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

If you have sold or transferred all your shares in the Pacific Plywood Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

**NOTICE OF ANNUAL GENERAL MEETING,
RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES
AND
PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME
AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME**

The notice of Annual General Meeting of the Company to be held at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong on Tuesday, 12 June 2012, at 10:00 a.m. (the “AGM”) is set out in Appendix I to this circular.

Whether or not you are able to attend the AGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the AGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the AGM should you so wish.

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Introduction	3
2. Annual General Meeting	4
3. Re-election of Directors	4
4. General Mandates to Issue and Repurchase Shares	4
5. Proposed Adoption of the New Share Option Scheme and Termination of the Existing Share Option Scheme	6
6. Responsibility Statement	8
7. Recommendation	8
Appendix I — Notice of Annual General Meeting	9
Appendix II — Information of Directors Proposed to be Re-elected	14
Appendix III — Explanatory Statement on the Repurchase Mandate	17
Appendix IV — Summary of Principal Terms of the New Share Option Scheme	20

DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is adopted (conditionally or unconditionally) by the Shareholders
“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong on Tuesday, 12 June 2012, at 10:00 a.m., the notice of which is set out in Appendix I to this circular or, where the context so admits, any adjournment thereof
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“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
“Directors”	the directors of the Company
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted by the Shareholders on 21 June 2002
“General Mandates”	the Issue Mandate and the Repurchase Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	a general and unconditional mandate proposed to be granted at the AGM to Directors to exercise all the powers of the Company to allot, issue and deal with Shares up to 20% of the issued share capital of the Company as at the date of passing of such resolution
“Latest Practicable Date”	9 May 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the AGM, the principal terms of which are set out in the Appendix IV to this circular
“Participant”	any person being an employee, officer, agent, consultant or representative of the Group, including any executive or non-executive Directors, who satisfies the selection criteria summarized in paragraph (b) of the Appendix IV to this circular
“Repurchase Mandate”	a general and unconditional repurchase mandate proposed to be granted at the AGM to the Directors to exercise all the powers of the Company to repurchase shares of the Company up to 10% of the issued share capital of the Company as at the date of passing of such resolution
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	the holders of issued shares of the Company
“Shares”	shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

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

Non-executive Director:

Mr. Chan Kin Sang

Independent Non-executive Directors:

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place
of business:*

Units 3301–3303, 33/F.
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan,
Hong Kong

14 May 2012

To the Shareholders

Dear Sir or Madam,

**NOTICE OF ANNUAL GENERAL MEETING,
RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES
AND
PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME
AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME**

INTRODUCTION

The Company will propose at the AGM resolutions to re-elect the retiring Directors, to grant the Directors the General Mandates to issue and repurchase shares of the Company, to adopt the New Share Option Scheme and to terminate the Existing Share Option Scheme.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information and details about the resolutions to be proposed at the AGM.

ANNUAL GENERAL MEETING

A notice convening the AGM is set out in Appendix I to this circular. At the AGM, resolutions will be proposed to approve, *inter alia*, the re-election of Directors, the General Mandates to issue and repurchase shares of the Company, the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the AGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the AGM will therefore demand a poll on each of the resolutions to be proposed at the AGM pursuant to Bye-law 71 of the Bye-laws.

Whether or not you are able to attend the AGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the AGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the AGM should you so wish.

RE-ELECTION OF DIRECTORS

In accordance with Bye-law 99 of the Company's Bye-laws and Code Provision A.4 under Appendix 14 to the Listing Rules, Mr. Liang Jian Hua, Mr. Jiang Yi Ren, and Mr. Chan Kin Sang will retire by rotation at the AGM and, being eligible, will offer themselves for re-election. In accordance with Bye-law 102(B), Mr. Ng Kwok Fai, and Mr. Li Sui Yang will retire at the AGM and, being eligible, will offer themselves for re-election. Information of these retiring Directors as required to be disclosed under the Listing Rules is set out in Appendix II to this circular.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 30 May 2011, the Shareholders approved, among other things, an ordinary resolution in relation to a general mandate to grant to the Company to allot up to 817,233,655 shares with par value of HK\$0.025 each. As disclosed in the Company's announcements dated 19 October 2011 and 3 November 2011 (collectively the "**Placing Announcements**"), among other things, a total of 817,233,655 shares had been placed under the general mandate (the "**Placing**"), representing 100% of the shares which were allowed to be allotted, issued and dealt with. The net proceeds from the Placing approximate to HK\$25.3 million which was used for the development of the Group's finance business.

At the special general meeting of the Company held on 5 January 2012, the then Shareholders approved, among other things, an ordinary resolution to renew a general mandate to grant to the Company to allot up to 1,980,680,386 shares with par value of HK\$0.025 each. The number of new

LETTER FROM THE BOARD

Shares that could be allotted and issued reduced to 198,068,038 Shares with par value of HK\$0.01 each after the capital reorganization which became effective on 20 March 2012 (the “**Existing Mandate**”). As at the Latest Practicable Date, none of the Existing Mandate has been utilised and the Board intends to apply such unutilised amount to provide the required ability and flexibility to the Company in selecting fund raising methods to raise funds on a timely basis to (i) redeem the 10% promissory note in the principal amount of HK\$195,000,000 so as to reduce the interest burden to the Group and other financing needs of the Group; (ii) further expand the existing businesses of the Group (including the business resulting from the acquisition of Profit Grand Enterprises Limited); (iii) improve the gearing position of the Group; and (iv) finance the investment opportunities identified/to be identified by the Group (including but not limited to the possible acquisition of further equity interest in Profit Grand Enterprises Limited by exercising an option). The Existing Mandate will lapse at the conclusion of the AGM.

At the AGM, ordinary resolutions will be proposed to the Shareholders to consider and if thought fit, approve to grant the Company general and unconditional mandates to issue shares of the Company and to exercise the powers of the Company to repurchase shares of the Company as follow:

- (i) to allot, issue and otherwise deal with additional shares of the Company up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution approving the Issue Mandate; and
- (ii) to repurchase additional shares of the Company up to 10% of the issued share capital of the Company as at the date of passing of the relevant resolution approving the Repurchase Mandate.

The ordinary resolutions proposed to Shareholders in relation to the Issue Mandate and the Repurchase Mandate at the AGM will continue to be in full force until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable law to be held; and
- (iii) the date on which the authority set out in the ordinary resolution(s) is/are revoked or varied by an ordinary resolution in general meeting.

Assuming that no new Shares will be issued or repurchased from the Latest Practicable Date to the date of the AGM, the Directors will then be allowed to allot and issue under the Issue Mandate a maximum of 273,930,107 Shares, being 20% of the issued share capital as at the date of the AGM, and to repurchase Shares of a maximum of 136,965,053 Shares under the Repurchase Mandate, being 10% of the issued share capital as at the date of the AGM.

An explanatory statement giving the particulars under the Listing Rules in respect of the Repurchase Mandate is set out in the Appendix III to this circular.

LETTER FROM THE BOARD

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme

Pursuant to an ordinary resolution passed by the Shareholders at the special general meeting of the Company on 21 June 2002, the Company adopted the Existing Share Option Scheme which will expire on 21 June 2012, pursuant to which the Board was authorised to grant options to any person, subject to the selection criteria, being an employee, officer, agent, consultant or representative of the Group, including any executive or non-executive Directors, in order to provide incentives to the grantee to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group.

Termination of the Existing Share Option Scheme and Adoption of the New Share Option Scheme

Under the terms of the Existing Share Option Scheme, the Company by resolution passed at a general meeting of its Shareholders or at a meeting of the Board may at any time terminate the operation of the Existing Share Option Scheme and in such event no further options will be offered under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force in all other respects. As the term of the Existing Share Option Scheme will soon expire, it is proposed by the Directors that at the AGM, an ordinary resolution will be proposed for the Company to terminate the operation of the Existing Share Option Scheme and to approve and adopt the New Share Option Scheme, which will take effect on the Adoption Date.

The purpose of the New Share Option Scheme is to replace the Existing Share Option Scheme and to enable the Group to continue to provide incentives to the grantee to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group. A summary of the principal terms of the New Share Option Scheme is set out in the Appendix IV to this circular.

Although the rules of the New Share Option Scheme provide that the New Share Option Scheme is not subject to any performance target and does not prescribe any specific minimum period for which an option must be held before it can be exercised, the Board believes that the ability for the Board to prescribe at its discretion a minimum period for which an option must be held before it can be exercised and the requirement for a minimum exercise price (which is summarised in paragraph (d) in the Appendix IV to this circular) of the New Share Option Scheme will serve to protect the value of the shares of the Company as well as to achieve the purpose of the New Share Option Scheme. No trustee will be appointed under the New Share Option Scheme.

The Board considers that it is not appropriate to state the value of all options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, vesting period (if any), and other relevant factors (if any). The Board believes that any calculation of the value of any options which might have been granted as at the Latest Practicable Date would be based on a number of speculative assumptions and therefore not only would such calculation be meaningful or representative, but it could also potentially be misleading to the Shareholders.

LETTER FROM THE BOARD

None of the Directors is and will be trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee. With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

A copy of the New Share Option Scheme will be available for inspection at the Company's head office in Hong Kong at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong for a period of 14 days before the date of the AGM, and at the AGM.

Conditions Precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution to approve the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme by the Shareholders at the AGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any shares of the Company which may fall to be issued by the Company pursuant to the exercise of options in accordance with the terms and conditions of the New Share Option Scheme.

As at the Latest Practicable Date, no option was granted under the Existing Share Option Scheme since its adoption. The Directors confirm that no further options will be granted under the Existing Share Option Scheme prior to the date of the AGM.

As at the Latest Practicable Date, the Company has 1,369,650,537 Shares in issue. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the Adoption Date and that no further options will be granted under the Existing Share Option Scheme prior to the date of the AGM, the number of Shares that may fall to be allotted and issued upon exercise in full of the options that may be granted after the resolution authorising the Directors to allot and issue up to 10% of the then issued share capital of the Company has passed at the AGM would be 136,965,053 Shares should the New Share Option Scheme be adopted. The limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes must not exceed 30% of the relevant class of securities of the Company in issue from time to time.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the shares of the Company which may fall to be issued pursuant to the exercise of the options granted under the New Share Option Scheme.

LETTER FROM THE BOARD

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.

RECOMMENDATION

The Board believes that the re-election of the retiring Directors, the General Mandates to issue and repurchase shares of the Company, the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme are in the interests of the Company and Shareholders as a whole and accordingly, recommend you to vote in favour of all the relevant resolutions to be proposed at the AGM.

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)****NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “AGM”) of shareholders of Pacific Plywood Holdings Limited (the “Company”) will be held at Units 3301–3303, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong on Tuesday, 12 June 2012 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and independent auditors of the Company for the year ended 31 December 2011.
2. To elect Directors and to authorise the board of directors to fix their remuneration.
3. To re-appoint SHINEWING (HK) CPA Limited as the auditor of the Company until the conclusion of the next annual general meeting, and to authorise the board of directors to fix their remuneration.
4. As a special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS**(A) “THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of HK\$0.01 each in the share capital of the Company on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong (“**Securities and Futures Commission**”) and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the rules and regulation of the Securities and Futures Commission, the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

* For identification purpose only

- (b) the aggregate nominal amount of shares of the Company which the Directors are authorised to exercise the powers of the Company to repurchase pursuant to the approval in paragraph (a) of this resolution above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the authority pursuant to paragraph (a) above shall be limited accordingly;
 - (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws to be held; and
 - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”;
- (B) “**THAT:**
- (a) subject to paragraph (c) of this resolution and pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares of HK\$0.01 each in the share capital of the Company and to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares of the Company to be allotted after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution during the Relevant Period, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) an issue of shares pursuant to the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities of the Company or (iii) an issue of shares upon the exercise of subscription rights under any option scheme or similar arrangement of shares or rights to acquire shares of the Company or (iv) an issue of shares pursuant to any

scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the memorandum of association and the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution, “**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws to be held; and
 - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

“**Rights Issue**” means an offer of shares or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors to holders of shares of the Company, or any class of shares of the Company, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their holdings of such shares (or, where appropriate such other securities) as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”;

- (C) “**THAT** conditional upon the passing of resolutions Nos. 4(A) and 4(B) set out in the notice convening this meeting, the unconditional general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares in the Company pursuant to resolution No. 4(B) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution No. 4(A) set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution.”

5. as special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company, with or without modification:

ORDINARY RESOLUTION

“**THAT** the existing share option scheme of the Company adopted on 21 June 2002 be and is hereby terminated and that subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the approval for the listing of, and permission to deal in the ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Share(s)**”) to be issued pursuant to the exercise of the share options which may be granted under the new share option scheme of the Company (the “**New Share Option Scheme**”), a copy of which is produced to this meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, the rules of the New Share Option Scheme be and are hereby approved and adopted and the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give effect to the New Share Option Scheme, including but without limitation to:

- (i) to administer the New Share Option Scheme under which share options will be granted to participants eligible under the New Share Option Scheme to subscribe for the Shares;
- (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;
- (iii) to issue and allot from time to time such number of the Shares as may be required to be issued and allotted pursuant to the exercise of the share options under the New Share Option Scheme;
- (iv) to make application at appropriate time or times to the Stock Exchange, and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of, and permission to deal in, any Shares which may from time to time be issued and allotted pursuant to the exercise of the share options under the New Share Option Scheme; and
- (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.”

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

Hong Kong, 14 May 2012

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business:

Units 3301–3303, 33/F.
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan,
Hong Kong

Notes:

1. Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the AGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy needs not be a Shareholder.
2. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the AGM 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 Shareholders 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 AGM 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 in respect of the joint holding.
5. The form of proxy and (if required by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the AGM 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 AGM 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.

As at the date of this notice, the Directors of the Company are:

Executive Directors

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

Independent non-executive Directors

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

Non-executive Director

Mr. Chan Kin Sang

APPENDIX II INFORMATION OF DIRECTORS PROPOSED TO BE RE-ELECTED
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The following is the information, as required to be disclosed by the Listing Rules, on the retiring Directors proposed to be re-elected at the AGM.

Mr. Ng Kwok Fai (“**Mr. Ng**”), chairman, aged 40, joined the Group since 24 November 2011. He is also the director of two subsidiaries of the Company. He has extensive experience in the financial markets of Hong Kong and the PRC and is mainly responsible for providing advice to a wide spectrum of clients, including private and institutional investors, Hong Kong listed companies and the PRC enterprises, in a comprehensive approach. He has originated and handled numerous corporate transactions throughout the Asia-Pacific region. Such includes securities dealing, investment portfolio management and accounting and financial advisory. His insight and acumen in these areas, along with his substantial experience in international business development, has aptly assisted the management of his clients in the oversight of their companies’ businesses. He also has in-depth knowledge in due diligence review and internal control advisory which provides him with the expertise in corporate governance. He is a member of the American Institute of Certified Public Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Chartered Secretaries, and a member of the Institute of Chartered Secretaries and Administrators. He also acts as an independent non-executive director of China Information Technology Development Limited (stock code: 8178) which is a company listed in Hong Kong.

As at the Latest Practicable Date, other than the positions as the Chairman and an executive Director of the Company and a director of two subsidiaries of the Company, Mr. Ng did not hold any position with the Company and other members of the Group. Prior to the appointment as the chairman and executive director of the Company, Mr. Ng entered into a consultancy service agreement dated 13 April 2010 with the Company, pursuant to which Mr. Ng agreed to provide all advisory and consultancy services as may be required by the Company, introduce potential projects to the Company, provide assistance on liaising with the Stock Exchange and management of cashflow of the Company, for a fee equivalent to 3% of the total consideration of any successful acquisition introduced by Mr. Ng. This service contract was terminated on 24 November 2011. Save for the above, Mr. Ng had not entered into any service contract with the Company as at the Latest Practicable Date.

Mr. Ng does not have any relationships with any Directors, senior management, substantial or controlling Shareholders. As at the Latest Practicable Date, Mr. Ng’s interests in the Shares within the meaning of Part XV of SFO were as follow:

	Personal Interest	Corporate Interest	Trust Interest	Total	% of Total Shares Outstanding
Mr. Ng Kwok Fai	0	180,000,000	0	180,000,000	18.18

Mr. Ng is entitled to an annual director’s fee of HK\$1,440,000, which has been determined by reference to his duties and responsibilities and the prevailing market conditions which has been reviewed and approved by the remuneration committee of the Company.

Saved as disclosed above, there is no information to be disclosed pursuant to any of the requirements under paragraph 13.51(2) of the Listing Rules and there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

APPENDIX II INFORMATION OF DIRECTORS PROPOSED TO BE RE-ELECTED

Mr. Chan Kin Sang (“**Mr. Chan**”), aged 61, is currently the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitor and Notaries. He was appointed as an independent non-executive director of the Company on 22 April 2010 and was re-designated as a non-executive Director on 16 December 2011. 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 an independent non-executive director of two listed companies in the Singapore, namely People’s Food Holdings Limited and Luxking Group Holdings Limited. Mr. Chan also acts as independent non-executive director of three Hong Kong listed companies, namely China Precious Metal Resources Holdings Co., Limited (stock code: 1194), International Taifeng Holdings Limited (stock code: 873) and Ming Kei Holdings Limited (stock code: 8239). Mr. Chan is also a non-executive director of Pan Hong Property Group Limited which is listed in Singapore, United Pacific Industries Limited (stock code: 176) and Combest Holdings Limited (stock code: 8190) which are listed in Hong Kong. He is also an alternate director of Zhongda International Holdings Limited (stock code: 909) which is listed in Hong Kong.

As at the Latest Practicable Date, other than the position as a non-executive Director of the Company, Mr. Chan did not hold any position with the Company and other members of the Group and had not entered into any service contract with the Company. Mr. Chan is entitled to an annual director’s fee of HK\$600,000, which is determined with reference to the prevailing market rate and his duties and responsibilities in the Company and reviewed by the remuneration committee of the Company.

Mr. Chan does not have any relationships with any Directors, senior management, substantial or controlling Shareholders and is not interested in the Shares within the meaning of Part XV of SFO.

Saved as disclosed above, there is no information to be disclosed pursuant to any of the requirements under paragraph 13.51(2) of the Listing Rules and there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

Mr. Liang Jian Hua (“**Mr. Liang**”), aged 42, joined the Group since 29 April 2010. He has around 18 years of working experience in trading and property investment. Currently, he is the vice president of Zhejiang Shunfeng Steel Co., Ltd.

As at the Latest Practicable Date, other than the position as an executive Director of the Company and a director of a subsidiary of the Company, Mr. Liang did not hold any position with the Company and other members of the Group. Mr. Liang had not entered into any service contract with the Company and will not receive any remuneration.

Mr. Liang does not have any relationships with any Directors, senior management, substantial or controlling Shareholders and is not interested in the Shares within the meaning of Part XV of SFO.

Saved as disclosed above, there is no information to be disclosed pursuant to any of the requirements under paragraph 13.51(2) of the Listing Rules and there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

Mr. Jiang Yi Ren (“**Mr. Jiang**”), aged 45, joined the Group since 29 April 2010. He has around 20 years of working experience in area of manufacturing and property investment. Currently, he is the vice president of Wenling City Zhong Fa Precision Steel Parts Co., Ltd.

APPENDIX II INFORMATION OF DIRECTORS PROPOSED TO BE RE-ELECTED

As at the Latest Practicable Date, other than the position as an executive Director of the Company, Mr. Jiang did not hold any position with the Company and other members of the Group. Mr. Jiang had not entered into any service contract with the Company and will not receive any remuneration.

Mr. Jiang does not have any relationships with any Directors, senior management, substantial or controlling Shareholders and is not interested in the Shares within the meaning of Part XV of SFO.

Saved as disclosed above, there is no information to be disclosed pursuant to any of the requirements under paragraph 13.51(2) of the Listing Rules and there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

Mr. Li Sui Yang (“**Mr. Li**”), aged 54, holds a master degree in economic administration from North-West China University. He joined the Group since 16 December 2011. Prior to that, he was a lecturer at Xi’an Statistics College. He also has vast experience in the retail, real estate and electronics industry in the PRC. He is currently the Chairman of Jian ePayment Systems Limited.

As at the Latest Practicable Date, other than the position as an independent non-executive Director of the Company, Mr. Li did not hold any position with the Company and other members of the Group and had not entered into any service contract with the Company. Mr. Li is entitled to an annual director’s fee of HK\$100,000, which is determined with reference to the prevailing market rate and his duties and responsibilities in the Company and reviewed by the remuneration committee of the Company.

Mr. Li does not have any relationships with any Directors, senior management, substantial or controlling Shareholders and is not interested in the Shares within the meaning of Part XV of SFO.

Saved as disclosed above, there is no information to be disclosed pursuant to any of the requirements under paragraph 13.51(2) of the Listing Rules and there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders.

This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) of the Listing Rules to provide requisite information to you for your consideration in relation to the Repurchase Mandate as set out in Ordinary Resolution No. 4(A) of the notice of annual general meeting.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,369,650,537 Shares of HK\$0.01 each.

Subject to the passing of Ordinary Resolution No. 4(A) and on the basis that no further Shares are issued prior to the AGM to be held on 12 June 2012, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 136,965,053 Shares, representing 10% of the issued share capital of the Company.

2. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made when the Directors believe that such a purchase will benefit the Company and its shareholders.

3. FUNDING FOR REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Bye-laws and the applicable laws of Bermuda and Hong Kong. It is proposed that repurchases of shares of the Company under the Repurchase Mandate in these circumstances would be financed from available cash flow or working capital facilities of the Company and its subsidiaries. The Companies Act 1981 of Bermuda (the “**Companies Act**”) provides that the amount of capital repayable in connection with a repurchase of shares of the Company may only be paid out of the capital paid up on such shares of the Company or out of the funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares of the Company made for the purpose. The Companies Act further provides that the amount of premium payable on repurchase may only be paid out of the funds of the Company otherwise available for dividend or distribution or out of the Company’s share premium account. Such repurchase may only be made if on the effective date of purchase, there are no reasonable grounds for believing that the Company is, and after the purchase would be, unable to pay its debts as they fall due.

In the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period, there might be a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited consolidated financial statements contained in the Company’s annual report for the year ended 31 December 2011. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months up to 9 May 2012 were as follows:

	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2011		
May	6.8A	0.9A
June	1.1A	0.6A
July	0.8A	0.6A
August	0.8A	0.4A
September	0.6A	0.3A
October	0.5A	0.3A
November	0.4A	0.3A
December	0.4A	0.2A
2012		
January	0.28A	0.22A
February	0.25A	0.13A
March	0.15A	0.074A
April	0.114	0.072
May 1st–9th	0.098	0.086

A: adjusted retroactively to take into account of the share consolidation which become effective on 20 March 2012

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases pursuant to Ordinary Resolution No. 4(A) and in accordance with the Listing Rules and the applicable laws of Hong Kong and the Company Act.

None of the Directors nor, to the best of their knowledge having made all reasonable enquires, their associates, have any present intention to sell any Shares to the Company under the Repurchase Mandate if such is approved by the shareholders of the Company.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

6. CODE ON TAKEOVERS AND MERGERS

If on exercise of the power to repurchase shares the Company pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 8 of the Hong Kong Code on Share

Repurchases. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and 32 of the Takeover Code.

The Directors do not intend to exercise the Repurchase Mandate to such an extent as would result in a Shareholder, or group of Shareholders acting in concert, becoming obliged to make a mandatory general offer under Rule 26 of the Takeover Code and accordingly, it is not anticipated that purchases of shares of the Company under the Repurchase Mandate will give rise to any consequences under the Takeover Code.

7. SHARES REPURCHASE MADE BY THE COMPANY

No repurchase of shares (whether on the Stock Exchange or otherwise) has been made by the Company in the six months preceding the Latest Practicable Date.

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved and adopted at the Annual General Meeting:

(a) Purpose

The purpose of the New Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group.

(b) Who may join

The Board may grant options at a price calculated in accordance with paragraph (d) below to any Participant who, in the absolute discretion of the Board, has made valuable contribution to the business of the Group.

The New Share Option Scheme further provides that no grants of options shall be made except to such number of Participants and in such circumstances that the Company will not be required under applicable securities laws and regulations to issue a prospectus or other offer document in respect thereof, and will not result in the breach by the Company or its Directors of any applicable securities laws and regulations or in any filing or other requirements arising.

(c) Payment on acceptance of option offer

HK\$1.00 in cash is payable by the grantee of the option to the Company on acceptance of the offer.

(d) Subscription Price

The subscription price for the Shares in relation to the options to be granted under the New Share Option Scheme will be a price determined by the Board and notified to each Participant at the time the grant of the option is made to (subject to acceptance by) the Participant and will be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the Shares.

(e) Maximum number of Shares subject to the New Share Option Scheme

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company and/or its subsidiaries must not exceed 30% of the number of Shares in issue from time to time. No options may be granted if such grant would result in the 30% limit being exceeded.

In addition, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiary must not in aggregate exceed 10% of the number of Shares in issue as at the date of approval of the New Share Option Scheme (the "10% Limit"). Options lapsed in accordance with the

terms of the New Share Option Scheme or any other share option scheme(s) of the Company and/or its subsidiary shall not be counted for the purpose of calculating the 10% Limit. The Company may seek approval from its Shareholders in general meeting to refresh the 10% Limit at any time in accordance with the provisions of the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiary under the limit as refreshed must not exceed 10% of the number of Shares in issue as at the date of approval of the refresher mandate (the “Refreshed Limit”). Options previously granted to (and subject to acceptance by) a Participant under the New Share Option Scheme and/or any other share option scheme(s) of the Company and/or its subsidiary (including those exercised, outstanding, cancelled or lapsed in accordance with the New Share Option Scheme or such other schemes) shall not be counted for the purpose of calculating the Refreshed Limit.

The Company may also seek separate approval from the Shareholders in general meeting for granting options beyond the 10% Limit, or as the case may be, the Refreshed Limit, in accordance with the provisions of the Listing Rules. Accordingly, if the prior approval of the Shareholders in general meeting is obtained in accordance with the relevant procedural requirements of the Listing Rules, the Board may grant options to such Participants in respect of such number of Shares and on such terms as may be specified in the said Shareholders’ approval.

If any grant of options is proposed to be made to a Participant which, if accepted and exercised in full, would result in such Participant becoming entitled to subscribe for such number of Shares as when aggregated with the total number of Shares already issued and which may fall to be issued upon the exercise of such options proposed to be granted and all options already granted (including options exercised, cancelled and outstanding) under the New Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiary within the 12-month period immediately preceding the proposed date of grant for such options exceeding 1% of the number of Shares in issue as at the proposed date of grant, then such grant of options must first be approved by the Shareholders in general meeting held in accordance with the requirements of the Listing Rules, and such Participant and his associates shall abstain from voting on the relevant resolution at such meeting.

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee at the time of grant of the option, which must not be more than 10 years from the date of grant of the option. Under the New Share Option Scheme, the Board may prescribe a minimum period for which an option must be held before it can be exercised.

The exercise of an option is not subject to any performance targets.

(g) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel any outstanding option, or any part thereof, in favour of such grantee.

(h) Rights on termination

If the grantee of an option ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the Company or its subsidiary for any reason other than his death, ill health, disability or insanity or termination by virtue of certain grounds specified in the New Share Option Scheme (and summarized in sub-paragraph (v) of paragraph (m) below), the grantee may exercise the option up to his entitlement at the date of cessation (to the extent not already exercised) from the later of the date of commencement of the option period and the date of such cessation until whichever is the earlier of the date of expiry of the option period or the last day of the period of 1 month (or such longer period as the Board may determine) following the later of the date of commencement of the option period and the date of such cessation, which date shall be the last actual day of employment, office, agency, consultancy or representation with the Company or the relevant subsidiary and, where applicable, whether payment in lieu of notice is made or not.

(i) Rights on death, ill health, disability or insanity

If the grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the Company or its subsidiary by reason of death, ill health, disability or insanity and none of certain events which would be a ground for termination of the employment, office, agency, consultancy or representation specified in the New Share Option Scheme (and summarized in sub-paragraph (v) of paragraph (m) below) arises, the grantee or his legal personal representative(s) shall be entitled after commencement of the option period until the last day of the period of 12 months from the date of cessation (or such longer period as the Board may determine) to exercise the option (to the extent not already exercised) in full or to the extent specified in the notice to exercise such option.

(j) Rights on takeover

If a general offer to acquire Shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between the Company and its members or otherwise in like manner) is made to all the Shareholders and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the grantee of the option (or his legal personal representatives) shall, even if the option period has not yet commenced, be entitled to exercise the option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the option period or the last day of the period of 1 month after the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

(k) Rights on winding up

If a notice is given by the Company to its members to convene a general meeting to consider a resolution to voluntarily wind up the Company, the Company shall forthwith after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall, even if the option period has not yet commenced, be entitled to exercise all or any of his options at any time not later than two business days prior to the record date for ascertaining entitlements to attend and vote at the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount

of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the record date referred to above, allot the relevant Shares to the grantee credited as fully paid.

(l) Effects of alterations to capital

Subject to the limit on the number of Shares subject to the New Share Option Scheme described in paragraph (e) above, in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction) whilst an option remains outstanding, corresponding adjustments (if any) will be made to the number of Shares subject to the New Share Option Scheme, the number of Shares subject to outstanding options, the subscription price and/or the method of exercise of the options, provided that any such adjustments shall be made such that the proportion of the issued share capital of the Company to which an option entitles the grantee to subscribe after such adjustment must be the same as that to which the option entitled the grantee to subscribe immediately before such adjustment, but no such adjustment shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any adjustment required by the foregoing provisions, other than any made on a capitalisation issue, an independent financial adviser or the auditors of the Company must also confirm to the Board in writing that the adjustments satisfy the foregoing proviso.

(m) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) save as described in paragraph (i) above, the expiry of the option period;
- (ii) the expiry of any of the other periods referred to in paragraphs (h), (i) or (j);
- (iii) subject to paragraph (k), the earliest of the close of business on the second business day prior to the record date referred to in paragraph (k) or the date of commencement of the winding-up of the Company;
- (iv) save as otherwise provided in paragraph (j), or by the court in relation to the scheme in question, upon the sanctioning pursuant to the Companies Act by the Supreme Court of Bermuda of a compromise or arrangement between the Company and its members or creditors for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- (v) the date on which the grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the Company or its subsidiary by reason of the termination of his employment, office, agency, consultancy or representation on certain grounds specified in the New Share Option Scheme including misconduct, bankruptcy, insolvency, having made any arrangement or composition with his creditors and conviction of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal

would be entitled to terminate the employment, office, agency, consultancy or representation at common law or pursuant to applicable laws or under contract with the Company or the relevant subsidiary;

- (vi) the date on which the Board exercises the Company's right to cancel the option because of a breach by the grantee of the rules summarized in paragraph (g) above.

(n) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Company's Bye-laws and will rank *pari passu* with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment, or, if later, before the date of registration of the allotment in the register of members of the Company.

(o) Cancellation of options

The Board may effect the cancellation of any outstanding option in a manner that complies with any legal requirements for cancellation, as may be agreed with the relevant grantee.

Where the Company cancels any options granted but not exercised and grants new options to the same grantee, such grant of new options may only be made under the New Share Option Scheme if there are available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as referred to in paragraph (e) above.

(p) Alteration to the New Share Option Scheme

The terms of the New Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the New Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants unless with the prior sanction of a resolution of the Shareholders in general meeting.

Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

No specific term of the New Share Option Scheme can be changed by the Board without approval of shareholders in a general meeting.

The amended terms of the New Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must first be approved by the Shareholders in a general meeting.

(q) Termination of the New Share Option Scheme

The Company by resolution passed at a general meeting of its Shareholders or at a meeting of the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further options will be granted or accepted but the provisions of the New Share Option Scheme shall remain in force in all other respects. All options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the New Share Option Scheme.

(r) Period of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date, after which period no further options will be granted, accepted or exercised but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects.

(s) Conditions

The adoption of the New Share Option Scheme is conditional upon: (a) the passing of an ordinary resolution at the Annual General Meeting approving the adoption of the New Share Option Scheme and the termination of the Existing Scheme; and (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any new Shares which may fall to be issued pursuant to the exercise of the options that may be granted under the New Share Option Scheme.

(t) Restrictions on the time of grant of option

Grant of options may not be made: (a) after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published in the newspapers; or (b) within the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting for the approval of the Company's interim or annual results; and (ii) the deadline for the Company to publish its interim or annual results announcement, and ending on the date of the results announcement.

(u) Grant of options to connected persons

Where any grant of options is proposed to be made to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, such offer must first be approved by the independent non-executive directors of the Company (excluding the independent non-executive director who is the proposed grantee of the options).

If the grant of options is to be made to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of the options proposed to be granted and all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the New

Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiary in the 12 month period up to and including the proposed date of grant of the option: (a) representing in aggregate over 0.1 per cent. (0.1%) of the Shares then in issue; and (b) having an aggregate value, based on the closing price of the Shares at the proposed date of grant of the option, in excess of \$5 million, such grant of options must first be approved by the Shareholders in general meeting in accordance with the requirements of the Listing Rules with all the connected persons of the Company abstaining from voting (except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the document required to be issued pursuant to the Listing Rules). Any vote taken at the meeting to approve the proposed grant of such options must be taken on a poll. In addition, any proposed change in the terms of options granted to a Participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, must first be approved by the Shareholders in general meeting in the same manner as described above.