
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 the accompanied 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.

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PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

CONNECTED TRANSACTION

**ADJUSTMENT TO THE CONVERSION PRICE
OF THE CONVERTIBLE BONDS**

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

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橋
BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

A letter from the board of directors of the Company is set out from pages 3 to 8 of this circular. A letter from the independent board committee of the Company is set out on page 9 of this circular. A letter from Bridge Partners Capital Limited, containing its advice to the independent board committee and the independent shareholders of the Company is set out from pages 10 to 20 of this circular.

A notice convening the special general meeting of the Company to be held at Unit 1903, 19/F, West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 6 May 2011 at 9 a.m. or any adjournment is set out from pages 26 to 27 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the 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 special general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the special general meeting of the Company should you so wish.

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DEFINITIONS

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

“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Adjustment”	the proposed adjustment to the Conversion Price of the Convertible Bonds from HK\$4.00 to HK\$0.274 in accordance with the respective terms and conditions of the Convertible Bonds and by making reference to the Listing Rules or guidelines issued by the Stock Exchange
“Board”	the board of Directors
“CB Holder”	Favor Way Investments Limited, the holder of all the outstanding Convertible Bonds as at the Latest Practicable Date
“Convertible Bonds”	the convertible redeemable bonds in the aggregate principal amount of HK\$48 million 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”	HK\$4.00 per conversion Share (subject to the Adjustment)
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	comprises all the three independent non-executive Directors, namely Mr. Chan Kin Sang, Mr. Cheng Po Yuen and Mr. Wong Chun Hung, to advise the Independent Shareholders in respect of the Adjustment

DEFINITIONS

“Independent Financial Adviser”	Bridge Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Adjustment
“Independent Shareholder(s)”	any Shareholder(s) other than the CB Holder and its associates
“Latest Practicable Date”	15 April 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 of HK\$0.082
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be held on 6 May 2011 for the purpose of considering and, if thought fit, approving the Adjustment
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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



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

18 April 2011

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

**ADJUSTMENT TO THE CONVERSION PRICE
OF THE CONVERTIBLE BONDS**

INTRODUCTION

The purpose of this circular is to provide you with further information relating to (i) the Adjustment; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Adjustment; (iii) a letter of advice from the Independent Financial Adviser setting out, among other things, its recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Adjustment; and (iv) the notice of SGM.

* *For identification purpose only*

LETTER FROM THE BOARD

Background of and reasons for the Adjustment

Reference is made to the announcement of the Company dated 24 September 2010 (the “**Acquisition Announcement**”), the Convertible Bonds has been issued to the CB Holder (as at the Latest Practicable Date, the CB Holder owns 40% share interests of Delta Wealth Finance Limited which is formerly known as Head & Shoulders Finance Limited and wholly-owned by Ms. Tin Yuen Sin Carol, who is a director of Delta Wealth Finance Limited) to settle part of the consideration for the acquisition of 51% share interests of Delta Wealth Finance Limited, which has become a non wholly-owned subsidiary of the Company thereafter. It is stated in the Acquisition Announcement that the conversion Shares to be issued under the Convertible Bonds shall be issued and allotted under the then general mandate of the Company.

On 8 March 2011, the Company announced a proposed rights issue on the basis of thirty (30) rights Shares for every one (1) existing Share in issue and held on the record date of 26 April 2011 at the subscription price of HK\$0.08 per rights Share subject to the terms and conditions set out in the underwriting agreement dated 8 March 2011 (the “**Rights Issue**”), further details of which were set out in the circular of the Company dated 28 March 2011 (the “**Rights Issue Circular**”). As at the Latest Practicable Date, the approval of the relevant ordinary resolution to approve the Rights Issue has been obtained from the independent Shareholders by the Company.

Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price of HK\$4.00 (after the share consolidation of the Company on the basis that every 25 issued and unissued Shares of the Company of HK\$0.001 each be consolidated into 1 consolidated Share of HK\$0.025 each became effective, details of which were set out in the circular of the Company date 21 December 2010) is subject to adjustments upon the occurrence of subdivision or consolidation of Shares, capitalization issues, rights issues and other dilutive events. As a result of the Rights Issue and as disclosed in the Rights Issue Circular, the Conversion Price of HK\$4.00 of the Convertible Bonds is therefore subject to the Adjustment based on the terms and conditions of the Convertible Bonds.

The Adjustment is conditional upon:

- (i) the Rights Issue becoming unconditional; and
- (ii) the approval from the Independent Shareholders on the Adjustment to be obtained at the SGM.

LETTER FROM THE BOARD

The calculation of the Adjustment is made reference to the “Supplementary guidance on adjustments to the exercise price and number of share options” issued by the Stock Exchange on 5 September 2005 (the “**2005 Supplementary Guidance**”) and is extracted below:

Adjustment formula:

$$\text{New conversion price} = \text{Existing conversion price} \times \frac{1}{F}$$

Where

$$F = \frac{\text{CUM}}{\text{TEEP}}$$

CUM = Closing price as shown in the Daily Quotation Sheet of the Stock Exchange on the last day of trading before going Ex-Entitlement

$$\text{TEEP (Theoretical Ex Entitlement Price)} = \frac{\text{CUM} + [\text{M} \times \text{R}]}{1 + \text{M}}$$

M = Entitlement per existing Share

R = Subscription Price

Based on the above formula, the Conversion Price will be adjusted from HK\$4.00 per conversion Share to HK\$0.274 per conversion Share. The number of new Shares to be issued under the adjusted Conversion Price of HK\$0.274 will be 175,182,481 Shares, representing (i) approximately 189.44% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 6.11% of the issued share capital of the Company after the completion of the Rights Issue; (iii) approximately 4.29% of the issued share capital of the Company after the completion of the Rights Issue and the full conversion of the Placing Convertible Notes; and (iv) approximately 4.11% of the issued share capital of the Company after the completion of the Rights Issue, the full conversion of the Placing Convertible Notes and the full conversion of the Convertible Bonds at the adjusted Conversion Price of HK\$0.274 per conversion Share.

LETTER FROM THE BOARD

Set out below is the shareholding table of the Company, which is for illustrative purpose only (as extracted from the Disclosure of Interests forms posted on the website of the Stock Exchange) immediately before and after the Rights Issue, the full conversion of the Placing Convertible Notes and the full conversion of the Convertible Bonds at the adjusted Conversion Price of HK\$0.274 per conversion Share:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (Assuming all the rights Shares are subscribed by the Shareholders)		Immediately after completion of the Rights Issue (Assuming all the rights Shares are subscribed by the Shareholders) and the full conversion of the Placing Convertible Notes		Immediately after completion of the Rights Issue (Assuming all the rights Shares are subscribed by the Shareholders), the full conversion of the Placing Convertible Notes and the full conversion of the Convertible Bonds at the adjusted Conversion Price of HK\$0.274 per conversion Share	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Public								
Existing public Shareholders	92,472,777	100	2,866,656,087	100	2,866,656,087	70.16	2,866,656,087	67.27
Holder(s) of the Placing Convertible Notes	—	—	—	—	1,219,512,195	29.84	1,219,512,195	28.62
CB Holder	—	—	—	—	—	—	175,182,481	4.11
Total	<u>92,472,777</u>	<u>100</u>	<u>2,866,656,087</u>	<u>100</u>	<u>4,086,168,282</u>	<u>100</u>	<u>4,261,350,763</u>	<u>100</u>

As the Adjustment is required to be made in accordance with the terms and conditions of the Convertible Bonds and calculated by making reference to the 2005 Supplementary Guidance, the Directors consider that the Adjustment is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Upon the approval of the Independent Shareholders is obtained in respect of the Adjustment, the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in conversion Shares as a result of the Adjustment under a specific mandate.

LETTER FROM THE BOARD

Listing Rules implications

To the best of Directors' knowledge, information and belief having made all reasonable enquiry, the CB Holder is considered to have material interest on the Adjustment and Ms. Tin Yuen Sin Carol, being the ultimate beneficial owner of the CB Holder, is regarded as a connected person of the Company under Chapter 14A of the Listing Rules and thus the Adjustment constitutes a connected transaction for the Company and is subject to approval by the Independent Shareholders by way of poll at the SGM. Accordingly, the CB Holder and its associate(s) shall abstain from voting on the relevant resolution to approve the Adjustment. Ms. Tin Yuen Sin Carol and her associates (in the event that the Convertible Bonds is converted into Shares prior to the date of the SGM and is deemed to be held by Ms. Tin Yuen Sin Carol) are required to abstain from voting on the relevant resolution to approve the Adjustment at the SGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, neither the CB Holder, Ms. Tin Yuen Sin Carol nor their associates is interested in any Shares. Save as disclosed above, none of the Shareholders and Directors has material interest in the Adjustment and shall be required to abstain from voting on the relevant resolution to approve the Adjustment.

The Independent Board Committee, comprising Mr. Chan Kin Sang, Mr. Cheng Po Yuen and Mr. Wong Chun Hung, all being the independent non-executive Directors, has been formed to consider the Adjustment. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Recommendation

Having considered the reasons set out herein and the letters of advice from the Independent Board Committee and the Independent Financial Adviser, the Board considers the Adjustment is fair and reasonable and in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Adjustment.

Your attention is drawn to the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Adjustment. The text of the letter from the Independent Financial Adviser is set out from pages 10 to 20 of this circular.

LETTER FROM THE BOARD

SGM

A notice for convening the SGM to be held at Unit 1903, 19/F., West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 6 May 2011 at 9 a.m. or any adjournment is set out from pages 26 to 27 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the 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.

Additional Information

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

By order of the Board

Pacific Plywood Holdings Limited

Huang Chuan Fu

Executive Director and Deputy Chairman



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

18 April 2011

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

**ADJUSTMENT TO THE CONVERSION PRICE
OF THE CONVERTIBLE BONDS**

We refer to the circular of the Company dated 18 April 2011 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the Adjustment. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the Adjustment, after taking into account the advice as contained in the letter from the Independent Financial Adviser as set out from pages 10 to 20 of the Circular, is fair and reasonable so far as the Independent Shareholders are concerned, and 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 to be proposed at the SGM to approve the Adjustment.

Yours faithfully,

Independent Board Committee

Mr. Cheng Po Yuen

Mr. Chan Kin Sang

Mr. Wong Chun Hung

Independent non-executive Directors

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser relating to the Adjustment for the purpose of inclusion in this circular:



BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Unit 605, 6/F, Grand Millennium Plaza

181 Queen's Road Central

Central, Hong Kong

18 April 2011

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

Dear Sirs,

CONNECTED TRANSACTION

ADJUSTMENT TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Adjustment, details of which are set out in the “Letter from the Board” (the “Board Letter”) contained in the circular of the Company dated 18 April 2011 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 24 September 2010, Best Harvest Asia Limited (a wholly-owned subsidiary of the Company) entered into the sale and purchase agreement with Favor Way Investments Limited to acquire the 51% of the issued share capital and shareholders loan of Delta Wealth Finance Limited (formerly known as Head & Shoulders Finance Limited) at a total consideration of HK\$52,000,000. The consideration was settled in the following manner: (i) HK\$2,000,000 in cash; (ii) HK\$2,000,000 by the allotment and issue of 12,500,000 shares at the issue price of HK\$0.160; and (iii) HK\$48,000,000 by the issue of the Convertible Bonds. According to the Company, the Convertible Bonds has been issued to the CB

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Holder. The CB Holder owned 40% share interest of Delta Wealth Finance Limited as at the Latest Practicable Date and is wholly-owned by Ms. Tin Yuen Sin, Carol, a director of Delta Wealth Finance Limited. As mentioned in the announcement of the Company dated 24 September 2010, the conversion shares attaching to the Convertible Bonds shall be issued and allotted under the general mandate of the Company.

On 8 March 2011, the Company announced a proposed rights issue by way of thirty (30) rights Shares for every one (1) existing Share at the subscription price of HK\$0.08 per rights share (the “Rights Issue”). As at the Latest Practicable Date, the relevant ordinary resolution to approve the Rights Issue has been obtained from the Independent Shareholders.

According to the terms and conditions of the Convertible Bonds, the Conversion Price of HK\$4.00 (after the share consolidation of the Company on the basis that every 25 issued and unissued shares of the Company of HK\$0.001 each can be consolidated into 1 consolidated share of HK\$0.025 each became effective) is subject to adjustments upon the occurrence of subdivision or consolidation of Shares, capitalization issues, rights issues and other dilutive events. As a result of the Rights Issue, the conversion price of HK\$4.00 of the Convertible Bonds is therefore subject to the Adjustment based on the terms and conditions of the Convertible Bonds.

Owing to the fact that the CB Holder is considered to have material interest on the Adjustment and Ms. Tin Yuen Sin Carol, being the ultimate beneficial owner of the CB Holder, is regarded as a connected person of the Company under Chapter 14A of the Listing Rules and thus the Adjustment constituted a connected transaction for the Company and is subject to approval by the Independent Shareholders by way of poll at the SGM. Accordingly, the CB Holder and its associate(s) shall abstain from voting on the relevant resolution(s) to approve the Adjustment. Ms. Tin Yuen Sin Carol and her associates (in the event that the Convertible Bonds is converted into Shares prior to the date of the SGM and is deemed to be held by Ms. Tin Yuen Sin Carol) are required to abstain from voting on the relevant resolution to approve the Adjustment at the SGM. As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, neither the CB Holder, Ms. Tin Yuen Sin Carol nor their associates is interested in any Shares. Save as disclosed above, none of the Shareholders and Directors has material interest in the Adjustment and shall be required to abstain from voting on the relevant resolution to approve the Adjustment.

The Independent Board Committee, comprising Mr. Chan Kin Sang, Mr. Cheng Po Yuen and Mr. Wong Chun Hung (all being the independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the Adjustment is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true up to and including the date of this circular. 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 enquiries and careful considerations. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have no reason to suspect that any material fact or information has 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.

The Circular, for which the Directors have collectively and individually accepted full responsibility, includes particulars given in compliance with the Listing Rules, for the purpose of giving information with regard to the Group. The Directors have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, the information contained in the 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 the Circular misleading.

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification on the information provided by the Directors and/or the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, or its subsidiaries or associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue and the disposal of loss making plywood business in December 2010.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Adjustment and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Adjustment, we have taken the following principal factors and reasons into consideration:

(1) Financial highlights of the Group

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) after the disposal of loss making plywood business in December 2010.

Set out below are the financial information of the Group for the two years ended 31 December 2010 as extracted from the annual report of the Company for the year ended 31 December 2010 (the “Annual Report”):

	For the year ended 31 December 2010 <i>(audited)</i> US\$'000	For the year ended 31 December 2009 <i>(audited)</i> US\$'000
Revenue	564	—
Profit/(loss) before taxation	680	(1,482)
Profit/(loss) for the year from continuing operations	661	(1,482)
Profit/(loss) for the year from discontinued operations	9,153	(8,312)
Profit/(loss) for the year	9,814	(9,794)

As illustrated from the table above, we noted that the revenue of the Group for the year ended 31 December 2010 was approximately US\$0.56 million as compare to nil revenue was recorded in the preceding financial year. As stated in the Annual Report, the Group had disposed the plywood business in December 2010 and such results had been categorized as discontinued operations and thus were not reflected in the revenue figures of the Group. On the other hand, the Group had completed the acquisition of 51% share interest of Delta Wealth Finance Limited in October 2010. From then on, the Group has entered into the business of money lending and provision of credits and the revenue of approximately US\$0.56 million represent the revenue generated from this new business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded the net profit for the year ended 31 December 2010 of approximately US\$9.81 million as compared to the loss of US\$9.79 million for 2009. The improvement of the financial performance was mainly attributable to the interest income generated from the new business and the gain on the disposal of the plywood business.

According to the management discussion and analysis of the Annual Report, the plywood business had been incurring losses for more than two years and led the Group into a net liability position. Even though the plywood market recovered from its bottom, the operation remained difficult and continued with net losses in 2010 due to the limited supply of logs and increased in raw materials prices and other related costs. As such, the Company disposed its loss-making plywood manufacturing and distribution business in December 2010 and such disposal had contributed a net gain (after netting of the loss of plywood business for the current year) of approximately US\$9.15 million to the Group.

Besides the expansion in the business of money lending and provision of credits, the Group has been seeking for opportunities to improve the overall performance of the Group and had entered into three memorandums of understanding in relation to the proposed investment in oilfields in Kazakhstan in 2010 and 2011.

(2) Principal terms of Convertible Bonds

According to the sale and purchase agreement dated 24 September 2010 in relation to the acquisition of 51% share interest of Delta Wealth Finance Limited (formerly known as Head & Shoulders Finance Limited), part of the Consideration is to be satisfied by the issue of the Convertible Bonds at the initial conversion price of HK\$0.160 per Conversion Share to the vendor and/or its nominees (as the vendor may direct). Set out below are the summary of the principal terms of the Convertible Bonds:

Issuer	:	The Company
Noteholder(s)	:	CB Holder and/or its nominees (as the CB Holder may direct)
Principal amount	:	HK\$48,000,000
Maturity date	:	31 December 2011
Interest	:	Nil

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Listing of the Convertible Bonds : No application will be made for the listing of the Convertible Bonds.
- Transferability : The holder(s) of the Convertible Bonds may assign or transfer the Convertible Bonds to any transferee subject to the prior consent of the Company.
- Voting rights : The holder(s) of the Convertible Bonds is/are not entitled to attend or vote at any meetings of the Company.
- Conversion rights : The holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the conditions to the Convertible Bonds and with the prior consent of the Company, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into Shares provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted, provided always that (i) the holder of the Convertible Bonds and parties acting in concert (as defined in the takeovers code) with it will not become obliged to make a mandatory offer under Rule 26 of the takeovers code, and (ii) the holder of the Convertible Bonds shall not exercise the conversion rights if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other requirements under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Conversion Price : The initial conversion price of HK\$0.160 per conversion share (subject to adjustments upon the occurrence of subdivision or consolidation of Shares, capitalisation issues, rights issues and other dilutive events)
- Redemption : The Company may at its absolute discretion, at any time and from time to time during the term of the Convertible Bonds, by notice to the holder(s) of the Convertible Bonds to redeem the Convertible Bonds at 100% of its principal amount outstanding. Any Convertible Bonds outstanding on the maturity date shall be redeemed by the Company at 100% of the outstanding principal amount.
- Ranking of the Conversion Shares : The conversion shares shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of such Shares.

Subsequent to the issue of Convertible Bonds to the CB Holder, the Board proposed a share consolidation on the basis that every 25 issued and unissued shares of the Company will be consolidated into 1 consolidated share of the Company. The share consolidation was effective on 10 January 2011. Pursuant to the terms of the Convertible Bonds, the Conversion Price has been adjusted from HK\$0.16 per Share to HK\$4 per Share as a result of the share consolidation. The calculation of such adjustment has been confirmed by a report issued by the Company's financial adviser on 7 January 2011.

(3) Background of and reasons for the Adjustment

Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price shall from time to time be adjusted upon the occurrence of subdivision or consolidation of Shares, capitalization issues, rights issues and other dilutive events. As a result of the Rights Issue, the Conversion Price of HK\$4 per share (after take into account the adjustment as a result of the share consolidation of the Company on the basis that every 25 issued and unissued shares of the Company be consolidated into 1 consolidated Share) of the Convertible Bonds is therefore subject to the Adjustment based on the terms and conditions of the Convertible Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Adjustment is conditional upon:

- (i) the Rights Issue becoming unconditional; and
- (ii) the approval from the Independent Shareholders on the Adjustment to be obtained at the SGM.

(4) The Adjustment

As stated in the Board Letter, the calculation of the Adjustment is made reference to the “Supplementary guidance on adjustments to the exercise price and number of share options” issued by the Stock Exchange on 5 September 2005 (the “2005 Supplementary Guidance”) and is extracted as below:

Adjustment formula:

$$\text{New conversion price} = \text{Existing conversion price} \times \frac{1}{F}$$

Where

$$F = \frac{\text{CUM}}{\text{TEEP}}$$

CUM = Closing price as shown in the Daily Quotation Sheet of the Exchange on the last day of trading before going Ex-Entitlement

$$\text{TEEP (Theoretical Ex Entitlement Price)} = \frac{\text{CUM} + [M \times R]}{1 + M}$$

M = Entitlement per existing Share

R = Subscription Price

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As set out in the circular of the Company dated 28 March 2011 in relation to the Rights Issue, we note that the entitlement per existing Share (M) was 30 and subscription price was HK\$0.08 per rights shares. Based on the above formula and the closing price as shown in the Daily Quotation Sheet of the Exchange on the last day of trading before going Ex-Entitlement (CUM) was HK\$2.13, the Theoretical Ex Entitlement Price (TEEP) would be approximately HK\$0.146 and Factor (F) will be 14.576.

Based on the above formula, the Conversion Price will be adjusted from HK\$4.00 per conversion Share to HK\$0.274 per conversion Share. The number of new Shares to be issued under the adjusted conversion price of HK\$0.274 will be 175,182,481 Shares, representing (i) approximately 189.44% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 6.11% of the issued share capital of the Company after the completion of the Rights Issue; (iii) approximately 4.29% of the issued share capital of the Company after the completion of the Rights Issue and the full conversion of the Placing Convertible Notes; and (iv) approximately 4.11% of the issued share capital of the Company after the completion of the Rights Issue, full conversion of the Placing Convertible Notes and the full conversion of the Convertible Bonds at the adjusted conversion price of HK\$0.274 per conversion Share. Save for the aforesaid adjustment in the conversion price and the number of new shares to be issued under the adjusted conversion price of HK\$0.274, the Directors confirm that there would not be any changes in the terms and conditions of the Convertible Bonds.

We have reviewed the terms of the Convertible Bonds and considered the adjustment mechanism of the Convertible Bonds is rather similar as stated in the 2005 Supplementary Guidance. We have also reviewed the methodology used in the 2005 Supplementary Guidance and considered that the Adjustment would not be advantage to the CB Holder. In light of the above, we consider that the Adjustment made reference to the 2005 Supplementary Guidance is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(5) Potential dilution to shareholding of the public Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming all the rights Shares are subscribed by the Shareholders); (iii) Immediately after completion of the Rights Issue (assuming all the rights Shares are subscribed by the Shareholders) and the full conversion of the Placing Convertible Notes and; (iv)

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Immediately after completion of the Rights Issue (assuming all the rights Shares are subscribed by the Shareholders) and the full conversion of the Placing Convertible Notes and the full conversion of the Convertible Bonds at the adjusted Conversion Price of HK\$0.274 per conversion Share:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (Assuming all the rights Shares are subscribed by the Shareholders)		Immediately after completion of the Rights Issue (Assuming all the rights Shares are subscribed by the Shareholders) and the full conversion of the Placing Convertible Notes		Immediately after completion of the Rights Issue (Assuming all the rights Shares are subscribed by the Shareholders), the full conversion of the Placing Convertible Notes and the full conversion of the Convertible Bonds at the adjusted Conversion Price of HK\$0.274 per conversion Share	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Existing public Shareholders	92,472,777	100.00	2,866,656,087	100.00	2,866,656,087	70.16	2,866,656,087	67.27
Holder(s) of the Placing Convertibles Notes	—	—	—	—	1,219,512,195	29.84	1,219,512,195	28.62
CB Holder	—	—	—	—	—	—	175,182,481	4.11
Total	92,472,777	100.00	2,866,656,087	100.00	4,086,168,282	100.00	4,261,350,763	100.00

Note:

- The above shareholding information is based on the Disclosure of Interests posted on the website of the Stock Exchange.

The table above illustrates that the shareholding of the existing public Shareholders will decrease from approximately 100.00% as at the Latest Practicable Date to approximately 67.27% immediately after completion of the Rights Issue upon full conversion of the Placing Convertible Notes and the full conversion of the Convertible Bonds at the adjusted Conversion Price of HK\$0.274 per conversion Share. Such potential dilution to the shareholding of the public Shareholders represents a dilution of approximately 32.73%.

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Nonetheless, taken into consideration that the reasons for the Adjustment as discussed above and the fact that the Adjustment was made in accordance with the terms and conditions of the Convertible Bonds and the calculation is made reference to the 2005 Supplementary Guidance, we consider that the potential dilution effect to shareholding of the existing Shareholders upon full conversion of the Convertible Bonds at the adjusted Conversion Price of HK\$0.274 is acceptable.

RECOMMENDATION

Having taken into consideration the facts and reasons as stated above, we are of the opinion that the Adjustment is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Adjustment.

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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; and (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 conversion price of HK\$0.082 and exercise in full of the conversion rights attaching to the Convertible Bonds based on the adjusted Conversion Price of HK\$0.274 will be as follows:

(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, exercise in full of the conversion rights attaching to the Placing Convertible Notes at the conversion price of HK\$0.082 and exercise in full of the conversion rights attaching to the Convertible Bonds based on the adjusted Conversion Price of HK\$0.274

<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>
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
1,219,512,195	New conversion Shares to be issued upon exercise in full of the conversion rights attaching to the Placing Convertible Notes at the minimum conversion price of HK\$0.082	30,487,805
175,182,481	New conversion Shares to be issued upon exercise in full of the conversion rights attaching to the Convertible Bonds based on the adjusted Conversion Price of HK\$0.274	4,379,562
<u>4,261,350,763</u>	Shares	<u>106,533,769</u>

3. DISCLOSURE OF INTEREST

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 Part XV of the SFO and none of the Directors, the chief executive of the Company nor their associates had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any

such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

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 2010 (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. EXPERT AND CONSENT

The qualification of the expert who has provided advices contained in this circular is as follows:

Name	Qualification
Bridge Partners Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent dated 18 April 2011 to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.

9. EXPERT'S INTEREST IN ASSET AND SHAREHOLDING

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interests in any assets which have been, since 31 December 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or the rights (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 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, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

- (c) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

11. 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 2010, the date to which the latest published audited financial statements of the Group were made up.

12. 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 principal 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 written consent given by the Independent Financial Adviser referred to in the paragraph headed “Expert and Consent” ;
- (c) the letter from the Independent Board Committee;
- (d) the letter from the Independent Financial Adviser; and
- (e) 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 financial statements of the Group.

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 OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Pacific Plywood Holdings Limited (the “Company”) will be held at Unit 1903, 19/F., West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 6 May 2011 at 9 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the conversion shares which may fall to be issued and allotted upon exercise of the conversion rights attached to 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 (the “**Convertible Bonds**”), being adjusted as a result of the rights issue on the basis of thirty (30) rights shares for every one (1) existing share in issue and held on the record date of 26 April 2011 at the subscription price of HK\$0.08 per rights share subject to the terms and conditions set out in the underwriting agreement dated 8 March 2011 to conversion price of HK\$0.274 per conversion share (the “**Adjusted Conversion Price**”) and the total number of the conversion shares which may fall to be issued and allotted upon exercise of the conversion rights attached to the Convertible Bonds based on the Adjusted Conversion Price be increased to 175,182,481 conversion shares be and are hereby approved.”

By order of the Board

Pacific Plywood Holdings Limited

Huang Chuan Fu

Executive Director and Deputy Chairman

Hong Kong, 18 April 2011

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

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

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, Wan Chai, 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.