
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your securities in Pacific Plywood Holdings Limited (the “Company”), you should at once hand the Prospectus Documents (as defined herein) to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed “Documents delivered to the Registrars of Companies” in Appendix III to this Prospectus has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of the Prospectus will be filed with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after the publication pursuant to the Companies Act). The Securities and Futures Commission of Hong Kong, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of any of the Prospectus Documents. Dealings in the securities of the Company may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers for details of the settlement arrangements and how such arrangements may affect your rights and interests.

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

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

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

Underwriter to the Rights Issue



KINGSTON SECURITIES LTD.

Terms used in this cover page have the same meanings as defined in the Prospectus.

The last day of dealings in the Shares on a cum-basis commenced on Thursday, 14 April 2011 and the Shares had been dealt in on an ex-rights basis from Friday, 15 April 2011. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 29 April 2011 to Monday, 9 May 2011 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any persons dealing in the nil-paid Rights Shares during the period from Friday, 29 April 2011 to Monday, 9 May 2011 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

The Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of the Underwriting Agreement” on pages 9 to 10 of this Prospectus). Accordingly, the Rights Issue may or may not proceed.

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EXPECTED TIMETABLE

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

Event	2011 (Hong Kong time)
Record Date	Tuesday, 26 April
Change of the board lot size from 2,000 Shares to 40,000 Shares	9:00 a.m. on Wednesday, 27 April
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of Shares	9:00 a.m. on Wednesday, 27 April
Register of members re-opens	Wednesday, 27 April
Prospectus Documents expected to be despatched	Wednesday, 27 April
First day of dealings in nil-paid Rights Shares	Friday, 29 April
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Wednesday, 4 May
Last day of dealings in nil-paid Rights Shares	Monday, 9 May
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Friday, 13 May
Rights Issue expected to become unconditional	Wednesday, 18 May
Designated broker ceases to stand in the market to provide matching service	Wednesday, 18 May
Announcement of results of acceptance and excess application of the Rights Shares	Friday, 20 May
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Monday, 23 May
Certificates for the Rights Shares expected to be despatched on or before	Monday, 23 May
Dealings in fully-paid Rights Shares commence	Wednesday, 25 May

EXPECTED TIMETABLE

Notes:

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

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

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

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

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

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing to the Company, to terminate its obligations thereunder on the occurrence of certain events including force majeure. These events are set out in the paragraph headed “Termination of the Underwriting Agreement” on pages 9 to 10 of this Prospectus. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjustment”	the proposed adjustment to the conversion price of the Convertible Bonds in accordance with the respective terms and conditions of the Convertible Bonds and the Listing Rules and guidelines issued by the Stock Exchange from time to time, details of which has set out in the circular of the Company dated 18 April 2011
“Announcements”	the announcement of the Company dated 8 March 2011 in relation to the Rights Issue and the supplementary announcement of the Company dated 14 March 2011
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holidays) on which licensed banks are generally open for business throughout their normal business hours in Hong Kong
“BVI”	British Virgin Islands
“Bye-Laws”	the bye-laws of the Company, as amended from time to time
“CB Holder(s)”	Favor Way Investments Limited, holder of all the outstanding Convertible Bonds as at the Latest Practicable Date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 28 March 2011 in relation to the Rights Issue and the Placing (together with the notice of the SGM)
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)

DEFINITIONS

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

DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	any Shareholders other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third parties independent of and not connected with the Directors, chief executive and substantial Shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Last Trading Day”	8 March 2011, being the date of the Underwriting Agreement, which is a Stock Exchange trading day
“Latest Practicable Date”	18 April 2011, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information for inclusion therein
“Latest Time For Acceptance”	4:00 p.m. on Friday, 13 May 2011, or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time For Termination”	Wednesday, 18 May 2011, or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the placing of the Placing Convertible Notes by the Placing Agent pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	United Simsen Securities Limited, a licensed corporation to carry on business in Type 1, 2, 4 and 6 regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 8 March 2011 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Convertible Notes”	the series of convertible notes up to an aggregate principal amount of HK\$100,000,000 to be issued in a maximum of three tranches with the minimum aggregate principal amount of HK\$30,000,000 (save for the last tranche) each to be issued by the Company with the Conversion Price
“Placing Period”	the period from the date of the Placing Agreement to 90 days after the date of the SGM or such other period as may be agreed by the Company and the Placing Agent in writing in the event that there is any change in the aforementioned placing period, the Company shall publish an announcement to inform the Shareholders

DEFINITIONS

“Placing Price”	100% of the principal amount of the Placing Convertible Notes
“Posting Date”	27 April 2011 or such other date as the Underwriter may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Non-Qualifying Shareholders
“PRC”	the People’s Republic of China (in this Prospectus excluding Hong Kong, Macau SAR and Taiwan)
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL(s) and EAF(s)
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	26 April 2011 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Rights Issue”	the issue by way of rights of thirty (30) Rights Shares for every one (1) existing Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	2,774,183,310 new Shares to be issued and allotted under the Rights Issue (assuming there is no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date)

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company held on 13 April 2011 to consider and, if thought fit, approve the Rights Issue and the Placing
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the company
“Shareholder(s)”	the holder(s) of issued Shares
“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time For Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.08 per Rights Share with nominal value of HK\$0.025 each
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in Type 1 regulated activity (dealing in securities) under the SFO
“Underwriting Agreement”	the underwriting agreement dated 8 March 2011 entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares(s)”	2,774,183,310 Rights Shares underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement

DEFINITIONS

“Untaken Share(s)”	those (if any) of the Rights Shares for which duly completed PAL(s) (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time For Acceptance
“US\$”	United States dollar, the lawful currency of the United States of America
“%” or “per cent”	percentage or per centum

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with and, subject to, the full text of the Prospectus.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Thirty (30) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.08 per Rights Share with nominal value of HK\$0.025 each
Number of Shares in issue as at the Latest Practicable Date	:	92,472,777 Shares
Number of Rights Shares	:	2,774,183,310 Rights Shares
Number of Rights Shares underwritten by the Underwriter	:	Up to 2,774,183,310 Rights Shares. Accordingly, the Rights Issue is fully underwritten
Number of enlarged Shares in issue upon completion of the Rights Issue	:	2,866,656,087 Shares
Status of the Rights Shares	:	The Rights Shares, when allotted, issued and fully paid, will rank <i>pari passu</i> in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.
Rights of excess applications	:	Qualifying Shareholders have the right to apply for excess Rights Shares

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time For Termination:

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

TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

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

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

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

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

LETTER FROM THE BOARD



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

Executive Directors:

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton, HM12
Bermuda

Independent non-executive Directors:

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

Head office and principal

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

27 April 2011

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

On 8 March 2011, the Board announced that the Company proposed to raise gross proceeds of approximately HK\$221.93 million, before expenses, by issuing 2,774,183,310 Rights Shares to the Qualifying Shareholders by way of Rights Issue at the Subscription Price of HK\$0.08 per Rights Share on the basis of thirty (30) Rights Shares for every one (1) existing Share held on the Record Date.

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide the Shareholders further details about the Rights Issue.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Thirty (30) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.08 per Rights Share with nominal value of HK\$0.025 each
Number of Shares in issue as at the Latest Practicable Date	:	92,472,777 Shares
Number of Rights Shares	:	2,774,183,310 Rights Shares
Number of Rights Shares underwritten by the Underwriter	:	Up to 2,774,183,310 Rights Shares. Accordingly, the Rights Issue is fully underwritten
Number of enlarged Shares in issue upon completion of the Rights Issue	:	2,866,656,087 Shares

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

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

LETTER FROM THE BOARD

Completion of the Placing is conditional upon:

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

If the above conditions precedent are not fulfilled on or before the end of the Placing Period, all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the parties hereto shall have any claim against the other in relation hereto. None of the conditions above can be waived. As at the Latest Practicable Date, condition (ii) above had been fulfilled.

Assuming the Rights Issue is completed and thus based on the Conversion Price of HK\$0.082 per Conversion Share, a maximum number of 1,219,512,195 Conversion Shares will be allotted and issued if the conversion rights attaching to the Placing Convertible Notes are exercised in full, representing (i) approximately 42.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares; and (ii) approximately 29.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the Conversion Shares. Pursuant to the Placing Agreement, the Placing Agent has undertaken to the Company that it shall procure placees of the Placing Convertible Notes not to exercise any conversion rights attached to the Placing Convertible Notes on or before the Record Date to convert any of the Placing Convertible Notes into Conversion Shares.

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

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

LETTER FROM THE BOARD

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

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

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

Basis of provisional allotment

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

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company has sent (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, a Shareholder must:

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

Closure of register of members

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

LETTER FROM THE BOARD

Rights of Overseas Shareholders

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

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

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

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

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

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

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

Subscription Price

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

The Subscription Price represents:

- (a) a discount of approximately 88.89% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 20.00% to the theoretical ex-rights price of approximately HK\$0.10 per Share based on the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 88.73% to the average closing price of approximately HK\$0.71 per Share for the five consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 89.47% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market price and trading liquidities of the Shares prior to the Last Trading Day. The Directors consider the terms of the Rights Issue, including the Subscription Price which has been set as a deeper discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share upon full acceptance of the relevant provisional allotment of the Rights Shares will be approximately HK\$0.077.

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Fractions of Rights Shares (if any)

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

Application for excess Rights Shares

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

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

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

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

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

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Status of the Rights Shares

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

The first day of dealings in the Rights Shares in their fully-paid form is expected to be Wednesday, 25 May 2011.

Share certificates and refund cheques for Rights Shares

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

Application for listing

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

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

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 40,000), which are registered in the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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In view of the value of each board lot of the Shares in 2,000 Shares trading on the Stock Exchange is expected to be decreased as a result of ex-rights under the Rights Issue, the Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 40,000 Shares with effect from 27 April 2011. No parallel trading of the Shares and exchange of certificates will be provided.

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

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

PROCEDURES FOR APPLICATION

Application for the Rights Shares

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder to subscribe for the number of Rights Shares available to the Qualifying Shareholder on an assured basis subject to payment in full on application by not later than 4:00 p.m. on Friday, 13 May 2011. Qualifying Shareholders should note that they may apply for the number of Rights Shares equal to or less than the number set out in the PAL.

If you are a Qualifying Shareholder and you wish to accept all the Rights Shares provisionally allotted to you as specified in the enclosed PAL, you must complete, sign and lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on application in respect of such number of Rights Shares you have applied for with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by not later than 4:00 p.m. on Friday, 13 May 2011. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Pacific Plywood Holdings Limited — Rights Issue Account**" and crossed "**Account Payee Only**".

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It should be noted that unless the duly completed and signed PAL, together with the appropriate remittance, has been lodged with the Registrar, Computershare Hong Kong Investor Services Limited, by not later than 4:00 p.m. on Friday, 13 May 2011, that assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If you are a Qualifying Shareholder and you wish to accept only part of your provisional allotment of Rights Shares, or transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you, or to transfer your rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Wednesday, 4 May 2011 with the Registrar, Computershare Hong Kong Investor Services Limited, who will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

The PAL contains full information regarding the procedures to be followed if you wish to apply for a number of Rights Shares different from your assured entitlement and the procedures to transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

All cheques or cashier's orders will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Rights Issue are not fulfilled, the application monies will be refunded, without interests, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the applicant's address specified in the register of members of the Company or the transfer form on or before Monday, 23 May 2011.

Save as described under the paragraph headed "Rights of Overseas Shareholders" above, no action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in a

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territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone receiving the Prospectus Documents outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself/themselves before subscribing for the assured allotted Rights Shares or excess Rights Shares, as to the full observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in any such jurisdiction in connection therewith. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is the Non-Qualifying Shareholder.

No receipt will be issued in respect of any application monies received.

Application for excess Rights Shares

Qualifying Shareholders may apply for excess Rights Shares by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar, Computershare Hong Kong Investor Services Limited, by not later than 4:00 p.m. on Friday, 13 May 2011. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Pacific Plywood Holdings Limited – Excess Application Account**" and crossed "**Account Payee Only**".

The Qualifying Shareholder(s) will be notified of the allotment result of excess Rights Shares on Friday, 20 May 2011 by the Company by way of announcement. If no excess Rights Shares are allotted to the Qualifying Shareholder who has applied for excess Rights Shares, it is expected that a cheque for the amount tendered on application in full without interest will be posted to his/her/its registered address by ordinary post at his/her/its own risk on or before Monday, 23 May 2011. If the number of excess Rights Shares allotted to the Qualifying Shareholder is less than that applied for, it is expected that a cheque for the amount of the surplus application monies, without interest, will be posted to his/her/its registered address by ordinary post at his/her/its own risk on or before Monday, 23 May 2011.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interests earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation.

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If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

The EAF is for use only by the Qualifying Shareholder(s) to whom it is addressed and is not transferable. All documents, including refund cheques, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as appeared on the Company's register of members.

No receipt will be issued in respect of any application monies received.

If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled, the monies received in respect of applications for excess Rights Shares will be returned, without interest, to the applicants by means of cheques despatched by ordinary post to their respective registered addresses at their own risk on or before Monday, 23 May 2011.

Conditions of the Rights Issue

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

- a. the passing of all the necessary resolution(s) by the Shareholders (where applicable, the Independent Shareholders) and the Board at the SGM on or before the Posting Date to approve the Rights Issue and the transactions contemplated thereunder;
- b. the delivery to the Stock Exchange for authorization and the registration by the Registrar of Companies in Hong Kong of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorized in writing) in accordance with section 342C of the Companies Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Posting Date;
- c. the filing of the Prospectus with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus in compliance with the Companies Act;

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- d. the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue, on or before the Posting Date;
- e. the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, listing of and permission to deal in the Rights Shares (in both nil-paid and fully-paid forms) by no later than the first day of their dealings;
- f. the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time For Termination;
- g. compliance with and performance by the Company of all the undertakings and obligations under the terms of the Underwriting Agreement;
- h. if required, obtaining the consent or permission of the Bermuda Monetary Authority in respect of the issue of the Rights Shares; and
- i. there being no Specified Event occur prior to the Latest Time For Termination.

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

As at the Latest Practicable Date, condition (a) above had been fulfilled.

Underwriting Agreement

Date : 8 March 2011

Underwriter : Kingston Securities Limited. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. As at the Latest Practicable Date, the Underwriter and its associates are not interested in any Shares.

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- Total number of Rights Shares : 2,774,183,310 Rights Shares (assuming there are no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date).
- Total number of Rights Shares being underwritten by the Underwriter : The Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis, being 2,774,183,310 Rights Shares (assuming there are no new Shares being issued and no Shares being repurchased by the Company on or before the Record Date), subject to the terms and conditions of the Underwriting Agreement.
- Commission : 2.5% of the aggregate Subscription Price of the Underwritten Shares.

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

Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Rights Issue; or

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- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or

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(vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

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

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

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

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

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

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

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

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

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termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Friday, 29 April 2011 to Monday, 9 May 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholding structure of the Company in respect of the Rights Issue

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

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

Notes:

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

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

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Reasons for the Rights Issue and Use of Proceeds

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

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

Currently, the Company is encountering technical difficulties in expanding the finance businesses of the Group as the capital base of the Group decreased substantially following the completion of the disposal of the loss making plywood business in December 2010. As a result of the limited capital base, the Company is required to comply with Chapter 14 of the Listing Rules and closely monitor the relevant size test ratios when considering money lending business opportunity, details of which have been set out in the announcement of the Company regarding a discloseable transaction for the Company dated 1 March 2011. In the event that the money lending business opportunity requires approval from the Shareholders, the Company may not be able to realize such business opportunity as

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the customers usually require money for short term purposes and would not consider the procedures for such application involved. Delta Wealth Finance Limited (known as Head & Shoulders Finance Limited before 20 January 2011) is a non wholly-owned subsidiary of the Company, other shareholders of Delta Wealth Finance Limited expressed their concerns on the business operation of the Group as complying with Rules 13.13 and 13.15 of the Listing Rules requires disclosure on the identity of the borrower and the interest rates charged on the loans, which are highly confidential information to its competitors and the customers are also unwilling to disclose their information to the public. To maintain a normal business operation of the Group overall, the Company considers that, through the Rights Issue, the capital base of the Group will be enlarged and disclosure requirements under the Listing Rules will be minimized when conducting business which is in the ordinary and usual course of business of the Group.

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

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

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

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

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

Possible adjustments to the Convertible Bonds

As a result of the Rights Issue, the conversion price of the Convertible Bonds may be adjusted in accordance with the respective terms and conditions of the Convertible Bonds and the Listing Rules and guidelines issued by the Stock Exchange from time to time. The Company has published a circular for the said Adjustment on 18 April 2011 to seek approval from the Shareholders in another general meeting of the Company.

FINANCIAL AND TRADING PROSPECT

Upon the completion of the acquisition of 51% share interest of Delta Wealth Finance Limited (known as Head & Shoulders Finance Limited before 20 January 2011) in October 2010 and the disposal of the loss-making plywood business in December 2010, the Group's principal business changed from the plywood business to money lending and provision of credits business and will continue with plywood related business by sourcing business opportunities in relation to the upstream plywood business (i.e. the forestry business the reasons as set out above). As at the Latest Practicable Date, the Company received a proposal from potential vendor regarding the said plywood business. However, the Company is studying the said proposal and no negotiation between the Company and the vendor has been commenced yet.

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

LETTER FROM THE BOARD

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

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

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

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

FUND RAISING EXERCISES OF THE COMPANY

Date of announcement	Description of the fund raising exercises	Intended use of proceeds	Actual use of proceeds
2 March 2010	Placing of new shares under the general mandate	Approximately HK\$41.7 million will be used for the general corporate and working capital of the Group	Has been utilized as intended

LETTER FROM THE BOARD

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

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

ADDITIONAL INFORMATION

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

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

A. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Group for each of the year ended 31 December 2008, 31 December 2009 and 31 December 2010, including the notes thereto, have been published in the annual reports of the Company for the year ended 31 December 2008 (pages 24 to 86) dated 21 April 2009, 31 December 2009 (pages 21 to 84) dated 28 April 2010 and 31 December 2010 (pages 22 to 87) dated 29 March 2011 respectively, which are incorporated by reference into this Prospectus. The said annual reports of the Company are available on the Company's website at <http://www.irasia.com/listco/hk/pphl/> and the website of the Stock Exchange at www.hkexnews.hk.

B. INDEBTEDNESS STATEMENT**Borrowings**

At the close of business on 4 March 2011, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Prospectus, the Group had outstanding unguaranteed and unsecured loans from shareholders of a subsidiary and convertible bonds with principal amount of approximately US\$6,162,000 and US\$6,154,000 respectively.

Commitment and contingent liabilities

As at 4 March 2011, the Group had the total future aggregate minimum lease payments under a non-cancellable operating lease in respect of office properties amounting to approximately US\$111,000.

At the close of business on 4 March 2011, the Group had no material contingent liabilities.

Pledge of assets

At the close of business on 4 March 2011, the Group did not pledge any asset to banks or other financial institutions.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in normal course of business, as at the close of business on 4 March 2011, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into United States dollars at the applicable rates of exchange prevailing as at 4 March 2011.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 4 March 2011.

C. WORKING CAPITAL

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

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

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

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of the Group attributable to owners of the Company has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of the Rights Issue of 2,774,183,310 rights shares of HK\$0.025 each (the “**Rights Shares**”) at HK\$0.08 per Rights Share payable in full upon acceptance on the basis of thirty Rights Shares for every one existing share held on the Record Date, on the consolidated net tangible assets of the Group as if the Rights Issue had been taken place on 31 December 2010.

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

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2010, extract from the final results announcement of the Company for the year ended 31 December 2010 which can be accessed on the website of the Stock Exchange, with adjustments described below:

Audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2010 US\$'000 (Note 1)	Adjustment for derivative financial asset US\$'000 (Note 2)	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2010 US\$'000	Estimated net proceeds from the Rights Issue US\$'000 (Note 3)	Audited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Rights Issue US\$'000
11,766	(1,082)	10,684	27,282	37,966
Audited consolidated net tangible assets per share attributable to owners of the Company before completion of the Rights Issue as at 31 December 2010 (Note 4)				US\$0.1155
Unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after completion of the Rights Issue as at 31 December 2010 (Note 5)				US\$0.0132

Notes:

1. The consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2010 is extracted from the published final results announcement of the Company for the year ended 31 December 2010 which can be accessed on the website of the Stock Exchange.
2. The adjustment represents the Group's derivative financial assets regarding a put option to acquire Delta Wealth Finance Limited of approximately US\$1,082,000 as at 31 December 2010.
3. The estimated net proceeds from the Rights Issue of US\$27,282,000 are based on the 2,774,183,310 Rights Shares to be issued at the subscription price of HK\$0.08 per Rights Share (equivalent to US\$0.0102564 per Rights Share) and after deduction of estimated related expenses including among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue of approximately US\$1,171,000.
4. The audited consolidated net tangible assets per share attributable to owners of the Company before completion of the Rights Issue is arrived based on 92,472,777 shares in issue as at the Latest Practicable Date.
5. The unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after completion of the Rights Issue is arrived based on a total of 2,866,656,087 Shares, which represents 92,472,777 shares in issue as at the Latest Practicable Date and adjusted for 2,774,183,310 Rights Shares expected to be issued immediately after the completion of the Rights Issue.
6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2010.

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

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

27 April 2011

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

Dear Sirs,

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

We report on the unaudited pro forma statement of consolidated net tangible assets (“**Unaudited Pro Forma Financial Information**”) of Pacific Plywood Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 35 to 36 of Appendix II to the prospectus dated 27 April 2011, in connection with the rights issue on the basis of thirty rights shares for every one existing shares held on the record date (the “**Right Issue**”), which has been prepared by the directors of the Company (the “**Directors**”), for illustrative purposes only, to provide information about how the Right Issue might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 27 April 2011 (the “**Prospectus**”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and notes to the Unaudited Pro Forma Financial Information included in Appendix II of the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

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

Basis of opinion

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

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

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2010 or any future date.

Opinion

In our opinion:

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

ZHONGLEI (HK) CPA Company Limited

Certified Public Accountants (Practising)

Chan Chi Kei, Ronald

Practising Certificate Number: P04255

Suites 216-218, 2/F., Shui On Centre,
6-8 Harbour Road,
Wanchai,
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the completion of the Rights Issue and exercise in full of the conversion rights attaching to the Placing Convertible Notes at the minimum Conversion Price of HK\$0.082; and (iii) if the Rights Issue does not become unconditional or does not proceed at the time of issue of the Placing Convertible Notes and the exercise in full of the conversion rights attaching to the Placing Convertible Notes at the maximum Conversion Price of HK\$0.58 were and will be as the following:

(i) As at the Latest Practicable Date

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

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

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

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

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

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

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

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

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

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

3. DISCLOSURE OF INTEREST

(a) Interests of Directors

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

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

(b) Interests of substantial Shareholders

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

4. DIRECTORS' INTERESTS IN CONTRACTS 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 nor 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. 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 following is the qualifications of the expert who has given opinion and advice, which is contained in this Prospectus.

Name	Qualifications
ZHONGLEI (HK) CPA Company Limited	Certified Public Accountants

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

9. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, ZHONGLEI (HK) CPA Company Limited:

- (a) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda while the principal office of the Company is situated at Unit 1903, 19/F., West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Ms. Tam Hang Yin. Ms. Tam is a member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor's degree in Accountancy in the Chinese University of Hong Kong.
- (d) The English text of the Prospectus Documents shall prevail over their respective Chinese text in the case of inconsistency.

11. MATERIAL CONTRACTS

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

- (a) the Placing Agreement;
- (b) the Underwriting Agreement;
- (c) the supplemental agreement dated 24 January 2011 entered into between the Company and Roofers Securities Limited as the placing agent for revising the placing price of HK\$0.73 per placing share pursuant to the placing agreement dated 21 January 2011 to HK\$0.74 per placing share;
- (d) the placing agreement dated 21 January 2011 entered into between the Company and Roofers Securities Limited as the placing agent with regard to the placement of 15,400,000 Shares of the Company at the placing price of HK\$0.73 per placing share;
- (e) the placing agreement dated 30 November 2010 entered into between the Company and Roofers Securities Limited as the placing agent with regard to the placement of 321,000,000 Shares of the Company at the placing price of HK\$0.105 per placing share;
- (f) the facility letter granted to Head & Shoulders Finance Limited dated 10 November 2010 in which the Company agreed to provide a facility of HK\$138,000,000 to Head & Shoulders Finance Limited;

- (g) the sale and purchase agreement dated 29 October 2010 entered into between the Company as vendor and Global Axis Limited as purchaser in respect of the disposal with a total consideration of HK\$5 million of entire share capital of Ankan Holdings Limited, Georich Trading Limited and SMI Global Corporation, which are direct wholly-owned subsidiaries of the Company. Anakan Holdings Limited is an investment holding company, subsidiaries of which are: (1) SMI Management & Co., Pte. Limited; (2) Manuply Wood Industries (S) Sdn Bhd; (3) Glowing Schemes Sendirian Berhad; (4) Daunting Services Limited; (5) Sevier Pacific Limited; and (6) Pacific Plywood Limited; and an associated company, Segereka Sendirian Berhad;
- (h) the facility letter granted to Head & Shoulders Finance Limited dated 27 October 2010 in which the Company agreed to provide a facility of HK\$12,000,000 to Head & Shoulders Finance Limited;
- (i) the sale and purchase agreement dated 24 September 2010 between Best Harvest Asia Limited as purchaser (a wholly-owned subsidiary of the Company) and Favor Way Investments Limited as vendor in respect of the acquisition of 51% interest in Head & Shoulders Finance Limited at a total consideration of HK\$52,000,000;
- (j) the sale and purchase agreement dated 29 May 2009 between the Company as vendor and PT. Golden Pacific Gate as purchaser in respect of the sale of all issued shares in Ankan (China) Holdings Limited for a consideration of US\$50,000;
- (k) the option dated 16 April 2010 and the subsequent formal agreement dated 30 April 2010 between SMI Management & Co., Pte. Limited as vendor (a wholly owned subsidiary of the Company) and Evergreen Marine (Singapore) Pte. Limited as purchaser in relation to the disposal of a commercial property in Singapore at a consideration of Singapore dollar \$23,000,000;
- (l) the placing agreement dated 2 March 2010 entered into between the Company and Grand Vinco Capital Limited as placing agent for the placement of 265,540,000 Shares of the Company. The placing price is HK\$0.158 per placing share. The net proceeds from the placing amount to approximately HK\$41,955,000; and
- (m) the second supplemental agreement dated 15 April 2009 between of Ankan Holdings Limited as purchaser (a wholly owned subsidiary of the Company) and Mr. Leong Low as vendor in relation to the acquisition of certain interest in forest concession with a consideration of US\$2,000,000 and its termination dated 8 December 2009 with a refund of US\$1,000,000.

12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Canon's Court 22 Victoria Street Hamilton, HM12 Bermuda
Head office and principal place of business in Hong Kong	Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Authorized representatives	Mr. Huang Chuan Fu Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong Ms. Tam Hang Yin Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Company secretary	Ms. Tam Hang Yin Unit 1903, 19/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Legal advisers to the Company and in relation to the Rights Issue	<i>As to Hong Kong Law</i> Angela Ho & Associates 1106, Tower 1, Lippo Centre, 89 Queensway Hong Kong <i>As to Bermuda Law</i> Appleby 2206-19, Jardine House 1 Connaught Place Central Hong Kong

Company's auditors	SHINEWING (HK) CPA Limited, 43/F., The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong
Reporting accountants	ZHONGLEI (HK) CPA Company Limited Suites 216-218, 2/F. Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Underwriter	Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre Central Hong Kong
Branch share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F., Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Branch share registrar and transfer office in Bermuda	RBC Dexia Corporate Services Hong Kong Limited 51/F., Central Plaza 18 Harbour Road Wan Chai Hong Kong
Principal banker	DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Central Hong Kong

13. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$9.13 million, which are payable by the Company.

14. PARTICULARS OF DIRECTORS OF THE COMPANY

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

Profiles of Directors*Executive Directors*

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

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

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

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

Independent non-executive Directors

Mr. Chan Kin Sang, aged 59, is currently the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitor and Notaries. He has been a practicing solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Law degree in 1979. He was admitted as a Notary Public in 1997 and as a China-appointed Attesting Officer in 2000. He is currently a Fellow of the Hong Kong Institute of Directors. Mr. Chan currently acts as independent non-executive director of four listed companies in Singapore, namely, CHT (Holdings) Limited, Luxking Group Holdings Limited, People's Food Holdings Limited and Sunray Holdings Limited. He also acts as non-executive director of Pan Hong Property Group Limited, a listed company in Singapore. Mr. Chan also acts as independent non-executive director of four Hong Kong listed companies namely China Precious Metal Resources Holdings Co., Ltd., Combest Holdings Limited, International Taifeng Holdings Limited and the Company and acts as non-executive director of two Hong Kong listed companies namely, Mayer Holdings Limited and United Pacific Industries Limited. Mr. Chan also resigned the position on four other listed companies in the past three years as independent non-executive director, namely Dynamic Energy Holdings Limited, New Smart Energy Group Limited, PNG Resources Holdings Limited and Wai Chun Group Holdings Limited. Since Mr. Chan's directorships with other companies are mostly non-executive in nature, and will not involve in the day-to-day operation and management of the Company as an independent non-executive Director, Mr. Chan confirms and we consider that Mr. Chan shall have sufficient time to discharge his responsibilities as an independent non-executive Director.

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

Mr. Wong Chun Hung, aged 38, graduated from the Hong Kong Baptist University with honors degree in accounting in 1995. He joined the Group since 22 April 2010. Mr. Wong is an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 10 years of experience in accounting, auditing and consulting. He is also a managing director of B&C Finance and Corporate Advisory Limited from November 2005 until now. In addition, Mr. Wong is currently under employment as a financial controller of General Nice Group as well as its associates, Abterra Limited, which is a listed company in Singapore from 1 September 2009

and 5 January 2010 respectively. He currently acts as an independent non-executive director of two Hong Kong listed Companies namely, Po Yuen Holdings Limited and the Company. He was also an independent non-executive director of Tech Pro Technology Development Limited from 25 July 2007 to 7 January 2011 which is a listed company in Hong Kong.

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

15. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of this Prospectus, together with copies of the PAL and the EAF and the written consent referred to in the paragraphs headed “Expert and Consent” in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 342C of Companies Ordinance. A copy of this Prospectus, will be filed with the Registrar of Companies in Bermuda, prior to or as soon as reasonably practicable after publication of the Prospectus as required by the Companies Act.

16. LEGAL EFFECT

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all person concerned bound by the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance.

17. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Bye-Laws;
- (b) the annual reports of the Company for the years ended 31 December 2008, 2009 and 2010;

- (c) the letter issued by ZHONGLEI (HK) CPA Company Limited regarding the unaudited pro forma financial information as set out in Appendix II of this Prospectus;
- (d) the written consent given by ZHONGLEI (HK) CPA Company Limited referred to in the paragraph headed “Expert and Consent” in this appendix;
- (e) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (f) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts of the Company; and
- (g) this Prospectus.