,236	2,042	13,879	19,157
Net foreign currency exchange difference	528,942	44,993	1,163,057	6,668	1,743,660
At 31 December 2007	<u>8,200,610</u>	<u>787,650</u>	<u>18,914,608</u>	<u>108,430</u>	<u>28,011,298</u>
Depreciation and impairment					
At 1 January 2007					
(unaudited)	1,803,196	504,474	8,536,307	55,683	10,899,660
Depreciation expense	371,820	77,917	1,343,376	22,677	1,815,790
Depreciation written back on disposal		2,527	33,160	11,055	46,742
Net foreign currency exchange difference	387,791	34,816	325,542	3,844	751,993
At 31 December 2007	<u>2,562,807</u>	<u>614,680</u>	<u>10,172,065</u>	<u>71,149</u>	<u>13,420,701</u>
NET BOOK VALUE					
At 31 December 2006					
(unaudited)	<u>5,868,472</u>	<u>190,971</u>	<u>8,911,041</u>	<u>40,907</u>	<u>15,011,391</u>
At 31 December 2007	<u>5,637,803</u>	<u>172,970</u>	<u>8,742,543</u>	<u>37,281</u>	<u>14,590,597</u>

Subsidiary, Wah Sang Paper Products (Shenzhen) Co., Ltd, pledged its fixed assets amounted USD 5,362,807.15 including equipments of USD 4,316,291.94 and properties of USD 1,046,515.21 to Shenzhen Development Bank for borrowing facility of USD 6,845,001.78 on December 3, 2007. Wah Sang Paper Products (Shenzhen) Co., Ltd obtained 6 months loan of USD 5,475,919 on December 9, 2007 from Shenzhen Development Bank according to the facility agreement

11. Investment property

	Amount
	USD
At cost	
Balance at beginning of year (unaudited)	5,517,749
Accumulated depreciation	962,162
Net foreign currency exchange difference	818,908
Balance at end of year	5,374,495

Property which carried at USD 412,185 and located in South Qitouning Dameisha, Yanmei Road, Yantian District, Shenzhen was pledged for Legend Bright (Asia) Limited on September 7, 2004 to Bank of East Asia Shenzhen branch for mortgage loan of USD 288,535.

Property which carried at USD 4,634,199 and located in Units A & B, 27/F, Century Tower I, Car Parking Spaces NOS 62&75, Level 3 Century Tower, Hong Kong was mortgaged from DBS Bank by Eminent Gain Limited on December 13, 2007 for loan of USD 3,461,228 with maturity date of November 19, 2022.

Property which carried at USD 222,863 and located in Block 4 35D Flat 12 Central park, Chaoyang District, Beijing was pledged for Legend Shine Limited on December 27, 2002 to Bank of East Asia for mortgage loan of USD 155,828.

Property which carried at USD 229,505 and located in 10-2912 flat 7-10, 88 Jianguo Road Chaoyang District, Beijing was pledged for Legend Shine Limited on January 18, 2008 to Bank of East Asia for mortgage loan of USD 211,519.

All the investment properties are held by the related parties upon Trust for Pacrim International Capital Holdings Inc. as the beneficial owner. According to those Declaration of Trust, Pacrim International

Capital Holdings Inc. can execute without limitation any and all corporate documents, resolutions and transfers necessary to transfer the premises from the registered owners of those investment properties to Pacrim International Capital Holdings Inc..

Certain investment properties are used by the shareholder Mr. Guy Lam as quarters without any rental fee.

12. Goodwill

	2007	2006 (unaudited)
	USD	USD
Cost	8,145,666	8,192,418
Accumulated impairment losses		
Carrying amount	<u>8,145,666</u>	<u>8,192,418</u>

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that there is no impairment incurred.

13. Other intangible assets

	Land use right
	USD
Cost	
Balance at January 1, 2007	626,174
Additions	
Net foreign currency exchange differences	<u>43,213</u>
Balance at December 31, 2007	<u>669,387</u>
Accumulated amortisation and impairment	
Balance at January 1, 2007	116,987
Additions	15,325
Net foreign currency exchange differences	<u>8,082</u>
Balance at December 31, 2007	<u>140,394</u>
Carrying amount	
Balance at January 1, 2007	<u>509,187</u>
Balance at December 31, 2007	<u>528,993</u>

14. Deferred tax assets

Deferred tax assets arise from the following:

	<u>Opening balance</u>	<u>Charged to income</u>	<u>Closing balance</u>
	USD	USD	USD
Provisions for doubtful debts	11,246	24,873	36,119
Provisions for impairment of inventories	8,566	16,692	25,258
Provisions for long-term investment	41,429	258	41,687
	<u>61,241</u>	<u>41,823</u>	<u>103,064</u>

15. Long term investment

The Company acquired 14.423% Class B preference share of Orient Pacific Property investments limited amounted USD 2,307,692 on December 24, 2007.

The Company did not consolidate its subsidiary, Pacrim International Capital Inc., in the financial statement and included it in the long term investment amounted USD 517,184 at cost.

16. Inventories

	<u>2007</u>	<u>2006 (unaudited)</u>
	USD	USD
Raw materials	2,277,587	1,883,025
Work-in-progress	410,841	1,156,622
Finished goods	620,194	1,002,383
	<u>3,308,622</u>	<u>4,042,030</u>
Less: Provision	<u>(64,781)</u>	<u>(57,110)</u>
	<u>3,243,841</u>	<u>3,984,920</u>

17. Trade and other receivables

	2007	2006 (unaudited)
	USD	USD
<i>Trade receivables</i>		
Trade receivables from third parties	15,935,369	17,626,588
Less: Provision	(217,585)	(186,637)
<i>Trade receivables (net)</i>	<u>15,717,784</u>	<u>17,439,951</u>
<i>Other receivables</i>		
Other receivables from third parties	4,730,841	514,179
Less: Provision	(255,035)	(20,161)
<i>Other receivables (net)</i>	<u>4,475,806</u>	<u>494,018</u>

18. Borrowings

	2007	2006 (unaudited)
	USD	USD
Current		
Short-term loans (unsecured)		3,096,653
Short-term loans (secured)	5,475,919	2,561,246
	<u>5,475,919</u>	<u>5,657,899</u>
Total borrowings	<u>5,475,919</u>	<u>5,657,899</u>

Detail information refers to Note 10.

19. Other payable and accrued charges

Other payable and accrued charges principally comprise amounts outstanding for trade purchases and ongoing costs.

	2007	2006
	USD	(unaudited) USD
Wage payables	163,371	157,492
Taxes payables	137,903	49,685
Accrued expense		197,381
Others payables	<u>5,268,314</u>	<u>57,343</u>
	<u>5,569,588</u>	<u>461,901</u>

20. Subsidiaries

Details of the subsidiaries of the Company at December 31, 2007 are as follows:

Name of Subsidiary	Country of	Percentage of registered		Principal activities
	incorporation	capital		
	/operation	held by the company		
		Directly	Indirectly	
Wah Sang Paper Products	People's Republic			Trading and Manufacturing
(Shenzhen) Co., Ltd	of China		87.81%	containerboard
	British Virgin			
PRC Realty Inc.	Island	100%		Investment
				Hotel and real estate
Pacrim International	British Virgin			development and
Capital Inc.	Island	53.97%		management company

Due to the resignation of the former general manager, the Group could not control the business operation of Hong Kong Wah Sang Industrial Co., Ltd and thus has not consolidated in this year.

The consolidated financial statement does not include the subsidiary, Pacrim International Capital Inc., which is a public company listed on the Toronto Stock Exchange. Total assets and net assets of Pacrim

International Capital Inc. as at December 31, 2007 were USD 51,490,948 and USD 27,513,409 respectively; the net loss of Pacrim International Capital Inc. for the year then ended was USD 5,745,225.

21. Share capital

	2007	2006
		(unaudited)
	USD	USD
Authorised:		
50,000 ordinary shares of USD1 each	50,000	50,000
	<u>50,000.00</u>	<u>50,000.00</u>
Issued and fully paid:		
1 ordinary shares of USD1 each	<u>1</u>	<u>1</u>

22. Related party relationship

Relationship	Relationship
Related parties	
Wah Sang Paper Products (Shenzhen) Co., Ltd	Subsidiary
PRC Realty Inc.	Subsidiary
Pacrim International Capital Inc.	Subsidiary
Lam Pak Cheung	Family relative
Guy Lam	Shareholder
Lam & Co., International Legal Consultants Ltd.	Common control
Pacrim Capital Limited	Common control
Pacrim Developments Inc.	Common control
Eminent Gain Limited	Common control
Hong Kong Wah Sang Limited	Common control

In the opinion of the Directors of the Company, these transactions were carried out on normal commercial terms and the prices as agreed between the contracting parties.

Amount due from/to related parties

	2007
	USD
Amount due to related parties	
* Amount due to shareholder	3,194,615
* Amount due to other related parties	20,998,752
	<u>24,193,367</u>

PRC Realty Inc. had obtained a loan of CAD 2,400,000.00 with compound annual interest rate of 15% from related party, Pacrim Developments Inc. on January 27, 2003. The loan was due on January 27, 2005. On January 24, 2005, the loan agreement was revised and PRC Realty Inc. renewed the outstanding loan amount of CAD 3,604,246.00 which consists of the sum of CAD 2,400,000.00 as per

the Loan agreement dated January 27, 2003 and an additional sum of CAD 783,085.00 on account and the unpaid interest of CAD 421,161.00 inclusive. Interest on the Loan was accrued at the rate of 15% per annual and due on January 27, 2007. Then the loan was extended to November 1, 2007 with a pledge on 26,566,763 common shares of Pacrim International Capital Inc as security.

There are promissory notes due to Pacrim International Capital Inc. amounted CAD 2,845,049.89 which bear interest at the compound rate of 2% per annum and are due on November 1, 2006.

Pacrim International Capital Holdings Inc. entered a loan agreement with its subsidiary, Pacrim International Capital Inc. on June 30, 2006. According to the agreement, Pacrim International Capital Holdings Inc. obtained loan of CAD 6,042,430.91 due on June 30, 2008 with annual compound interest rate of 5% and Pacrim International Capital Inc. had option to convert the outstanding loan amount into common shares of Pacrim International Capital Holdings Inc. at a 10% discount to its net asset value.

23. Operating lease commitment

The future total minimum lease payments under non-cancellable operating leases are as follows:

	2007
	USD
Not later than 1 year	70,394.00
Later than 1 year and not late than 5 years	90,696.27
	<u>161,090.27</u>

24. Approval of consolidated financial statement

The consolidated financial statements were approved by the Board of Directors on July 4th, 2008.

Pacrim International Capital Holdings Inc.

**Financial Statements for the six months ended 30 June, 2008
(Unaudited - Prepared by Management)**

Pacrim International Capital Holdings Inc.

Consolidated Income Statement

For the six months ended 30 June, 2008

(Unaudited - Prepared by Management)

	<u>Jan - Jun 2008</u>	<u>2007</u>
	<u>Unaudited</u>	
	US\$	US\$
TURNOVER	19,856,335	37,305,014
Cost of sales	<u>(16,019,714)</u>	<u>(28,966,747)</u>
GROSS PROFIT	3,836,621	8,338,267
Investment income	496,603	19,464
Other operating income	<u>350,094</u>	<u>277,525</u>
TOTAL INCOME	4,683,318	8,635,256
Distribution expenses	(987,627)	(1,645,040)
Administrative expenses	(3,479,867)	(1,858,455)
Finance costs	(1,450,844)	(5,679,507)
Non-operating expense	<u>(7,751)</u>	<u>(20,418)</u>
PROFIT BEFORE TAXATION	(1,242,771)	(568,164)
Taxation	<u>205,153</u>	<u>302,533</u>
PROFIT BEFORE MINORITY INTERESTS	(1,447,924)	(870,697)
MINORITY INTERESTS	<u>(145,538)</u>	<u>(302,816)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u><u>(1,593,462)</u></u>	<u><u>(1,173,513)</u></u>

Pacrim International Capital Holdings Inc.

Consolidated Balance Sheet

As at 30 June, 2008

(Unaudited - Prepared by Management)

	<u>Jan - Jun 2008</u>	<u>2007</u>
	<u>Unaudited</u>	
	US\$	US\$
NON-CURRENT ASSETS		
Property, plant and equipment	15,176,416	14,590,597
Investment property	5,315,332	5,374,495
Goodwill	6,267,335	8,145,666
Other tangible Assets	-	528,993
Deferred tax assets	-	103,064
Long-term investment	2,976,093	2,824,876
	<u>29,735,176</u>	<u>31,567,691</u>
CURRENT ASSETS		
Inventories	6,530,509	3,243,841
Trade receivables	23,436,620	15,717,784
Other receivables	6,835,245	4,475,806
Prepayment and other deposit	1,000,825	557,371
Cash and cash equivalents	1,266,405	4,341,625
	<u>39,069,604</u>	<u>28,336,427</u>
TOTAL ASSETS	<u>68,804,780</u>	<u>59,904,118</u>
CURRENT LIABILITIES		
Short-term loans	6,799,474	5,475,919
Trade payables	2,801,489	1,156,480
Other payable and accrued charges	8,617,739	5,569,588
Amount due to related companies	27,305,123	24,193,367
Tax payable	133,060	474,144
	<u>45,656,885</u>	<u>36,869,498</u>
NET CURRENT ASSETS	<u>23,147,895</u>	<u>23,034,620</u>
CAPITAL AND RESERVES		
Share capital	1	1
Retained earnings	13,251,186	14,843,956
Accumulated other comprehensive reserves	7,539,424	4,445,854
Minority interests	2,357,284	3,744,809
TOTAL EQUITY	<u>23,147,895</u>	<u>23,034,620</u>

Pacrim International Capital Holdings Inc.

Consolidated Statement of Changes in Equity
For the six months ended 30 June, 2008
(Unaudited - Prepared by Management)

	<u>Balance as at</u> <u>Dec 31, 2007</u> US\$	<u>Exchange</u> <u>fluctuation</u> <u>reserve</u>	<u>Statutory</u> <u>reserve fund</u>	<u>Net profit for</u> <u>the period</u> US\$	<u>Balance as at</u> <u>Jun 30, 2008</u> US\$
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	1				1
Exchange fluctuation reserve	1,380,005	2,548,725			3,928,730
Statutory reserve fund	3,065,849		544,845		3,610,694
Retained profits	14,843,956	692		(1,593,462)	13,251,186
	<u>19,289,811</u>	<u>2,549,417</u>	<u>544,845</u>	<u>(1,593,462)</u>	<u>20,790,611</u>
MINORITY INTEREST	3,744,809			(1,387,525)	2,357,284
TOTAL	<u>23,034,620</u>	<u>2,549,417</u>	<u>544,845</u>	<u>(2,980,987)</u>	<u>23,147,895</u>

1. General information

Pacrim International Capital Holdings Inc. (thereafter "PICH") is a private limited company incorporated in the British Virgin Islands.

The Company is principally engaged in investment holding. The activities of its subsidiaries are set out in Note 3 of the financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"), and the related consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs")

The consolidated financial statements are prepared under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

Basis of Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group's entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment

of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction and minority interests

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group.

Details of the Group's subsidiaries are set out in Note 3.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in USD, which are the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in USD using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Property, plant and equipment

- (a) All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation of the property, plant and equipment is calculated to write off their cost of the assets on the straight-line basis over their expected useful lives to the Group, taking into account their estimated residual values. The principal annual depreciation rates used are:

Property and building	Over the lease term or 4.5%
Plant and machinery	9%
Motor vehicle	18%
Furniture and equipment	18%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

(b) Construction in progress represents factory premises under construction, production plants and machinery and other related fixed assets under installation. Construction in progress is stated at cost, which includes the cost of construction, purchase cost of plant and machinery, as well as interest charges arising from borrowings used to finance the construction during the period of time that is required to complete and prepare the asset for its intended use.

Construction in progress for production plants and machinery is transferred to fixed assets on the commissioning date. Plant and machinery are considered to be commissioned when they are capable of producing saleable quality output in commercial quantities on an ongoing basis.

(c) An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Gains and losses on disposal are determined by comparing proceeds with carrying amounts of assets disposed. These are included in the income statement.

(e) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenances are charged to the income statement during the financial period in which they are incurred.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured

initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost method.

Impairment

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs for sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

The Group's financial assets are mainly the loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade receivables, other receivables and prepayments in the balance sheet. Loans and receivables are carried at amortized cost using the effective interest method.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of raw materials represents invoiced price calculated using the weighted average costing method. Cost of work in progress and finished goods includes direct materials, direct labor and an appropriate proportion of production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is

established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to be ready for their intended use or sale are capitalized as part of the costs of the assets. All other borrowing costs are expensed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Taxation

Income tax for the financial year comprises current and deferred taxes. Income tax is recognized in the consolidated profit and loss account except to the extent that it relates to items recognized directly in equity, in which case such income tax is recognized in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is provided using the liability method, providing for temporary differences at the balance sheet date between the carrying amounts and tax bases of assets and liabilities in the financial statements. The amount of deferred tax provided is based on the manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Retirement scheme

Pension obligations

The Group participates in a defined contribution retirement scheme (the "Scheme") operated by the local government. The Group's obligations include contributions to the Scheme determined at a certain percentage of the salaries of the employees. The regular contributions, which are charged to the income statement on an accrual basis, constitute net periodic costs for the year in which they are due and as such are included in staff costs. Once the contributions have been paid, the Group has no further payment obligations.

Provision

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminated sales within the Group. Revenue is recognized as follows:

Sales of goods

Sales are recognized where the following terms are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The economic benefits associated with the transaction will flow to the Company; and
- The relevant amount of revenue and costs can be measured reliably.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income is recognized when the right to receive payments is established.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset; otherwise the property, plant and equipment is depreciated over the shorter of the lease term and its useful life.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of relevant leases.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Subsidiaries

Details of the subsidiaries of the Company at June 30, 2008 are as follows:

Name of Subsidiary	Country of incorporation /operation	Percentage of registered capital held by the company		Principal activities
		Directly	Indirectly	
Wah Sang Paper Products (Shenzhen) Co., Ltd	People's Republic of China		87.81%	Trading and Manufacturing containerboard
PRC Realty Inc.	British Virgin Island	100%		Investment
Pacrim International Capital Inc.	British Virgin Island	53.97%		Hotel and real estate development and management company

4. Share capital

	Jan-Jun2008 (unaudited)	2007
	USD	USD
Authorized:		
50,000 ordinary shares of USD1 each	<u>50,000</u>	<u>50,000</u>
	<u>50,000.00</u>	<u>50,000.00</u>
Issued and fully paid:		
1 ordinary shares of USD1 each	<u><u>1</u></u>	<u><u>1</u></u>

5. Reconciliation of Pacrim International Capital Holding Inc. to Canadian GAAP:

The financial statements of Pacrim International Capital Holdings Inc. were prepared in accordance with International Financial Reporting Standards ("IFRS"). We have reviewed and compared the relevant sections of IFRS as they relate specifically to the operations of Pacrim International Capital Inc.

<u>Financial statement item</u>	<u>Impact arising from conversion from IFRS to Canadian GAAP</u>
(a) Goodwill	None
(b) Property, plant and equipment - measurement	None
(c) Property, plant and equipment - depreciation	None
(d) Inventory - measurement	None
(e) Inventory - conversion cost	None
(f) Accounts receivable and provision for bad debts	None
(g) Revenue recognition	None
(h) Taxation - provision for income taxes	None
(i) Taxation - tax refunds	None
(j) Borrowing costs - accounting treatment	None
(k) Borrowing costs - disclosure	None
(l) Leases - accounting treatment	None
(m) Leases - disclosure	None
(n) Related party transaction - measurement	None
(o) Related party transaction - disclosure	None
(p) Foreign currency translation	Immaterial
(q) Consolidated financial statements	None
(r) Minority interest	Immaterial
(s) Cash flow statements	None