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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**

On 13 April 2011, an ordinary resolution was duly passed by the independent Shareholders in respect of the Rights Issue.

In order to fulfill the terms and conditions of the Convertible Bonds, the Board wishes to announce that the Company proposes to adjust the Conversion Price of the Convertible Bonds. 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 date of this announcement; (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.

* For identification purpose only

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(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(s) to approve the Adjustment at the SGM. As at the date of this announcement, 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.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Adjustment. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Adjustment; (ii) the recommendation of the Independent Board Committee regarding the Adjustment; (iii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and Independent Shareholders regarding the Adjustment; and (iv) a notice of SGM, will be despatched to the Shareholders on or before 20 April 2011 in accordance with the Listing Rules.

INTRODUCTION

On 13 April 2011, an ordinary resolution was duly passed by the independent Shareholders in respect of the Rights Issue (as defined hereunder).

In order to fulfill the terms and conditions of the Convertible Bonds, the Board wishes to announce that the Company proposes to adjust the Conversion Price of the Convertible Bonds.

Background of and reasons for the Adjustment

The principal activity of the Group is the business of money lending and provision of credits.

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 date of this announcement, 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 date of this announcement, 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.

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

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

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 date of this announcement; (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.

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 date of this announcement		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	92,472,777	100	2,866,656,087	100	4,086,168,282	100	4,261,350,763	100

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.

LISTING RULES IMPLICATIONS

To the best of the 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(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(s) to approve the Adjustment at the SGM. As at the date of this announcement, 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(s) to approve the Adjustment.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Adjustment. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Adjustment; (ii) the recommendation of the Independent Board Committee regarding the Adjustment; (iii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and Independent Shareholders regarding the Adjustment; and (iv) a notice of SGM, will be despatched to the Shareholders on or before 20 April 2011 in accordance with the Listing Rules.

DEFINITIONS:

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“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 date of this announcement
“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, 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”	the independent board committee of the Company
“Independent Shareholder(s)”	any Shareholder(s) other than the CB Holder and its associates
“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 per conversion Share
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Adjustment, and the transaction contemplated thereunder
“Share(s)”	ordinary Share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 15 April 2011

As at the date of this announcement, the executive Directors are Mr. Liang Jian Hua (Chairman), Mr. Huang Chuan Fu (Deputy Chairman), Ms. Jia Hui and Mr. Jiang Yi Ren and the independent non-executive Directors are Mr. Chan Kin Sang, Mr. Cheng Po Yuen and Mr. Wong Chun Hung.

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