

**PACIFIC PLYWOOD HOLDINGS LTD:
SHED A LITTLE TEAR FOR THE POOR-SUFFERING MINORITIES,
IF YOU PLEASE ?**

One has to have a little pity for the poor, suffering shareholders of Pacific Plywood Holdings Ltd () (Code: 767, Main Board, The Stock Exchange of Hongkong Ltd) – because, in the past year, the share price of the Company has fallen from a high of about 27 cents to the current level of about 4.80 cents.

That is a fall of about 82 percent in the market price of the shares of their Company.

But, in October 2012, Pacific Plywood launched what might be considered a successful Rights Issue on the basis of two Rights Shares for every one share held at the Subscription Price of 56 cents per Rights Share.

Therefore, in real terms, shareholders, who subscribed to this Rights Issue, have seen an erosion in the share price of their Company of not less than 91 percent.

And that, still, is not the end of this story because, today, Management is proposing a Capital Reorganisation – the second one in the past year or so.

On July 12, 2013, Mr Huang Chuan Fu (), the Deputy Chairman of the Company, announced that it was proposed that the Share Capital of the Company be reorganised as follows:

- The Company's Share Capital be consolidated on the basis that, for every four Issued and Unissued Shares of eight cents per share, they will become one Consolidated Share of 32 cents per share;
- Upon the Share Consolidation, becoming effective, the Par Value of the each Consolidated Share will be reduced from 32 cents to 0.001 of a cent. The resultant effect of this move would be to reduce the Authorised Share Capital from \$HK400 million, divided into 1.25 billion Consolidated Shares, into \$HK1,250,000, divided into 1.25 billion New Shares of a Par Value of 0.001 of a cent, each; and,
- Following the Capital Reduction, becoming effective, there be an increase in the Authorised Share Capital of the Company. The Company would increase the Authorised Share Capital from \$HK1,250,000 (divided into 1.25 billion New Shares) to \$HK400 million (divided into 400 billion New Shares) by the creation of 398.75 billion New Shares.

As to the rationale behind the above moves is given at Page 4 of the July 12 announcement:

'Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. Recently, the price of the Shares has approached the extremity of HK\$0.01. The Board is of the opinion that the Capital Reorganization (i) would bring about a corresponding increase in the trading price of the New Shares; (ii) is in compliance with Rule 13.64 of the Listing Rules; and (iii) would give the Company greater flexibility in pricing the future issue of shares. Accordingly, the Board considers that the Capital Reorganization is in the interest of the Company and the Shareholders as a whole.'

'Implementation of the Capital Reorganization will not, of itself, alter the underlying assets, liabilities, business, operations, management, financial position or the share capital of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganization will not have any adverse effect on the financial position of the Company and the Board believes that on the effective date of the Capital Reorganization, there will be no reasonable grounds for believing that the Company is, or after the Capital Reorganization would be, unable to pay its liabilities as they become due. No capital of the Company will be lost as a result of the Capital Reorganization and, except for the expenses involved in relation to the Capital Reorganization, which are expected to be insignificant to the net asset value of the Company, the net asset value of the Company will remain unchanged immediately before and after the Capital Reorganization becoming effective. The Capital Reorganization does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company nor will it result in any change in the relative rights of the Shareholders.'

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