
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is not an offer of, nor is it intended to invite offers for, securities of the Company.

Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THIRTY (30) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE AT HK\$0.08 PER RIGHTS SHARE; (II) PLACING OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE; AND (III) NOTICE OF SPECIAL GENERAL MEETING

Underwriter to the Rights Issue



KINGSTON SECURITIES LTD.

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders in respect of the Rights Issue



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter from the Board is set out on pages 10 to 39 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 40 to 41 of this circular. A letter from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue is set out on pages 42 to 58 of this circular.

A notice convening the SGM to be held at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 13 April 2011 at 9:00 a.m. is set out on pages 81 to 84 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

The Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed "Termination of the Underwriting Agreement" on pages 8 to 9 of this circular). Accordingly, the Rights Issue may or may not proceed.

The Shares will be dealt in on an ex-rights basis from 15 April 2011. Dealings in the Rights Shares in the nil-paid form will take place from 29 April 2011 to 9 May 2011 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any Shareholders or other persons dealing in the nil-paid Rights Shares during the period from 29 April 2011 to 9 May 2011 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

* For identification purpose only

CONTENTS

	<i>Page</i>
Expected Timetable	ii
Definitions	1
Termination of the Underwriting Agreement	8
Letter from the Board	10
Letter from the Independent Board Committee	40
Letter from Guangdong Securities	42
Appendix I — Financial Information of the Group	59
Appendix II — Unaudited Pro Forma Financial Information of the Group	62
Appendix III — General Information	67
Notice of Special General Meeting	81

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

Event	2011 (Hong Kong time)
Date of despatch of the Circular and form of proxy of the SGM	not later than Monday, 28 March
Latest time for return of form of proxy for the SGM (not less than 48 hours)	9:00 a.m. on Monday, 11 April
SGM	9:00 a.m. on Wednesday, 13 April
Announcement of results of the SGM	Wednesday, 13 April
Last day of dealings in the Shares on a cum-rights basis	Thursday, 14 April
First day of dealings in the Shares on an ex-rights basis	Friday, 15 April
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Monday, 18 April
Register of members closes (both dates inclusive)	Tuesday, 19 April to Tuesday, 26 April
Record Date	Tuesday, 26 April
Change of board lot size from 2,000 Shares to 40,000 Shares	9:00 a.m. on Wednesday, 27 April
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of Shares	9:00 a.m. on Wednesday, 27 April
Register of members re-opens	Wednesday, 27 April
Prospectus Documents expected to be despatched	Wednesday, 27 April
First day of dealings in nil-paid Rights Shares	Friday, 29 April
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Wednesday, 4 May
Last day of dealings in nil-paid Rights Shares	Monday, 9 May
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Friday, 13 May
Designated broker ceases to stand in the market to provide matching service	Wednesday, 18 May
Rights Issue expected to become unconditional	Wednesday, 18 May
Announcement of results of acceptance and excess application of the Rights Shares	Friday, 20 May
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Monday, 23 May
Certificates for the Rights Shares expected to be despatched on or before	Monday, 23 May
Dealings in fully-paid Rights Shares commence	Wednesday, 25 May

EXPECTED TIMETABLE

Notes:

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in this circular for events in the expected timetable above regarding the Rights Issue are indicative only and may be extended or varied by agreement between the Company and the Underwriter, and subject to the approval by the Stock Exchange of such amendments. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

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

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

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Last Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Last Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Last Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as possible.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjustment”	the possible adjustment to the conversion price of the Convertible Bonds in accordance with the respective terms and conditions of the Convertible Bonds and the Listing Rules or guidelines issued by the Stock Exchange from time to time
“Announcement”	the announcements of the Company dated 8 March 2011 and 14 March 2011 in relation to the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business throughout their normal business hours in Hong Kong
“BVI”	British Virgin Islands
“Bye-Laws”	the bye-laws of the Company, as amended from time to time
“CB Holder”	Favor Way Investments Limited, holder of all the outstanding Convertible Bonds as at the Latest Practicable Date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders in relation to the proposed Rights Issue and the Placing (together with the notice of the SGM)

DEFINITIONS

“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Bonds”	the convertible redeemable bonds in the aggregate principal amount of HK\$48,000,000 due 2011 convertible into 12,000,000 new Shares at the conversion price of HK\$4.00 per conversion share (subject to the Adjustment)
“Conversion Price”	(i) HK\$0.58 per Conversion Share (if the Rights Issue does not become unconditional or does not proceed at the time of issue of the Placing Convertible Notes); or (ii) HK\$0.082 per Conversion Share (if the Rights Issue has become unconditional at the time of issue of the Placing Convertible Notes). In the event the Placing Convertible Notes are issued prior to the completion of the Rights Issue, the conversion price shall be HK\$0.58 which shall be adjusted to HK\$0.082 upon completion of the Rights Issue
“Conversion Share(s)”	new Share(s) to be issued by the Company upon exercise of the conversion rights attaching to the Placing Convertible Notes
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriter

DEFINITIONS

“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, to make recommendations to the Independent Shareholders in relation to the fairness and reasonableness of the Rights Issue
“Independent Shareholder(s)”	any Shareholder other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third parties independent of the Company and its subsidiaries and connected persons of the Company and its subsidiaries (as defined in the Listing Rules)
“Last Trading Day”	8 March 2011, being the date of the Underwriting Agreement, which is a Stock Exchange trading day

DEFINITIONS

“Latest Practicable Date”	24 March 2011, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information for inclusion therein
“Latest Time For Acceptance” or “Last Acceptance Date”	4:00 p.m. on Friday, 13 May 2011, or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time For Termination”	Wednesday, 18 May 2011, or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/(are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the placing of the Placing Convertible Notes by the Placing Agent pursuant to the terms and conditions of the Placing Agreement

DEFINITIONS

“Placing Agent”	United Simsen Securities Limited, a licensed corporation to carry on business in Type 1, 2, 4 and 6 regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 8 March 2011 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Convertible Notes”	the series of convertible notes up to an aggregate principal amount of HK\$100,000,000 to be issued in a maximum of three tranches with the minimum aggregate principal amount of HK\$30,000,000 (save for the last tranche) each to be issued by the Company with the Conversion Price
“Placing Period”	the period from the date of the Placing Agreement to 90 days after the date of the SGM or such other period as may be agreed by the Company and the Placing Agent in writing in the event that there is any change in the aforementioned placing period, the Company shall publish an announcement to inform the Shareholders
“Placing Price”	100% of the principal amount of the Placing Convertible Notes
“Posting Date”	27 April 2011 or such other date as the Underwriter may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Non-Qualifying Shareholders
“PRC”	the People’s Republic of China (in this Circular excluding Hong Kong, Macau SAR and Taiwan)
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL(s) and EAF(s)

DEFINITIONS

“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	26 April 2011 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Rights Issue”	the proposed issue by way of rights of thirty (30) Rights Shares for every one (1) existing Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	2,774,183,310 new Shares to be issued and allotted under the Rights Issue (assuming there is no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date)
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the proposed Rights Issue and the Placing
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the company
“Shareholder(s)”	the holder(s) of issued Shares

DEFINITIONS

“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time For Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.08 per Rights Share with nominal value of HK\$0.025 each
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in Type 1 regulated activity (dealing in securities) under the SFO (Chapter 571 of the Law of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 8 March 2011 entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares(s)”	2,774,183,310 Rights Shares underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement
“Untaken Share(s)”	those (if any) of the Rights Shares for which duly completed PAL(s) (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time For Acceptance
“\$US”	United States dollar, the lawful currency of the United States of America
“%” or “per cent.”	percentage or per centum

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time For Termination:

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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or this Circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

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

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time For Termination:

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

Any such notice shall be served by the Underwriter prior to the Latest Time For Termination.

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

LETTER FROM THE BOARD



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

Executive Directors:

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton, HM12
Bermuda

Independent non-executive Directors:

Mr. Chan Kin Sang
Mr. Cheng Po Yuen
Mr. Wong Chun Hung

Head office and principal

place of business:
Unit 1903, 19/F.
West Tower Shun Tak Centre,
168-200 Connaught Road Central
Sheung Wan, Hong Kong

28 March 2011

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE
ON THE BASIS OF THIRTY (30) RIGHTS SHARES FOR
EVERY ONE (1) EXISTING SHARE HELD
ON THE RECORD DATE
AT HK\$0.08 PER RIGHTS SHARE;
(II) PLACING OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE;
AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 8 March 2011, the Board announced that the Company proposed to raise gross proceeds of approximately HK\$221.93 million, before expenses, by issuing 2,774,183,310 Rights

* *For identification purpose only*

LETTER FROM THE BOARD

Shares to the Qualifying Shareholders by way of Rights Issue at the Subscription Price of HK\$0.08 per Rights Share on the basis of thirty (30) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Issue is not conditional upon the Placing having becoming unconditional.

The implementation of the Rights Issue is subject to the fulfillment of a number of conditions precedents. There is no certainty that the transaction, either in whole or in part, can be executed. Shareholders are therefore urged to exercise extreme caution in dealing in the Shares.

On the same date, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to procure placee(s), on a best effort basis at the Placing Price for the Placing Convertible Notes up to an aggregate principal amount of HK\$100,000,000 during the Placing Period in a maximum of three tranches. The Placing Convertible Notes shall be offered by the Placing Agent in integral multiples of HK\$1,000,000. The Placing is conditional upon, among other things, the passing of the necessary resolution(s) by the Shareholders at the SGM. The Placing is not conditional upon the Rights Issue having become unconditional.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue, and Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this Circular is to provide you with details of, amongst other things, the Rights Issue and the Placing, the recommendations from the Independent Board Committee to the Independent Shareholders on the Rights Issue, the recommendations from Guangdong Securities to the Independent Board Committee and the Independent Shareholders on the Rights Issue and to give you the notice convening the SGM, for the purpose of considering and, if thought fit, approving the Rights Issue and the Placing.

LETTER FROM THE BOARD

(I) PROPOSED RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue	:	Thirty (30) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.08 per Rights Share with nominal value of HK\$0.025 each
Number of Shares in issue as at the Latest Practicable Date	:	92,472,777 Shares
Number of Rights Shares	:	2,774,183,310 Rights Shares (assuming there are no new Shares issued and no Shares repurchased by the Company on or before the Record Date)

As at the Latest Practicable Date, there are outstanding Convertible Bonds with an aggregate principal amount of HK\$48,000,000 convertible into 12,000,000 new Shares at the conversion price of HK\$4.00 per conversion share (subject to adjustments). The CB Holder has given an irrevocable undertaking to the Company and the Underwriter pursuant to which the CB Holder shall not exercise any of its conversion rights under the outstanding Convertible Bonds on or before the Record Date.

Save for the Convertible Bonds, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Based on the above, the number of Rights Shares that may be issued under the Rights Issue would be 2,774,183,310.

Assuming no Convertible Bonds are being converted on or before the Record Date, the 2,774,183,310 nil-paid Rights Shares are proposed to be provisionally allotted represent approximately 3,000% of the Company's issued share capital as at the Latest Practicable Date and approximately 96.77% of the Company's issued share capital as enlarged by the issue of the 2,774,183,310 Rights Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there is no substantial Shareholder.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar, being Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 18 April 2011.

Closure of Register of Member

The register of members of the Company will be closed from 19 April 2011 to 26 April 2011, both dates inclusive. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

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

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

Based on the advice provided by the legal advisers on the laws of Macau SAR, the offering of the Rights Shares by the Company to its Shareholders with registered addresses in Macau SAR pursuant to the Rights Issue is not subject to any regulatory requirements of procedures in Macau SAR. It would be lawful for the Company to offer the Rights Shares to those Shareholders with registered addresses in Macau SAR, even though the Prospectus Documents will not be registered in Macau SAR. Therefore, the Directors have decided to extend the Rights Issue to such Overseas Shareholders with registered addresses located in Macau SAR as shown on the register of members of the Company as at the Record Date.

LETTER FROM THE BOARD

Based on the advice provided by the legal advisers on the laws of the PRC, published and publicly available PRC laws and administrative regulations impose no restrictions of the offering of the Rights Shares to the Company's overseas Shareholders whose addresses are in the PRC, and the Company is not required to obtain any approvals from PRC governmental authorities in connection with such Rights Issue. It would be lawful for the Company to offer the Rights Shares to those Shareholders with registered addresses in the PRC, even though the Prospectus Documents will not be registered in the PRC. Therefore, the Directors have decided to extend the Rights Issue to such Overseas Shareholders with registered addresses located in the PRC as shown on the register of members of the Company as at the Record Date.

Based on the advice provided by the legal advisers on the laws of the BVI, the offering of the Rights Shares by the Company to its Shareholders with registered addresses in the BVI pursuant to the Rights Issue is not subject to any regulatory requirements of procedures in the BVI. It would be lawful for the Company to offer the Rights Shares to those Shareholders with registered addresses in the BVI, even though the Prospectus Documents will not be registered in the BVI. Therefore, the Directors have decided to extend the Rights Issue to such Overseas Shareholders with registered addresses located in the BVI as shown on the register of members of the Company as at the Record Date.

Based on the advice provided by the legal advisers on the laws of Singapore and having regard the likely costs and time involved if overseas compliance were to be observed, the Directors are of the opinion that it would be necessary or expedient to exclude such Overseas Shareholders whose registered addresses are in Singapore as shown on the register of members of the Company as at the Record Date. Accordingly, the Overseas Shareholders whose registered addresses are in Singapore will be regarded as Non-Qualifying Shareholders. As at the Latest Practicable Date, one Shareholder, whose registered address was in Singapore, held 40,400 Shares, representing approximately 0.0437% of the issued share capital of the Company and such Shareholder will be regarded as a Non-Qualifying Shareholder.

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

LETTER FROM THE BOARD

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

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.08 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 88.89% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 20.00% to the theoretical ex-rights price of approximately HK\$0.10 per Share based on the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 88.73% to the average closing price of approximately HK\$0.71 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 97.24% to the closing price of HK\$2.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 52.94% to the theoretical ex-rights price of approximately HK\$0.17 per Share based on the closing price of HK\$2.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market price and trading liquidities of the Shares prior to the Last Trading Day. The Directors

LETTER FROM THE BOARD

consider the terms of the Rights Issue, including the Subscription Price which has been set as a deeper discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share upon full acceptance of the relevant provisional allotment of the Rights Shares will be approximately HK\$0.077.

Basis of Provisional Allotment

The basis of the provisional allotment shall be thirty (30) Rights Shares for every one (1) existing Share held on the Record Date, being 2,774,183,310 Rights Shares (assuming there is no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date). Application for all or any part of a Qualifying Shareholders' provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

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

Fractions of Rights Shares (if any)

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

Application for excess Rights Shares

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

LETTER FROM THE BOARD

Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

1. preference will be given to applications for topping-up odd lots holdings to whole lot holdings; and
2. subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess Rights Shares based on a pro-rata basis based on the number of the excess Rights Shares applied by them, with board lots allocation to be made on a best effort basis.

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

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

Investors whose Shares are held by their nominee(s) (including HKSCC) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on 18 April 2011.

Share certificates and refund cheques for Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 23 May 2011. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 23 May 2011 by ordinary post to the applicants at their own risk.

LETTER FROM THE BOARD

Application for listing

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

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

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 40,000), which are registered in the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong. Based on the price of the Shares of HK\$2.90 as at the Latest Practicable Date, the theoretical ex-right board lot value in the board lot of 40,000 will be amounted to approximately HK\$6,800.

In view of the value of each board lot of the Shares in 2,000 Shares trading on the Stock Exchange is expected to be decreased as a result of ex-rights under the Rights Issue, the Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 40,000 Shares with effect from 27 April 2011. In the event that the Rights Issue is not approved at the SGM, the board lot size of the Shares will remain unchanged. No parallel trading of the Shares and exchange of certificates will be provided.

In order to alleviate the difficulties arising from the existence of odd lots of the Shares, the Company has procured a designated broker to arrange for the matching of the sales and purchases of odd lots of the Shares on behalf of Shareholders. Holders of odd lots of Shares who wish to take advantage of this trading facility to dispose of or top up odd lots should contact Mr. Marco Ko at telephone number: (852) 3106 3522 or fax number: (852) 3188 9838 of One China Securities Limited located at 2/F., 86 Des Voeux Road Central, Central, Hong Kong, during the period from Wednesday, 27 April 2011 to Wednesday, 18 May 2011, both dates inclusive.

LETTER FROM THE BOARD

Holders of Shares in odd lots should note that successful matching of the sale and purchase of odd lots of Shares will not be guaranteed. Shareholders are advised to consult their professional advisers if they are in doubt about the above procedures.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- a. the passing of all the necessary resolution(s) by the Shareholders (where applicable, the Independent Shareholders) and the Board at the SGM on or before the Posting Date to approve the Rights Issue and the transactions contemplated thereunder;
- b. the delivery to the Stock Exchange for authorization and the registration by the Registrar of Companies in Hong Kong of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorized in writing) in accordance with section 342C of the Companies Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Posting Date;
- c. the filing of the Prospectus with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus in compliance with the Companies Act;
- d. the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue, on or before the Posting Date;
- e. the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, listing of and permission to deal in the Rights Shares (in both nil-paid and fully-paid forms) by no later than the first day of their dealings;
- f. the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time For Termination;
- g. compliance with and performance by the Company of all the undertakings and obligations under the terms of the Underwriting Agreement;

LETTER FROM THE BOARD

- h. if required, obtaining the consent or permission of the Bermuda Monetary Authority in respect of the issue of the Rights Shares; and
- i. there being no Specified Event occur prior to the Latest Time For Termination.

If the above conditions are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time For Termination or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (save for any antecedent breach of the Underwriting Agreement and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise in relation thereto.

The Underwriting Agreement

Date	:	8 March 2011
Underwriter	:	Kingston Securities Limited. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. As at the Latest Practicable Date, the Underwriter and its associates are not interested in any Shares.
Total number of Rights Shares	:	2,774,183,310 Rights Shares (assuming there are no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date)
Total number of Rights Shares being underwritten by the Underwriter	:	The Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis, being 2,774,183,310 Rights Shares (assuming there are no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date), subject to the terms and conditions of the Underwriting Agreement
Commission	:	2.5% of the aggregate Subscription Price of the Underwritten Shares

LETTER FROM THE BOARD

The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Company, the size of the Rights Issue, and the current and expected market condition. The Board considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

LETTER FROM THE BOARD

- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or this Circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

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

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time For Termination:

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

Any such notice shall be served by the Underwriter prior to the Latest Time For Termination.

LETTER FROM THE BOARD

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

Shareholding structure of the Company in respect of the Rights Issue

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

Assuming there are no new Shares being issued and no Shares being repurchased by the Company and no conversion on the Convertible Bonds on or before the Record Date:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
	<i>Number of Shares</i>		All Rights Shares are subscribed by the Qualifying Shareholders		None of the Rights Shares are subscribed by the Qualifying Shareholders <i>(Notes 1 & 2)</i>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Public:						
The Underwriter	0	0.00	0	0.00	2,774,183,310	96.77
Existing public Shareholders	92,472,777	100.00	2,866,656,087	100.00	92,472,777	3.23
Total	<u>92,472,777</u>	<u>100.00</u>	<u>2,866,656,087</u>	<u>100.00</u>	<u>2,866,656,087</u>	<u>100.00</u>

Notes:

1. **This scenario is for illustrative purpose only and will never occur.** Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers of the Untaken Shares:
 - (1) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Rights Issue; and
 - (2) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be Independent Third Party(ies); and (ii), save for the Underwriter itself and its associates, shall not, together with any party acting in concert with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue.

LETTER FROM THE BOARD

2. The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules at all times.

Reasons for the Rights Issue and Use of Proceeds

The gross proceeds of the Rights Issue will be approximately HK\$221.93 million before expenses. The estimated expenses in relation to the Rights Issue, including financial, legal, and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue will be approximately HK\$214.64 million and the Company intends to apply such net proceeds from the Rights Issue as to not more than 70% for financing any acquisition opportunities identified/to be identified by the Company (including but not limited to the potential acquisition of the oilfields in Kazakhstan, further details of which has been set out in the announcement of the Company dated 3 March 2011) and as to not less than 30% for the development of the finance businesses of the Group. In the event that the Company is unable to identify any suitable acquisition targets or the said possible acquisition are not materialized, the net proceeds will be fully utilized for the development of the finance businesses of the Group. To the extent that the said net proceeds are not immediately required for or applied to the above purposes, the Company may hold such funds with licensed banks or licensed financial institutions in Hong Kong for so long as it is in the Company's best interests.

Following the completion of the disposal of the loss making plywood business of the Group in December 2010, the Group is principally engaged in money lending business and will continue with the plywood related business by sourcing business opportunities in relation to the upstream plywood business (i.e. the forestry business), the Board is of the view that (i) the competition of the manufacturing and trading of plywood businesses shall remain keen in the future; and (ii) the prospect of the upstream of plywood business (i.e. the forestry business) is promising as a result of continuous strong demand on logs. Such switch of the focus on the plywood related business will be beneficial to the Group in the future in the event that the relevant business opportunities are identified. In addition, the Group will continue seeking for potential investment opportunity such as the oil industry.

Currently, the Company is encountering technical difficulties in expanding the finance businesses of the Group as the capital base of the Group decreased substantially following the completion of the disposal of the loss making plywood business in December 2010. As a result of the limited capital base, the Company is required to comply with Chapter 14 of the Listing Rules and closely monitor the relevant size test ratios when considering money lending business opportunity,

LETTER FROM THE BOARD

details of which have been set out in the announcement of the Company regarding a discloseable transaction for the Company dated 1 March 2011. In the event that the money lending business opportunity requires approval from the Shareholders, the Company may not be able to realize such business opportunity as the customers usually require money for short term purposes and would not consider the procedures for such application involved. Delta Wealth Finance Limited (formerly known as Head & Shoulders Finance Limited) is a non wholly-owned subsidiary of the Company, other shareholders of Delta Wealth Finance Limited expressed their concerns on the business operation of the Group as complying with Rules 13.13 and 13.15 of the Listing Rules requires disclosure on the identity of the borrower and the interest rates charged on the loans, which are highly confidential information to its competitors and the customers are also unwilling to disclose their information to the public. To maintain a normal business operation of the Group overall, the Company considers that, through the Rights Issue, the capital base of the Group will be enlarged and disclosure requirements under the Listing Rules will be minimized when conducting business which is in the ordinary and usual course of business of the Group.

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

The Board is aware of the potential dilution to the Qualifying Shareholders' shareholding interests in the Company under the arrangement of the Rights Issue on the basis of thirty (30) Rights Shares for every one (1) Share held on the Record Date. Nonetheless, the Board considers that the foregoing should be balanced against by the following factors:

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

LETTER FROM THE BOARD

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

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

Overall, the Board considers that the terms of the Rights Issue (together with the arrangement of thirty (30) Rights Shares for one (1) existing Share held on the Record Date) are fair and reasonable and will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and, hence the Board considers that fund raising through the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

Possible Adjustment to the Convertible Bonds

As a result of the Rights Issue, the conversion price of the Convertible Bonds may be adjusted in accordance with the respective terms and conditions of the Convertible Bonds and the Listing Rules or guidelines issued by the Stock Exchange from time to time. The Company will instruct its auditors or an independent financial adviser to certify the adjustments, if any, to the Convertible Bonds and will inform the CB Holder of the Adjustment. Further announcement will be made by the Company in respect of such Adjustment as and when appropriate. The Company will publish another circular for the said Adjustment and it is subject to the approval from the Shareholders in another general meeting of the Company in the future.

Warning of the Risks of Dealing in Shares and Rights Shares

The Shares will be dealt in on an ex-rights basis from 15 April 2011. Dealings in the Rights Shares in the nil-paid form will take place from 29 April 2011 to 9 May 2011 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 29 April 2011 to 9 May 2011 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons

LETTER FROM THE BOARD

dealing in the nil-paid Rights Shares during the period from 29 April 2011 to 9 May 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

On 24 March 2011, the Company published a circular to seek the approval from the Shareholders at the special general meeting to be held on the proposed refreshment of the limit imposed under the rules of the share option scheme of the Company (the “**Share Option Scheme**”) on the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share options scheme(s) of the Company, being 10% of the Company’s issued share capital as at the date of such approval granted, which may be “renewed”/“refreshed” on and pursuant to the rules of the Share Option Scheme (the “**Scheme Mandate Limit**”).

In the event that the relevant share options are granted after the Scheme Mandate Limit is refreshed and the relevant share options are exercised thereafter on or before the Record Date, the total number of Shares will be increased and accordingly the number of rights shares pursuant to the Rights Issue will also increase. A supplemental underwriting agreement will be required to be entered into between the Company and the Underwriter to ensure that the Rights Issue will be fully underwritten. In this regards, the Company shall seek the approval from the Independent Shareholders on the Rights Issue again. The Underwriter shall underwrite the additional rights shares as a result of the exercise of the said share option unless the share option holder(s) undertakes to the Company that it shall not exercise the respective share option on or before the Record Date.

(II) PLACING OF THE PLACING CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

On 8 March 2011, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to procure places on a best effort basis at the Placing Price for the Placing Convertible Notes up to an aggregate principal amount of HK\$100,000,000 during the Placing Period in a maximum of three tranches with the minimum aggregate principal amount of HK\$30,000,000 each (save for the last tranche). The Placing Convertible Notes shall be offered in integral multiples of HK\$1,000,000.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

Pursuant to the terms of the Placing Agreement, the Placing Agent shall be entitled to a commission equivalent to 2.5% of the aggregate Placing Price of the Placing Convertible Notes thus subscribed.

Completion of the Placing is conditional upon:

- (i) the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares;
- (ii) the Shareholders having passed resolution(s) at the SGM approving, among others, the Placing Agreement and the transactions contemplated hereunder, including the grant of a specific mandate to allot and issue the Conversion Shares; and
- (iii) (if so required by the laws of Bermuda) the approval of the Bermuda Monetary Authority for the issue of the Placing Convertible Notes and the Conversion Shares issuable on exercise of conversion rights under the Placing Convertible Notes.

If the above conditions precedent are not fulfilled on or before the end of the Placing Period, all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the parties hereto shall have any claim against the other in relation hereto. None of the conditions above can be waived.

Principal Terms of the Placing Convertible Notes

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

Aggregate principal amount	:	Up to HK\$100,000,000
Placing Price	:	100% of the principal amount of the Placing Convertible Notes
Conversion Price	:	The Conversion Price shall be (i) HK\$0.58 per Conversion Share (if the Rights Issue does not become unconditional or does not proceed at the time of issue of the Placing Convertible Notes); or (ii) HK\$0.082 per Conversion Share (if the Rights Issue has become unconditional at the time of issue of the Placing Convertible Notes).

LETTER FROM THE BOARD

In the event the Placing Convertible Notes are issued prior to the completion of the Rights Issue, the Conversion Price shall be HK\$0.58 which shall be adjusted to HK\$0.082 upon completion of the Rights Issue. The Conversion Price is subject to further adjustment, if applicable, as set out in the instrument constituting the Placing Convertible Notes.

The Conversion Price is subject to further adjustment in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity derivative issues.

The maximum Conversion Price of HK\$0.58 represents:

- (i) a discount of approximately 19.44% based on the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 18.31% based on the average closing price of HK\$0.71 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 80.00% based on the closing price of HK\$2.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The minimum Conversion Price of HK\$0.082 represents:

- (i) a discount of approximately 88.61% based on the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 88.45% based on the average closing price of HK\$0.71 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 18.00% to the theoretical ex-right price of approximately HK\$0.1 per Share, based on the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 97.17% based on the closing price of HK\$2.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 51.76% to the based on theoretical ex-right price of approximately HK\$0.17 per Share, based on the closing price of HK\$2.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The minimum Conversion Price of HK\$0.082 is determined with reference to the subscription price of HK\$0.08 under the Rights Issue and given that the placing of Convertible Notes is not offered to the Shareholders on a pro-rata basis, the Board considers that the minimum Conversion Price should set at a premium over the subscription price of HK\$0.08. After the arm's length negotiation with the Placing Agent, the Board considers that if the Minimum Conversion Price of HK\$0.082 to be fixed at a substantial premium to the subscription price of the Rights Issue of HK\$0.08, it will adversely affect the successful rate for the Placing Agent to identify the independent placee(s) to subscribe for the Convertible Notes.

The Conversion Price was arrived at after arm's length negotiation between the Company and the Placing Agent with reference to the market price of the Shares under the prevailing market conditions.

The net maximum Conversion Price of HK\$0.58 is equivalent to approximately HK\$0.564 and the net minimum Conversion Price of HK\$0.082 is equivalent to approximately HK\$0.08.

Maturity : 18 months from the date of issue of the Placing Convertible Notes. To the extent not previously converted, purchased, redeemed or cancelled, the Company shall, on the maturity date of the Placing Convertible Notes, redeem the Placing Convertible Notes at 100% of the outstanding principal amount.

LETTER FROM THE BOARD

Conversion Period : Provided that the exercise of the conversion rights attaching to the Placing Convertible Notes (i) by the holder thereof and its respective parties acting in concert does not trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the holder thereof and its parties acting in concert; and (ii) by the holder thereof and its associates will not render Shares held in public hands being less than the minimum public float of the Shares required under the Listing Rules (i.e. 25% of issued share capital of the Company), holder(s) of the Placing Convertible Notes shall have the right to convert, at any time during the period commencing from the date of issue the Placing Convertible Notes until the fifth Business Day before the maturity date of the Placing Convertible Notes, the whole or part in an integral multiple of HK\$1,000,000 of the outstanding principal amount of the Placing Convertible Notes.

In the event that the Rights Issue is approved at the SGM, the Placing Convertible Notes are not allowed to be converted on or before the Record Date.

Interest : 6% per annum, payable semi-annually in arrears

Ranking of Conversion Shares : The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Placing Convertible Notes will, when issued, rank *pari passu* in all respects with all other Shares in issue as at the date of conversion on which a notice is given for the exercise of conversion rights and be entitled to all dividends and other distributions the Record Date of which falls on a date on or after the notice of the exercise of conversion rights is given.

LETTER FROM THE BOARD

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

Assuming the Rights Issue is completed and thus based on the Conversion Price of HK\$0.082 per Conversion Share, a maximum number of 1,219,512,195 Conversion Shares will be allotted and issued if the conversion rights attaching to the Placing Convertible Notes are exercised in full, representing (i) approximately 42.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares; and (ii) approximately 29.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the Conversion Shares.

LETTER FROM THE BOARD

Assuming the Rights Issue has not become unconditional and is not completed, based on the Conversion Price of HK\$0.58, a maximum number of 172,413,793 Conversion Shares will be allotted and issued if the conversion rights attaching to the Placing Convertible Notes are exercised in full, representing (i) approximately 186.45% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 65.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Completion of the Placing shall take place in tranches: up to a maximum of three tranches with the minimum aggregate principal amount of HK\$30,000,000 each (save for the last tranche). Completion of the subscription of the relevant tranche of Placing Convertible Notes shall take place on any Business Day as notified by not less than three Business Day notice in writing by the Placing Agent, or such other date as may be agreed between the Company and the Placing Agent in writing, provided that such date shall not fall later than the third Business Day after the expiry of the Placing Period.

As at the Latest Practicable Date, it is uncertain whether the number of places of the Placing Convertible Notes will be more or less than six. In case the number of places of the Placing Convertible Notes is less than six, the Company shall comply with Rule 13.28(7) of the Listing Rules and disclose in the relevant announcement the names of such places.

Assuming all Placing Convertible Notes are successfully placed out, the total proceeds would be HK\$100,000,000 and the estimated net proceeds of the Placing are approximately HK\$97.25 million, the net proceeds are intended to be applied as to not more than 60% for financing any acquisition opportunities identified/to be identified by the Company (including but not limited to the acquisition of the oil fields in Kazakhstan, further details of which have been set out in the announcement of the Company dated 3 March 2011) and as to not less than 40% for the development of the finance businesses of the Group. In the event that the Company is unable to identify any suitable acquisition targets or the said possible acquisitions are not materialized, the net proceeds will be fully utilized for the development of the finance businesses of the Group. To the extent that the said net proceeds are not immediately required for or applied to the above purposes, the Company may hold such funds with licensed banks or licensed financial institutions in Hong Kong for so long as it is in the Company's best interests.

In view of the current market condition, the Directors consider that the Placing represents a good opportunity for the Company to raise additional working capital. The Directors consider that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY IN RESPECT OF THE PLACING

Set out below is the shareholding structure of the Company (extracted from the Disclosure of Interests forms posted on the website of the Stock Exchange) immediately before and after completion of the Placing and the conversion of the Placing Convertible Notes in full:

Scenario 1: If the Rights Issue does not become unconditional or does not proceed at the time of issue of the Placing Convertible Notes (with maximum Conversion Price):

Shareholders	As at the Latest Practicable Date		After completion of the Placing and the conversion of the Placing Convertible Notes in full (Note 3)	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
Public:				
Existing public Shareholders	92,472,777	100.00	92,472,777	34.91
Holder(s) of the Placing Convertible Notes	—	—	172,413,793	65.09
Total	92,472,777	100.00	264,886,570	100.00

LETTER FROM THE BOARD

Scenario 2: If the Rights Issue has become unconditional at the time of issue of the Placing Convertible Notes (with minimum Conversion Price) and assuming there is no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date:

Shareholders	After completion of the Rights Issue				After completion of the Rights Issue and completion of the Placing and the conversion of the Placing Convertible Notes in full			
	All Rights Shares are subscribed by the Qualifying Shareholders		None of the Rights Shares are subscribed by the Qualifying Shareholders (Notes 1 & 2)		All Rights Shares are subscribed by the Qualifying Shareholders		None of the Rights Shares are subscribed by the Qualifying Shareholders (Notes 1, 2 & 3)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Public:								
Existing public Shareholders	2,866,656,087	100.00	92,472,777	3.23	2,866,656,087	70.16	92,472,777	2.26
The Underwriter	0	0.00	2,774,183,310	96.77	0	0.00	2,774,183,310	67.90
Holder(s) of the Convertible Notes	—	—	—	—	1,219,512,195	29.84	1,219,512,195	29.84
Total	2,866,656,087	100.00	2,866,656,087	100.00	4,086,168,282	100.00	4,086,168,282	100.00

Notes:

- This scenario is for illustrative purpose only and will never occur.** Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers of the Untaken Shares:
 - the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Rights Issue; and
 - the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be Independent Third Party(ies); and (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue.
- The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules at all times.
- Provided that the exercise of the conversion rights attaching to the Placing Convertible Notes (i) by the holder thereof and its respective parties acting in concert does not trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the holder thereof and its parties acting in concert; and (ii) by the holder thereof and its associates will not render Shares held in public hands being less than the minimum public float of the Shares required under the Listing Rules (i.e. 25% of issued share capital of the Company), holder(s) of the Placing Convertible Notes shall have the right to convert, at any time during the period commencing from the date of issue the Placing Convertible Notes until the fifth Business Day before the maturity date of the Placing Convertible Notes, the whole or part in an integral multiple of HK\$1,000,000 of the outstanding principal amount of the Placing Convertible Notes.

LETTER FROM THE BOARD

FUND RAISING EXERCISES OF THE COMPANY

Date of announcement	Description of the fund raising exercises	Intended use of proceeds	Actual use of proceeds
2 March 2010	Placing of new shares under the general mandate	Approximately HK\$41.7 million will be used for the general corporate and working capital of the Group	Has been utilized as intended
30 November 2010	Placing of new shares under the general mandate	Approximately HK\$32.6 million will be used for general corporate and working capital of the Group or/ and the future development of the finance businesses of the Group	Has been utilized as intended
21 January 2011 and 24 January 2011	Placing of new shares under the general mandate	Approximately HK\$10.88 million will be used for general corporate and working capital of the Group or/ and the future development of the finance businesses of the Group	Has been utilized as intended

Save for the above, the Company has not conducted any other fund raising exercise in the past twelve months immediately preceding the Latest Practicable Date.

SGM

A notice for convening the SGM to be held at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 13 April 2011 at 9:00 a.m. or any adjournment is set out from pages 81 to 84 of this Circular.

LETTER FROM THE BOARD

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

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

Pursuant to Rule 7.19(8) of the Listing Rules, the Stock Exchange reserves the right to require the following parties to abstain from voting in favour of the relevant resolution at the SGM:

- (a) any parties who were controlling shareholders of the Company at the time the decision for the transaction or arrangement involving the Rights Issue was made or approved by the Board and their associates; or
- (b) where there were no such controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company at the time the decision for the transaction or arrangement involving the Rights Issue was made or approved by the Board, and their respective associates.

As at the Latest Practicable Date, none of the Directors and the Company's chief executive and their respective associates is interested in any Shares and is required to abstain from voting in favour of the resolution to approve the Rights Issue. The Company confirms that no parties fall under Rule 7.19(8) of the Listing Rules or are required to abstain from voting in favour of the relevant resolution(s) at the SGM.

The Placing is subject to, among other things, the approval by the Shareholders at the SGM.

As at the Latest Practicable Date, none of the Shareholders have a material interest in the Placing and are required to abstain from voting on the relevant resolution(s) to approve the Placing at the SGM.

The voting of the Shareholders and Independent Shareholders at the SGM will be taken by way of poll.

LETTER FROM THE BOARD

Upon the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

RECOMMENDATION

The Independent Board Committee has been established to recommend to the Independent Shareholders in respect of the Rights Issue. Guangdong Securities has been appointed as the Independent Financial Adviser to recommend the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 40 to 41 of this Circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Guangdong Securities set out on pages 42 to 58 of this Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of Guangdong Securities, considers that the terms of the Rights Issue are fair and reasonable and that the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution(s) relating to the Rights Issue at the SGM.

Having considered the letters from the Independent Board Committee and Guangdong Securities, the Directors consider that the terms of the Rights Issue are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

Having considered the reasons as set out herein, the Directors consider that the terms of the Placing are fair and reasonable, on normal and commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this Circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

28 March 2011

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF THIRTY (30) RIGHTS SHARES FOR
EVERY ONE (1) EXISTING SHARE HELD
ON THE RECORD DATE
AT HK\$0.08 PER RIGHTS SHARE**

We refer to the circular dated 28 March 2011 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the Rights Issue and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue and to recommend whether or not the Independent Shareholders should vote on the resolution to be proposed at the SGM to approve the Rights Issue. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regards.

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

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,

Independent Board Committee

Mr. Chan Kin Sang

Mr. Cheng Po Yuen

Mr. Wong Chun Hung

Independent non-executive Directors

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue for the purpose of inclusion in this circular.



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505-06, 25/F.

Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

28 March 2011

*To: The independent board committee and the independent shareholders
of Pacific Plywood Holdings Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THIRTY RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE AT HK\$0.08 PER RIGHTS SHARE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 March 2011 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 8 March 2011, the Board announced that the Company proposed to raise gross proceeds (before expenses) of approximately HK\$221.93 million by way of the Rights Issue. Pursuant to the terms of the Rights Issue, the Company shall allot and issue 2,774,183,310 Rights Shares at the Subscription Price of HK\$0.08 per Rights Share, on the basis of 30 Rights Shares for every one Share held at the Record Date.

The Rights Issue is fully underwritten by the Underwriter. The Directors confirmed that the terms of the Rights Issue were agreed after arm's length negotiations between the Company and the Underwriter.

LETTER FROM GUANGDONG SECURITIES

The Rights Issue is subject to, among other things, the approval by the Independent Shareholders at the SGM. In accordance with Rule 7.19(6) of the Listing Rules, any controlling shareholders (as defined under the Listing Rules) of the Company and their associates or, where there is no controlling shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue.

An Independent Board Committee comprising Mr. Chan Kin Sang, Mr. Cheng Po Yuen and Mr. Wong Chun Hung, all being independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution(s) to approve the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

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

LETTER FROM GUANGDONG SECURITIES

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriter or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Background of and reasons for the Rights Issue

Business overview of the Group

With reference to the Board Letter and as advised by the Directors, the Group was principally engaged in manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products before completion of the disposal of the loss making plywood business of the Group in December 2010 (the “**Disposal**”). Following the completion of the Disposal, the Group is principally engaged in money lending and provision of credits business and will continue with the plywood related business by sourcing business opportunities in relation to the upstream plywood business (i.e. the forestry business).

LETTER FROM GUANGDONG SECURITIES

Set out below are the financial information of the Group for the six months ended 30 June 2010 and each of the two years ended 31 December 2009 as extracted from the Company's interim report for the six months ended 30 June 2010 (the “**Interim Report**”) and the Company's annual report for the year ended 31 December 2009 (the “**Annual Report**”):

	For the six months ended 30 June 2010 <i>(unaudited)</i> US\$'000	For the year ended 31 December 2009 <i>(audited)</i> US\$'000	For the year ended 31 December 2008 <i>(audited)</i> US\$'000	% change from 2008 to 2009
Revenue	23,725	50,448	106,232	(52.51)
— Manufacturing (Malaysia)	22,887	47,577	89,351	(46.75)
— Trading	838	2,871	6,908	(58.44)
— Manufacturing (PRC) (Discontinued operations)	—	—	9,973	N/A
Loss for the period/year	(5,377)	(9,794)	(36,452)	(73.13)

From the above table, we noted that the total revenue of the Group for the year ended 31 December 2009 declined substantially by approximately 52.51% from approximately US\$106.23 million to US\$50.45 million. With reference to the Annual Report, the decline was mainly attributed to a significant shrink in demand for the Group's products in Europe, the United States of America, the People's Republic of China (the “**PRC**”) and Japan market.

With reference to the Annual Report, the rapid economic development of the PRC and the drastic changes of the business environment and government policy in the PRC had made the availability of resources, including lumber and labour, becoming scarce and costs for manufacturing increasing. The Board considered that this trend would continue in the future and accordingly, the Group should cease its manufacturing base in the PRC. As a result of the worldwide financial turmoil in 2008, the operating environment of the Group's PRC business operations, represented by Ankan (China) Holdings Limited (“**ACHL**”) and its subsidiaries, became more difficult. After careful consideration and for the best interests of the Group, the Group disposed all the issued shares in the capital of ACHL for a consideration of US\$50,000 in June 2009.

LETTER FROM GUANGDONG SECURITIES

As advised by the Directors, for the year ended 31 December 2010, the Group has (i) disposed its loss making plywood business; (ii) acquired 51% equity interest in Delta Wealth Finance Limited (formerly known as Head & Shoulders Finance Limited before 20 January 2011; and (iii) entered into three memorandum of understanding in relation to the proposed investment in oilfields in Kazakhstan.

Reasons for the Rights Issue

With reference to the Board Letter, the Company is encountering technical difficulties in expanding the finance businesses of the Group as the capital base of the Group decreased substantially following the completion of the Disposal. As a result of the limited capital base, the Company is required to comply with Chapter 14 of the Listing Rules and closely monitor the relevant size test ratios when considering money lending business opportunity, details of which have been set out in the announcement of the Company regarding a discloseable transaction for the Company dated 1 March 2011. In the event that the money lending business opportunity requires approval from the Shareholders, the Company may not be able to realize such business opportunity as the customers usually require money for short term purposes and would not consider the procedures for such application involved. Delta Wealth Finance Limited is a non-wholly owned subsidiary of the Company. Other shareholders of Delta Wealth Finance Limited expressed their concerns on the business operation of the Group as complying with Rules 13.13 and 13.15 of the Listing Rules requires disclosure on the identity of the borrower and the interest rates charged on the loans, which are highly confidential information to its competitors and the customers are also unwilling to disclose their information to the public. To maintain a normal business operation of the Group overall, the Company considers that, through the Rights Issue, the capital base of the Group will be enlarged and disclosure requirements under the Listing Rules will be minimized when conducting business which is in the ordinary and usual course of business of the Group.

The Board considers that the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and, hence the Board considers that fund raising through the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

With reference to the Board Letter, the Group will continue with the plywood related business by sourcing business opportunities in relation to the upstream plywood business and seeking for potential investment opportunity such as the oil industry.

LETTER FROM GUANGDONG SECURITIES

As extracted from the Board Letter, the estimated net proceeds of the Rights Issue will be approximately HK\$214.64 million and the Company intends to apply such net proceeds from the Rights Issue as to not more than 70% for financing any acquisition opportunities identified/to be identified by the Company (including but not limited to the acquisition of the oil fields in Kazakhstan, further details of which have been set out in the announcement of the Company dated 3 March 2011) (the “**Acquisition Opportunities**”) and as to not less than 30% for the development of the finance businesses of the Group (the “**Development**”). In the event that the Company is unable to identify any suitable acquisition targets or the said possible Acquisition Opportunities are not materialized, the net proceeds will be fully utilized for the Development. To the extent that the said net proceeds are not immediately required for or applied to the above purposes, the Company may hold such funds with licensed banks or licensed financial institutions in Hong Kong for so long as it is in the Company’s best interests.

In view of that (i) the Rights Issue would enable the Group to strengthen its capital base; and (ii) the Group would apply the net proceeds from the Rights Issue partly for financing any acquisition opportunities identified/to be identified by the Company and partly for the development of the finance businesses of the Group, we are of the opinion that the reasons for the Rights Issue are justifiable.

Financing alternatives available to the Group

According to the Board Letter, save as and except for (i) the placing of new shares as announced by the Company on 2 March 2010; (ii) the placing of new shares as announced by the Company on 30 November 2010; and (iii) the placing of new shares as announced by the Company on 21 January 2011, the Group had not carried out other equity fund raising activities during the past 12 months immediately prior to the Latest Practicable Date.

We have enquired into the Directors and were informed by the Directors that the Group has considered other fund raising methods, namely debt financing and equity financing. With regard to debt financing, on 8 March 2011, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to procure placees on a best effort basis at the Placing Price for the Placing Convertible Notes. Reasons for the Placing was set out under the section headed “(II) Placing of the Placing Convertible Notes under specific mandate” of the Board Letter.

LETTER FROM GUANGDONG SECURITIES

With regard to equity financing, the Directors advised us that the Board is confident in the future business development of the Group, and would like to provide a chance for all Shareholders to share the potential prospects of the Group. As also mentioned in the above section, the Board considered that the Rights Issue will enable the Group to strengthen its capital base. Upon our enquiry, the Directors further advised us that although both an open offer and a rights issue would allow all Shareholders to participate in the enlargement of the capital base of the Company and to maintain their proportionate shareholding interests in the Company, a rights issue would allow those Shareholders who would not want to participate in the fund raising of the Company to dispose of their rights shares entitlements in the market in nil-paid form. As a result, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to raise fund through the Rights Issue.

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

(2) Principal terms of the Rights Issue

The table below summarises the major terms of the Rights Issue:

Basis of the Rights Issue:	30 Rights Shares for every one existing Share held on the Record Date
The Subscription Price:	HK\$0.08 per Rights Share with nominal value of HK\$0.025 each
Number of Shares in issue as at the Latest Practicable Date:	92,472,777 Shares
Number of Rights Shares:	2,774,183,310 Rights Shares (assuming there are no new Shares issued and no Shares repurchased by the Company on or before the Record Date)

LETTER FROM GUANGDONG SECURITIES

The Subscription Price of HK\$0.08 per Rights Share represents:

- (i) a discount of approximately 97.24% to the closing price of HK\$2.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 88.89% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 88.73% to the average closing price of approximately HK\$0.71 per Share for the five consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 20.00% to the theoretical ex-rights price of approximately HK\$0.10 per Share after the Rights Issue, based on the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**Theoretical Ex-rights Price**”).

As extracted from the Board Letter, the Subscription Price was determined after arm’s length negotiations between the Company and the Underwriter with reference to the prevailing market price and trading liquidities of the Shares prior to the Last Trading Day. The Directors consider the terms of the Rights Issue, including the Subscription Price which has been set as a deeper discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Analyses on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses for illustrative purpose:

LETTER FROM GUANGDONG SECURITIES

(i) Review on Share prices

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 1 March 2010 up to and including the Last Trading Day (the “**Review Period**”) are shown as follows:

Month	Highest closing price <i>(HK\$)</i>	Lowest closing price <i>(HK\$)</i>	Average daily closing price <i>(HK\$)</i>	No. of trading days in each month
2010				
March <i>(Note 1)</i>	10.500	4.900	7.342	22
April	8.375	5.850	6.687	19
May	8.000	6.125	6.793	20
June	6.500	5.700	5.965	21
July	7.125	5.250	5.750	21
August	5.825	5.250	5.599	22
September	5.650	4.800	5.049	21
October	4.900	3.425	4.048	20
November <i>(Note 2)</i>	3.000	2.425	2.656	16
December	2.625	1.250	1.835	22
2011				
January <i>(Note 3)</i>	1.450	0.760	1.028	21
February	0.840	0.670	0.755	18
March (up to and including the Last Trading Day) <i>(Note 4)</i>	0.770	0.660	0.710	6

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

Notes:

1. Trading in the Shares was suspended on 2 March 2010.
2. Trading in the Shares was suspended from 1 November 2010 to 8 November 2010 (both days inclusive).
3. Trading in the Shares was suspended from 9:30 a.m. to 2:30 p.m. on 24 January 2011.
4. Trading in the Shares was suspended from 1:30 p.m. to 4:00 p.m. on 8 March 2011.
5. The closing price of the Shares from 1 March 2010 to 7 January 2011 had been adjusted for the effect of the capital reorganisation of the Company which became effective from 10 January 2011 onwards, under which every 25 issued and unissued Shares of HK\$0.001 each are consolidated into one consolidated Share of HK\$0.025 each.

LETTER FROM GUANGDONG SECURITIES

During the Review Period, the average daily closing price of the Shares ranged from approximately HK\$0.710 to HK\$7.342 per Share in each month. The highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$10.50 per Share recorded on 11 March 2010 and HK\$0.66 per Share recorded on 4 March 2011 respectively. The Share price showed a decreasing trend during the Review Period.

(ii) Review on trading liquidity of the Shares

The average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to the total number of issued Shares as at the Last Trading Day during the Review Period are tabulated as follows:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares as at the Last Trading Day <i>(Notes 5 & 6)</i> %
2010			
March <i>(Note 1)</i>	22	1,009,808	1.09
April	19	1,176,812	1.27
May	20	234,304	0.25
June	21	41,899	0.05
July	21	381,123	0.41
August	22	65,911	0.07
September	21	569,149	0.62
October	20	824,346	0.89
November <i>(Note 2)</i>	16	1,502,488	1.62
December	22	2,898,952	3.13
2011			
January <i>(Note 3)</i>	21	819,923	0.89
February	18	794,467	0.86
March (up to and including the Last Trading Day) <i>(Note 4)</i>	6	97,125	0.11

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

LETTER FROM GUANGDONG SECURITIES

Notes:

1. Trading in the Shares was suspended on 2 March 2010.
2. Trading in the Shares was suspended from 1 November 2010 to 8 November 2010 (both days inclusive).
3. Trading in the Shares was suspended from 9:30 a.m. to 2:30 p.m. on 24 January 2011.
4. Trading in the Shares was suspended from 1:30 p.m. to 4:00 p.m. on 8 March 2011.
5. Based on 92,472,777 Shares in issue as at the Last Trading Day.
6. All Shares were held in public hands as at the Last Trading Day.
7. The trading volume of the Shares from 1 March 2010 to 7 January 2011 had been adjusted for the effect of the capital reorganisation of the Company which became effective from 10 January 2011 onwards, under which every 25 issued and unissued Shares of HK\$0.001 each are consolidated into one consolidated Share of HK\$0.025 each.

The above table illustrates that the average daily trading volume of the Shares per month had been thin during the Review Period. Save as and except for December 2010 during the Review Period, the volume of Shares traded was below 2% of the total number of issued Shares as at the Last Trading Day. Since the Shares were highly illiquid in the open market, we concur with the Directors that it would be difficult to attract the Qualifying Shareholders to further invest in the Company through the Rights Issue if the Subscription Price was not set at rather deep discount to the historical closing prices of the Shares. For this reason, we are of the view that the discount to the Share price as represented by the Subscription Price is justifiable.

(iii) Comparison with other rights issue transactions

As part of our analyses, we have identified those rights issue transactions (the “**Comparables**”) announced from 8 January 2011 up to the Last Trading Day (the “**Comparable Review Period**”), being the two-month period prior to and including the Last Trading Day, by companies listed on the main board of the Stock Exchange. To the best of our knowledge, we found seven companies which met the said criteria. We are of the view that the Comparables Review Period being two months prior to and including the Last Trading Day would provide us with the most recent relevant market information. Accordingly, we consider the Comparables to be fair and representative samples. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are

LETTER FROM GUANGDONG SECURITIES

only used to provide a general reference for the common market practice in recent rights issue transactions by main board listed companies in Hong Kong. Summarised below is our relevant finding:

Company name	Stock code	Date of announcement	Discount of the subscription price to closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Discount of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue %	Underwriting commission %	Ratio of allotment
Capital VC Limited	2324	12 January 2011	(28.57)	(21.05)	3.00	1 for 2
Sheng Yuan Holdings Limited	851	21 January 2011	(46.84)	(38.24)	1.50	2 for 5
Nam Hing Holdings Limited <i>(Note)</i>	986	31 January 2011	(92.80)	(32.30)	3.00	26 for 1
Hanny Holdings Limited <i>(Note)</i>	275	31 January 2011	(90.16)	(50.50)	2.50	8 for 1
The Wharf (Holdings) Limited	4	10 February 2011	(31.00)	(29.00)	1.25	1 for 10
China Properties Investment Holdings Limited	736	16 February 2011	(83.61)	(13.92)	3.00	30 for 1
Kantone Holdings Limited	1059	28 February 2011	(24.81)	(19.35)	2.50	2 for 5
Range of discount/ underwriting commission Average			(24.81) to (92.80) (56.83)	(13.92) to (50.50) (29.19)	1.25 to 3.00 2.39	
The Company	767	8 March 2011	(88.89)	(20.00)	2.50	30 for 1

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

Note:

The calculation was adjusted for the effect of the capital reorganisation of the respective company immediately prior to their rights issue exercise.

As shown by the above table, the subscription prices of the Comparables ranged from discounts of approximately 24.81% to 92.80% to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the “**LTD Market**

LETTER FROM GUANGDONG SECURITIES

Range”). The discount of approximately 88.89% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price (the “**LTD Discount**”) falls within the LTD Market Range.

On the other hand, the subscription prices of the Comparables ranged from discounts of approximately 13.92% to 50.50% to the respective theoretical ex-rights prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the “**TERP Market Range**”). The discount of approximately 20.00% to the Theoretical Ex-rights Price as represented by the Subscription Price (the “**TERP Discount**”) falls within the TERP Market Range.

In light of that (i) the LTD Discount falls within the LTD Market Range; (ii) the TERP Discount falls within the TERP Market Range; and (iii) the discount of the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue especially when the Shares had been highly illiquid in the open market, we concur with the Directors that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(3) **Undertakings from the Underwriter and the underwriting arrangements**

With reference to the Board Letter, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owner are Independent Third Parties. As at the Latest Practicable Date, the Underwriter and its associates are not interested in any Shares. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis, being 2,774,183,310 Rights Shares (assuming there are no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date), subject to the terms and conditions of the Underwriting Agreement with an underwriting commission of 2.50% of the aggregate Subscription Price in respect of the number of Underwritten Shares (the “**Underwriting Commission**”).

From the table in the section headed “Comparison with other rights issue transactions” of this letter, we noted that the Underwriting Commission falls within the range of commissions of 1.25 to 3% received by underwriters in other rights issue transactions. Given the above, we are of the opinion that the underwriting arrangements for the Rights Issue and the Underwriting Commission are in line with common market practice.

(4) Application for excess Rights Shares

As stated in the Board Letter, Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis.

We have also reviewed the other major terms of the Rights Issue and the Underwriting Agreement and are not aware of any major terms which are uncommon to normal market practice. Accordingly, we consider that the terms of the Rights Issue (including the Subscription Price) and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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

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

Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriter is obligated to take up the unsubscribed Rights Shares, the shareholding interests of the Qualifying Shareholders in the Company will be diluted by a maximum of 96.77 percent point. Details of such dilution effect are presented in the table in the section headed “Shareholding structure of the Company in respect of the Rights Issue” in the Board Letter.

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

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

LETTER FROM GUANGDONG SECURITIES

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

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

(6) Financial effects of the Rights Issue

Effect on NTAV

An unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to the equity holders of the Company based on the unaudited consolidated net tangible liabilities value (“**N TLV**”) of the Group as at 30 June 2010 as if the Rights Issue had taken place on 30 June 2010 is set out in Appendix II to the Circular (the “**Statement**”).

The unaudited pro forma adjusted consolidated NTLV of the Group was approximately US\$17.17 million as at 30 June 2010, according to the Statement. Upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated NTLV of the Group would become net tangible assets of approximately US\$10.11 million, according to the Statement.

LETTER FROM GUANGDONG SECURITIES

Effect on gearing position

With reference to the Interim Report, the gearing level of the Group (calculated as net debt to total capital of the Company) was approximately 126% as at 30 June 2010. As just mentioned, the total assets and capital base of the Group would be enlarged upon completion of the Rights Issue but the borrowings of the Group are not expected to change due to the Rights Issue. Consequently, the gearing position of the Group would be relieved and the Directors expected that the Group would enjoy more financial flexibility afterwards.

Effect on working capital

As mentioned under the section headed “Reasons for the Rights Issue” of this letter, the Company intends to apply net proceeds from the Rights Issue of approximately HK\$214.64 million as to not more than 70% for financing the Acquisition Opportunities and as to not less than 30% for the Development. In the event that the Company is unable to identify any suitable acquisition targets or the possible Acquisition Opportunities are not materialized, the net proceeds will be fully utilized for the Development. To the extent that the said net proceeds are not immediately required for or applied to the above purposes, the Company may hold such funds with licensed banks or licensed financial institutions in Hong Kong for so long as it is in the Company’s best interests.

Accordingly, the Directors expected that (i) the Rights Issue would not have direct impact on the working capital position of the Group should the net proceeds from the Rights Issue is applied for financing the Acquisition Opportunities and/or the Development; and (ii) the Rights Issue would improve the working capital position of the Group should the net proceeds from the Rights Issue is held with licensed banks or licensed financial institutions in Hong Kong.

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

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GUANGDONG SECURITIES

Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the SGM to approve the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

A. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Group for each of the year ended 31 December 2007, 31 December 2008 and 31 December 2009, including the notes thereto, have been published in the annual reports of the Company for the year ended 31 December 2007 (pages 23 to 72) dated 21 April 2008, 31 December 2008 (pages 24 to 86) dated 28 April 2009 and 31 December 2009 (pages 21 to 84) dated 27 April 2010 respectively, which are incorporated by reference into this Circular. The said annual reports of the Company are available on the Company's website at <http://www.irasia.com/listco/hk/pphl/> and the website of the Stock Exchange at www.hkexnews.hk.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2010 together with the relevant notes to the accounts are disclosed in the interim report of the Company dated 30 August 2010, which are incorporated by reference into this Circular. The said interim report of the Company is available on the Company's website at <http://www.irasia.com/listco/hk/pphl/> and the website of the Stock Exchange at www.hkexnews.hk.

B. INDEBTEDNESS STATEMENT**Borrowings**

At the close of business on 28 February 2011, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Circular, the Group had outstanding unguaranteed and unsecured loans from shareholders of a subsidiary and convertible bonds with principal amount of approximately US\$6,162,000 and US\$6,154,000 respectively.

Commitment and contingent liabilities

As at 28 February 2011, the Group had the total future aggregate minimum lease payments under various non-cancellable operating leases in respect of office properties amounting to approximately US\$112,000.

At the close of business on 28 February 2011, the Group had no material contingent liabilities.

Pledge of assets

At the close of business on 28 February 2011, the Group did not pledge any asset to banks or other financial institutions.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in normal course of business, as at the close of business on 28 February 2011, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into United States dollars at the applicable rates of exchange prevailing as at 28 February 2011.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 28 February 2011.

C. WORKING CAPITAL

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

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

E. FINANCIAL AND TRADING PROSPECT

Upon the completion of the acquisition of 51% share interest of Delta Wealth Finance Limited (known as Head & Shoulders Finance Limited before 20 January 2011) in October 2010 and the disposal of the loss-making plywood business in December 2010, the Group's principal business changed from the plywood business to money lending and provision of credits business and will continue with plywood related business by sourcing business opportunities in relation to the upstream plywood business (i.e. the forestry business for the reasons as set out in the Letter

from the Board). As at the Latest Practicable Date, the Company received a proposal from potential vendor regarding the said plywood business. However, the Company is studying the said proposal and no negotiation between the Company and the vendor has been commenced yet.

Although there was still uncertainty in global financial market, the Board was optimistic about the future prospect of the money leading and provision of credits business. The Board was confidence that the existing business would keep growing and be profitable in long run due to (i) the interest rate provided by both global banks and local banks would maintain at a low rate in the foreseeable future which would in turn stimulate the demand of borrowing; (ii) Hong Kong was a springboard for both individual and corporate investors in PRC where the development and borrowing needs kept surging; and (iii) the consistent inflow of hot money and affluence into the Hong Kong financial market.

Given that (i) the economy of Hong Kong has been stepping up from the economic downturn; (ii) the quantitative easing program launched by the United States' government which should kindle investment and the funding needs; and (iii) the upsurge of interest rate in PRC banks which were our competitors as a result of PRC inflation-curbing policies, it is expected there would be a persistently increasing demand on money lending and the provision of credits, e.g. personal loans from the general public in Hong Kong. It is a good timing for the Group to further develop the business of money lending and the provision of credits so as to create a sustainable growth in the long run.

Meanwhile, the Board has been exploring ways to improve the financial performance of the Group, including the diversification of the Group's operations to new and more profitable businesses. For instance, the Company entered into the memorandums of understandings with Markmore Sdn Berhad, a company incorporated in Malaysia, on 6 July 2010, 18 October 2010 and 3 March 2011 to explore the investment opportunity(ies) in two oilfields located in Kazakhstan which is expected to provide a favorable and sustainable development opportunity for the Group.

The Board will continue to monitor closely the performance of its business and will review the business activities, assets and operating environment of the Group and formulate business plans and strategies for the business development and a broader income base of the Group from time to time.

There are no special trade factors or risks (if any) not mentioned elsewhere in the Circular which are unlikely to be known or anticipated by the general public, and which could materially affect the profits.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of the Group attributable to owners of the Company has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of the Rights Issue of 2,774,183,310 rights shares of HK\$0.025 each (the “**Rights Shares**”) at HK\$0.08 per Rights Share payable in full upon acceptance on the basis of thirty Rights Shares for every one existing share held on the Record Date, on the consolidated net tangible assets of the Group as if the Rights Issue had been taken place on 30 June 2010.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2010, extract from the interim report of the Group for the six months ended 30 June 2010 which can be accessed on the website of the Stock Exchange, with adjustments described below:

Unaudited consolidated net liabilities of the Group attributable to owners of the Company as at 30 June 2010 US\$'000 (Note 1)	Adjustment for deferred income tax assets US\$'000 (Note 2)	Unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2010 US\$'000	Estimated net proceeds from the Rights Issue US\$'000 (Note 3)	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Rights Issue US\$'000
(12,310)	(4,860)	(17,170)	27,282	10,112

Unaudited consolidated net tangible liabilities per share attributable to owners of the Company before completion of the Rights Issue as at 30 June 2010 (Note 4)

(US\$0.1857)

Unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after completion of the Rights Issue as at 30 June 2010 (Note 5)

US\$0.0035

Notes:

1. The consolidated net liabilities of the Group attributable to the owners of the Company as at 30 June 2010 is extracted from the published unaudited interim report of the Group for the period ended 30 June 2010 which can be accessed on the website of the Stock Exchange.
2. The adjustment represents the Group's deferred income tax assets of approximately US\$4,860,000 as at 30 June 2010.
3. The estimated net proceeds from the Rights Issue of US\$27,282,000 are based on the 2,774,183,310 Rights Shares to be issued at the subscription price of HK\$0.08 per Rights Share (equivalent to US\$0.0102564 per Rights Share) and after deduction of estimated related expenses including among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue of approximately US\$1,171,000.
4. The unaudited consolidated net tangible liabilities per share attributable to owners of the Company before completion of the Rights Issue is arrived based on 92,472,777 shares in issue as at the Latest Practicable Date.
5. The unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after completion of the Rights Issue is arrived based on a total of 2,866,656,087 Shares, which represents 92,472,777 shares in issue as at the Latest Practicable Date and adjusted for 2,774,183,310 Rights Shares expected to be issued immediately after the completion of the Rights Issue.
6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2010.

REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF THE ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

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

28 March 2011

The Directors
Pacific Plywood Holdings Limited
Unit 1903, 19/F.,
West Tower Shun Tak Centre,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear Sirs,

**ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF
THE ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

We report on the unaudited pro forma statement of consolidated net tangible assets (“**Unaudited Pro Forma Financial Information**”) of Pacific Plywood Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 62 to 66 of Appendix II to the circular dated 28 March 2011, in connection with the proposed rights issue on the basis of thirty rights shares for every one existing shares held on the record date (the “**Right Issue**”), which has been prepared by the directors of the Company (the “**Directors**”), for illustrative purposes only, to provide information about how the Right Issue might have affected the financial information presented, for inclusion in Appendix II of the circular dated 28 March 2011 (the “**Circular**”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and notes to the Unaudited Pro Forma Financial Information included in Appendix II of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)

and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

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

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

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

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

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

ZHONGLEI (HK) CPA Company Limited

Certified Public Accountants (Practising)

Chan Chi Kei, Ronald

Practising Certificate Number: P04255

Hong Kong

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the completion of the Rights Issue and exercise in full of the conversion rights attaching to the Placing Convertible Notes at the minimum Conversion Price of HK\$0.082 (assuming no exercise of the conversion rights attaching to the Convertible Bonds before the Record Date); and (iii) if the Rights Issue does not become unconditional or does not proceed at the time of issue of the Placing Convertible Notes and the exercise in full of the conversion rights attaching to the Placing Convertible Notes at the maximum Conversion Price of HK\$0.58 were and will be as the following:

(i) As at the Latest Practicable Date

<i>Authorized:</i>	<i>HK\$</i>
<u>8,000,000,000</u> Shares	<u>200,000,000</u>
<i>Issued and fully paid:</i>	<i>HK\$</i>
<u>92,472,777</u> Shares	<u>2,311,819</u>

- (ii) **Immediately following the completion of the Rights Issue and exercise in full of the conversion rights attaching to the maximum amount of the Placing Convertible Notes at the minimum Conversion Price of HK\$0.082**

<i>Authorized:</i>		<i>HK\$</i>
<u>8,000,000,000</u>	Shares	<u>200,000,000</u>
<i>Issued and to be issued:</i>		<i>HK\$</i>
92,472,777	Shares	2,311,819
2,774,183,310	Rights Shares to be allotted and issued under the Rights Issue	69,354,583
<u>1,219,512,195</u>	Shares to be issue upon exercise in full of the conversion rights attaching to the Placing Convertible Notes at the minimum Conversion Price of HK\$0.082	<u>30,487,805</u>
<u>4,086,168,282</u>	Shares	<u>102,154,207</u>

- (iii) **If the Rights Issue does not become unconditional or does not proceed at the time of issue of the Placing Convertible Notes and the exercise in full of the conversion rights attaching to the Placing Convertible Notes at the maximum Conversion Price of HK\$0.58**

<i>Authorized:</i>		<i>HK\$</i>
<u>8,000,000,000</u>	Shares	<u>200,000,000</u>
<i>Issued and to be issued:</i>		<i>HK\$</i>
92,472,777	Shares	2,311,819
<u>172,413,793</u>	Shares to be issue upon exercise in full of the conversion rights attaching to the Placing Convertible Notes at the maximum Conversion Price of HK\$0.58	<u>4,310,345</u>
<u>264,886,570</u>	Shares	<u>6,622,164</u>

All of the Rights Shares and the Conversion Shares (when allotted, issued and fully paid) will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares and the Conversion Shares. The Rights Shares and the Conversion Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or the Conversion Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for the Convertible Bonds, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Rights Shares and the Conversion Shares.

3. DISCLOSURE OF INTEREST

(a) Interests of Directors

As at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were

required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACT AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2009 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

5. COMPETING INTERESTS

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

6. LITIGATION

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

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions and advices, which are contained in this Circular.

Name	Qualifications
Guangdong Securities Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

ZHONGLEI (HK) CPA Company Limited Certified Public Accountants

Each of Guangdong Securities Limited and ZHONGLEI (HK) CPA Company Limited has given and not withdrawn their written consents to the issue of this Circular with the inclusion of its letters, references to its name and/or its advices in the form and context in which they respectively appear.

9. EXPERTS' INTERESTS IN ASSETS

As at the Latest Practicable Date, each of Guangdong Securities Limited and ZHONGLEI (HK) CPA Company Limited:

- (a) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited consolidated accounts of the Group were made up; and

- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda while the principal office of the Company is situated at Unit 1903, 19/F., West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Ms. Tam Hang Yin. Ms. Tam is a member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor's degree in Accountancy in the Chinese University of Hong Kong.
- (d) The English text of this Circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.
- (e) A board meeting of the Company will be held on 29 March 2011 to approve the final results of the Company for year ended 31 December 2010. The Directors consider that the Circular has included all the necessary information for the Shareholder to vote on the relevant resolutions to approve the Rights Issue and Placing. In the event that there is any material information relating to the Rights Issue and Placing after the Circular is published, the Company will publish supplementary circular to inform the Shareholders.

11. MATERIAL CONTRACTS

The Group had entered into the following contracts within two years immediately preceding the date of this Circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Company or may be material:

- (a) the Placing Agreement;
- (b) the Underwriting Agreement;

- (c) the supplemental agreement dated 24 January 2011 entered into between the Company and Roofers Securities Limited as the placing agent for revising the placing price of HK\$0.73 per placing share pursuant to the placing agreement dated 21 January 2011 to HK\$0.74 per placing share;
- (d) the placing agreement dated 21 January 2011 entered into between the Company and Roofers Securities Limited as the placing agent with regard to the placement of 15,400,000 Shares of the Company at the placing price of HK\$0.73 per placing share;
- (e) the placing agreement dated 30 November 2010 entered into between the Company and Roofers Securities Limited as the placing agent with regard to the placement of 321,000,000 Shares of the Company at the placing price of HK\$0.105 per placing share;
- (f) the facility letter granted to Head & Shoulders Finance Limited dated 10 November 2010 in which the Company agreed to provide a facility of HK\$138,000,000 to Head and Shoulders Finance Limited;
- (g) the sale and purchase agreement dated 29 October 2010 entered into between the Company as vendor and Global Axis Limited as purchaser in respect of the disposal with a total consideration of HK\$5 million of entire share capital of Ankan Holdings Limited, Georich Trading Limited and SMI Global Corporation, which are direct wholly-owned subsidiaries of the Company. Ankan Holdings Limited is an investment holding company, subsidiaries of which are: (1) SMI Management & Co., Pte. Limited; (2) Manuply Wood Industries (S) Sdn Bhd; (3) Glowing Schemes Sendirian Berhad; (4) Daunting Services Limited; (5) Sevier Pacific Limited; and (6) Pacific Plywood Limited; and an associated company, Segereka Sendirian Berhad;
- (h) the facility letter granted to Head & Shoulders Finance Limited dated 27 October 2010 in which the Company agreed to provide a facility of HK\$12,000,000 to Head and Shoulders Finance Limited;
- (i) the sale and purchase agreement dated 24 September 2010 between Best Harvest Asia Limited as purchaser (a wholly-owned subsidiary of the Company) and Favor Way Investments Limited as vendor in respect of the acquisition of 51% interest in Head & Shoulders Finance Limited at a total consideration of HK\$52,000,000;

- (j) the sale and purchase agreement dated 29 May 2009 between the Company as vendor and PT. Golden Pacific Gate as purchaser in respect of the sale of all issued shares in Ankan (China) Holdings Limited for a consideration of US\$50,000;
- (k) the option dated 16 April 2010 and the subsequent formal agreement dated 30 April 2010 between SMI Management & Co., Pte. Limited as vendor (a wholly owned subsidiary of the Company) and Evergreen Marine (Singapore) Pte. Limited as purchaser in relation to the disposal of a commercial property in Singapore at a consideration of Singapore dollar \$23,000,000;
- (l) the placing agreement dated 2 March 2010 entered into between the Company and Grand Vinco Capital Limited as placing agent for the placement of 265,540,000 Shares of the Company. The placing price is HK\$0.158 per placing share. The net proceeds from the placing amount to approximately HK\$41,955,000; and
- (m) the second supplemental agreement dated 15 April 2009 between of Ankan Holdings Limited as purchaser (a wholly owned subsidiary of the Company) and Mr. Leong Low as vendor in relation to the acquisition of certain interest in forest concession with a consideration of US\$2,000,000 and its termination dated 8 December 2009 with a refund of US\$1,000,000.

12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Canon's Court 22 Victoria Street Hamilton, HM12 Bermuda
Head office and principal place of business in Hong Kong	Unit 1903, 19/F. West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong

Authorized representatives	Mr. Huang Chuan Fu Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong Ms. Tam Hang Yin Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Company secretary	Ms. Tam Hang Yin Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Legal advisers to the Company and in relation to the Right Issue	<i>As to Hong Kong Law</i> Angela Ho & Associates 1106, Tower 1, Lippo Centre, 89 Queensway Hong Kong <i>As to Bermuda Law</i> Appleby 2206-19, Jardine House 1 Connaught Place Central Hong Kong
Company's auditors	SHINEWING (HK) CPA Limited, 43/F., The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong

Reporting accountants	ZHONGLEI (HK) CPA Company Limited Suites 216-218, 2/F, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Independent Financial Adviser	Guangdong Securities Limited Units 2505-06, 25/F. Low Block of Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Underwriter	Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre Central Hong Kong
Branch share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F. Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Branch share registrar and transfer office in Bermuda	RBC Dexia Corporate Services Hong Kong Limited 51/F., Central Plaza 18 Harbour Road Wan Chai Hong Kong
Principal banker	DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Central Hong Kong

13. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission (based on the scenario 2,774,183,310 Rights Shares are issued), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$9.13 million, which are payable by the Company.

14. PARTICULARS OF DIRECTORS OF THE COMPANY

Name	Correspondence Address
<i>Executive Directors</i>	
Mr. Liang Jian Hua	Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Mr. Huang Chuan Fu	Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Ms. Jia Hui	Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Mr. Jiang Yi Ren	Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
<i>Independent non-executive Directors</i>	
Mr. Chan Kin Sang	Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Mr. Cheng Po Yuen	Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Mr. Wong Chun Hung	Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong

Profiles of Directors

Executive Directors

Mr. Liang Jian Hua, aged 41, is the Chairman of the Group. He is also a director of one subsidiary of the Company. He has around 18 years of working experience in area of trading and property investment. He joined the Group since 29 April 2010. Currently, Mr. Liang is the vice president of Zhe Jiang Shunfeng Steel Co., Ltd.. Save as disclosed above, he does not hold any other major appointments or professional qualifications and has not held any position or directorships in any other listed public companies during last three years preceding the date of this Circular.

Mr. Huang Chuan Fu, aged 37, is the Deputy Chairman of the Group. He is also a director of four subsidiaries of the Company. He has around 8 years of working experience. He was the vice president of Nanping Wang Jia Wood Bamboo & Wood Industry Co., Ltd from 2002 to 2005. He joined the Group since 13 April 2010. Save as disclosed above, he does not hold any other major appointments or professional qualifications and has not held any position or directorships in any other listed public companies during last three years preceding the date of this Circular.

Mr. Jiang Yi Ren, aged 44, has around 20 years of working experience in area of manufacturing and property investment. He joined the Group since 29 April 2010. Currently, Mr. Jiang is the vice president of Wenling City Zhong Fa Precision Steel Parts Co., Ltd. Save as disclosed above, he does not hold any other major appointments or professional qualifications and has not held any position or directorships in any other listed public companies during last three years preceding the date of this Circular.

Ms. Jia Hui, aged 43, has around 20 years of working experience in area of merchandising and project management. Since 2003, she has been appointed as the business development manager of Beijing International Trade Corporation. She joined the Group since 13 April 2010. Save as disclosed above, she does not hold any other major appointments or professional qualifications and has not held any position or directorships in any other listed public companies during last three years preceding the date of this Circular.

Independent non-executive Directors

Mr. Chan Kin Sang, aged 60, is currently the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitor and Notaries. He has been a practicing solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Law degree in 1979. He was admitted as a Notary Public in 1997 and

as a China-appointed Attesting Officer in 2000. He is currently a Fellow of the Hong Kong Institute of Directors. Mr. Chan currently acts as independent non-executive director of four listed companies in Singapore, namely, CHT (Holdings) Limited, Luxking Group Holdings Limited, People's Food Holdings Limited and Sunray Holdings Limited. He also acts as non-executive director of Pan Hong Property Group Limited, a listed company in Singapore. Mr. Chan also acts as independent non-executive director of four Hong Kong listed companies namely China Precious Metal Resources Holdings Co., Ltd., Combest Holdings Limited, International Taifeng Holdings Limited and the Company and acts as non-executive director of two Hong Kong listed companies namely, Mayer Holdings Limited and United Pacific Industries Limited. Mr. Chan also resigned the position on four other listed companies in the past three years as independent non-executive Director, namely Dynamic Energy Holdings Limited, New Smart Energy Group Limited, PNG Resources Holdings Limited and Wai Chun Group Holdings Limited. Since Mr. Chan's directorships with other companies are mostly non-executive in nature, and will not involve in the day-to-day operation and management of the Company as an independent non-executive Director, Mr. Chan confirms and we consider that Mr. Chan shall have sufficient time to discharge his responsibilities as an independent non-executive Director.

Mr. Cheng Po Yuen, aged 35, holds a Bachelor of Business Administration degree majoring in accounting. He joined the Group since 24 November 2010. Mr. Cheng is a practicing accountant in Hong Kong and he is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. He has over 10 years of experience in auditing, accounting and finance.

Mr. Wong Chun Hung, aged 38, graduated from the Hong Kong Baptist University with honors degree in accounting in 1995. He joined the Group since 22 April 2010. Mr. Wong is an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 10 years of experience in accounting, auditing and consulting. He is also a managing director of B&C Finance and Corporate Advisory Limited from November 2005 until now. In addition, Mr. Wong is currently under employment as a financial controller of General Nice Group as well as its associates, Abterra Limited, which is a listed company in Singapore from 1 September 2009 and 5 January 2010 respectively. He currently acts as an independent non-executive director of two Hong Kong listed Companies namely, Po Yuen Holdings Limited and the Company. He was also an independent non-executive director of Tech Pro Technology Development Limited from 25 July 2007 to 7 January 2011 which is a listed company in Hong Kong.

Save as disclosed herein, there is no other relationship between each of the Directors and senior management as required to be disclosed under the Listing Rules.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours in any weekday (excluding Saturdays, Sundays and public holidays) at the office of the Company at Unit 1903, 19/F., West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong from the date of this Circular up to and including the date of the SGM:

- (a) the bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2007, 2008 and 2009 and the interim report of the Company for the six months ended 30 June 2010;
- (c) the letter issued by ZHONGLEI (HK) CPA Company Limited regarding the unaudited pro forma financial information as set out in appendix II of this circular;
- (d) the written consent given by ZHONGLEI (HK) CPA Company Limited and Guangdong Securities referred to in the paragraph headed “Experts and Consents” in this appendix;
- (e) the letter from the Independent Board Committee in respect of the Rights Issue;
- (f) the letter from the Guangdong Securities;
- (g) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (h) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts of the Company.

NOTICE OF SPECIAL GENERAL MEETING



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Pacific Plywood Holdings Limited (the “Company”) will be held at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 13 April 2011 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolution(s) with or without amendment:

ORDINARY RESOLUTIONS

1. “**THAT** subject to the fulfillment or waiver of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**”) dated 8 March 2011 in respect of the proposed rights issue by the Company and entered into between the Company and Kingston Securities Limited (the “**Underwriter**”) (a copy of the Underwriting Agreement has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification):
 - (a) the allotment and issue of 2,774,183,310 new shares each ranking *pari passu* in all respects with existing shares of the Company (the “**Rights Shares**”) of HK\$0.025 each in the share capital of the Company (the “**Shares**”) pursuant to an offer by way of rights to the holders of Shares (the “**Shareholders**”) at the subscription price of HK\$0.08 per Rights Share in the proportion of thirty (30) Rights Shares for every one (1) existing Share held by the Shareholders whose names appear on the register of members of the Company on 26 April 2011 (or such later date as the Company and the Underwriter may agree to be the record date for such Rights Issue) (the “**Record Date**”) other than those Shareholders whose addresses on the Record Date are outside Hong Kong (the “**Overseas Shareholders**”) (the “**Rights Issue**”) as described in further detail in a circular issued by the Company dated 28 March 2011 of which the notice convening this meeting forms part and on and subject to such terms and conditions as may be determined by the directors of the Company, be and is hereby approved;

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

- (b) the directors of the Company be and are hereby authorized to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholdings of the Shareholders and, in particular, the directors of the Company may make such exclusions or other arrangements in relation to Overseas Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution;
 - (c) any one or more of the directors of the Company be and is/are hereby authorized to do all acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and to make and agree such variations of the terms of the Underwriting Agreement as he/they may consider to be appropriate and in the interests of the Company.”
2. “**THAT** subject to the fulfillment of the conditions set out in the placing agreement (the “**Placing Agreement**”) dated 8 March 2011 in respect of the placing of the 18 months 6% coupon convertible notes in an aggregate principal amount of up to HK\$100,000,000 (the “**Placing Convertible Notes**”) by United Simsen Securities Limited (the “**Placing Agent**”) entered into between the Company and the Placing Agent (a copy of the Placing Agreement has been produced to the meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification):
- (a) the placing of the Placing Convertible Notes by the Placing Agent on a best effort basis up to an aggregate principal amount of HK\$100,000,000 at the placing price as 100% of the principal amount of the Placing Convertible Notes during the placing period (the period from the date of the Placing Agreement to 90 days after the date of the SGM or such other period as may be agreed by the Company and the Placing Agent in writing) in a maximum of three tranches in integral multiples of HK\$1,000,000, be and is hereby approved.

NOTICE OF SPECIAL GENERAL MEETING

- (b) any one or more of the directors of the Company be and is/are hereby authorised to do all acts and things in connection with the placement of the Placing Convertible Notes and the Placing Agreement, the exercise or enforcement of any of the Company's rights under the Placing Agreement and to make and agree such variations of the terms of the Placing Agreement as he/they may consider to be appropriate and in the interests of the Company.
- (c) the Placing Convertible Notes to be issued by the Company in accordance with the terms and conditions of the Placing Agreement and the transactions contemplated thereunder be and are hereby approved; and
- (d) any one or more of the directors of the Company be and is/are hereby authorised to take all steps necessary or expedient to implement and/or give effect to the issue of the Placing Convertible Notes including but not limited to the allotment and issue of ordinary shares of HK\$0.025 each in the share capital of the Company of which may fall to be issued upon the exercise of the conversion rights attached to the Placing Convertible Notes.”

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

Hong Kong, 28 March 2011

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

Head office and principal place of business
Unit 1903, 19/F.
West Tower Shun Tak Centre,
168-200 Connaught Road Central
Sheung Wan, Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.
- (2) The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (3) Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
- (4) Where there are joint Shareholders any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.
- (5) The form of proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.