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# Pacific Plywood Holdings Limited

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 767)**

**PROPOSED CAPITAL REORGANIZATION,  
CHANGE IN BOARD LOT SIZE,  
PROPOSED OPEN OFFER OF 558,089,724 OFFER SHARES  
AT HK\$0.025 PER OFFER SHARE ON THE BASIS OF  
ONE OFFER SHARE FOR EVERY  
NEW SHARE HELD ON THE RECORD DATE  
AND  
RESUMPTION OF TRADING**

**Financial Adviser**



**Grand Vinco Capital Limited**

## **CAPITAL REORGANIZATION**

The Board proposes that the Company implements the Capital Reorganization which will involve (a) Share Consolidation by consolidation of every 10 Shares of HK\$0.025 each into 1 Consolidated Share of HK\$0.25 each; (b) Capital Reduction by reduction in the nominal value of the then issued Consolidated Shares from HK\$0.25 to HK\$0.025 each; (c) Subdivision by subdivision of each authorised but unissued Consolidated Share into 10 New Shares of HK\$0.025 each; (d) Share Premium Cancellation by cancellation of the entire amount standing to the credit of the share premium account of the Company; and (e) Elimination of Accumulated Deficit by the transfer of the credit arising from Capital Reduction and Share Premium Cancellation to the contributed surplus account of the Company, and the application of the appropriate amounts therein to set off against the entire accumulated losses of the Company.

## **CHANGE IN BOARD LOT SIZE**

The Board proposes to change the board lot size of trading from 2,000 Shares to 20,000 New Shares upon the Capital Reorganization becoming effective.

## **OPEN OFFER**

Subject to the Capital Reorganization becoming effective, the Board proposes to raise approximately HK\$13.9 million before expenses by issuing 558,089,724 Offer Shares at a price of HK\$0.025 per Offer Share by way of an Open Offer, payable in full on application, on the basis of one Offer Share for every New Share held by the Qualifying Shareholders on the Record Date. The Open Offer will not be available to the Excluded Shareholders.

The estimated net proceeds of the Open Offer will be approximately HK\$12.4 million which will be used for general working capital of the Company. The Directors consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

The Open Offer is fully underwritten by the Underwriters and is conditional, inter alia, upon the fulfilment of the conditions set out below under the paragraph headed "Conditions of the Underwriting Agreement" and other terms of the Underwriting Agreement. In particular, it is subject to, amongst other things, (i) the Capital Reorganization and the Open Offer becoming effective; (ii) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with its terms; and (iii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Offer Shares. Accordingly, the Open Offer may or may not proceed.

**Any person contemplating buying or selling of the Shares from now up to the date on which all conditions of the Open Offer are fulfilled will bear the risk that the Open Offer may not become unconditional and may not proceed. Investors should seek professional advice regarding dealings in Shares if they are in any doubt.**

The last day of dealing of Shares on a cum-entitlement basis is Tuesday, 11 July 2006. To qualify for the Open Offer, the Shareholder must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder. In order to be registered as a member of the Company any transfer of Shares must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Service Limited of Shops 1712-1716 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Thursday, 13 July 2006, or such other date as the Underwriter may agree with the Company in writing.

#### **GENERAL**

A circular containing, amongst other things, (i) details of the Capital Reorganization and the Open Offer; and (ii) the notice of the SGM, will be despatched to the Shareholders as soon as practicable.

#### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Wednesday, 17 May 2006 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption in trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 19 May 2006.

### **CAPITAL REORGANIZATION**

The Capital Reorganization involves the Share Consolidation, the Capital Reduction, the Share Premium Cancellation, the Subdivision and Elimination of Accumulated Deficit.

#### **Share Consolidation**

The Share Consolidation will be implemented to consolidate every 10 Shares of HK\$0.025 each into one Consolidated Share.

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 8,000,000,000 Shares of HK\$0.025 each. Immediately after the Share Consolidation, the authorised share capital of the Company will be HK\$200,000,000 divided into 800,000,000 Consolidated Shares of HK\$0.25 each. As at the date of this announcement, there are 5,580,897,243 Shares in issue and fully paid. On the basis of such issued share capital, there will be 558,089,724 Consolidated Shares of HK\$0.25 each in issue once the Share Consolidation becomes effective. The Consolidated Shares will rank pari passu in all respects with each other.

#### **Capital Reduction, Share Premium Cancellation and Subdivision**

The Capital Reduction of approximately US\$16,098,000 (approximately HK\$125,570,000) will involve a reduction of the nominal value of the then issued Consolidated Shares from HK\$0.25 to HK\$0.025 each by cancelling the paid up capital to the extent of HK\$0.225 on each of the then issued Consolidated Shares. The Share Premium Cancellation will involve the cancellation of the entire amount standing to the credit of the share premium account of the Company as at 31 December 2005. The balance of share premium account as at 31 December 2005 was approximately US\$90,652,000 (approximately HK\$707,086,000). The Subdivision will involve the sub-division of each authorised but unissued Consolidated Share into 10 New Shares of HK\$0.025 each.

The credit arising from the Capital Reduction and the Share Premium Cancellation will be credited to the contributed surplus account of the Company. Based on the audited accounts of the Company as at 31 December 2005 and 5,580,897,243 issued Shares of the Company as at the Announcement Date, a credit of an aggregate amount of approximately US\$16,098,000 (approximately HK\$125,570,000) will arise in the books of the Company as a result of the Capital Reduction, which amount together with the Share Premium Cancellation of approximately US\$90,652,000 (approximately HK\$707,086,000) will be transferred to the contributed surplus account of the Company. On the basis of the balance of the contributed surplus account of the Company of approximately US\$21,122,000 (approximately HK\$164,752,000) as at 31 December 2005, the contributed surplus account of the Company will become approximately US\$127,872,000 (approximately HK\$997,402,000) after such transfer. The Board proposes to apply part of such contributed surplus to set off against the accumulated losses of the Company as at 31 December 2005. On the basis of the audited balance of the accumulated losses of the Company of approximately US\$107,427,000 (approximately HK\$837,931,000) as at 31 December 2005, the balance of the contributed surplus account is expected to be approximately US\$20,445,000 (approximately HK\$159,471,000) after setting off in full the accumulated losses of the Company and may be applied in future in such manner as is permitted by the laws of Bermuda and the Bye-laws, including for capitalisation issues, for distribution to Shareholders and to set off accumulated losses, if any, of the Company. The Company at present has no intention to distribute such remaining balance of the contributed surplus to Shareholders.

The effect of Capital Reorganization on share capital, share premium, contributed surplus and accumulated losses would be summarised as follows:

<i>(Figures in US\$)</i>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Contributed Surplus</b>	<b>Accumulated Losses</b>
Balance as at 31 December 2005	18,037,000	90,652,000	21,122,000	(107,427,000)
Capital Reduction	(16,098,000)		16,098,000	
Share Premium Cancellation		(90,652,000)	90,652,000	
			<u>127,872,000</u>	
Elimination of Accumulated Deficit			(107,427,000)	107,427,000
	<u>1,939,000</u>	<u>–</u>	<u>20,445,000</u>	<u>–</u>

#### **Change in board lot size**

The Board proposes to change the board lot size of trading from 2,000 Shares to 20,000 New Shares upon the Capital Reorganization becoming effective.

#### **Odd lots arrangement and fractional entitlement of the New Shares and matching service**

Any fractional entitlement to the New Shares will be aggregated, sold and retained for the benefit of the Company. In order to alleviate the difficulties arising from the existence of odd lots of the New Shares as a result of Capital Reorganization and change in board lot size, the Company will make arrangements to facilitate the trading of odd lots of the New Shares and, within a specified period of time, free exchange of share certificates as a result of the Capital Reorganization. Lack of facility for excess applications for the assured allotments of Offer Shares is subject to approval of the Independent Shareholders in SGM. Further information in this respect will be set out in the circular to be despatched to the Shareholders.

#### **Reasons for the Capital Reorganization**

The Directors believe that it would be beneficial to the Company by reducing the par value of the Consolidated Shares from HK\$0.25 to HK\$0.025, which will improve flexibility in future for the Company to raise fund via the issue of Shares. Immediately after the Capital Reorganization, the number of unissued Shares will increase from approximately 2,419,102,757 to 7,441,910,276. In addition, the Company will eliminate the accumulated losses through the credit amount arising from the Capital Reorganization, thus allowing greater flexibility for the Company to pay dividend in the future. The Share Consolidation will also reduce the transaction costs for dealing in New Shares.

#### **Effect of the Capital Reorganization**

As at the Announcement Date, there are outstanding Share Options with 145,300,000 underlying Shares. Save for the Share Options, the Company has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for Shares. Adjustments will be made to the exercise price and/or the number of New Shares, as the case may be, to be issued upon exercise of the Share Options after the Capital Reorganisation has become effective. The Company will make further announcement with respect to such adjustment after Capital Reorganisation has become effective. Based on the Company's authorised share capital of HK\$200,000,000, represented by 8,000,000,000 Shares and the issued share capital of approximately

HK\$200,000,000, represented by 8,000,000,000 Shares and the issued share capital of approximately HK\$139,522,000 (equivalent to approximately US\$18,037,000), represented by 5,580,897,243 Shares, upon completion of the Capital Reorganisation, the authorised share capital of the Company will remain at HK\$200,000,000 represented by 8,000,000,000 New Shares, and the issued share capital will be approximately HK\$13,952,000 represented by 558,089,724 New Shares.

The New Shares will rank pari passu in all respects with each other. Other than the expenses incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the relative interests or rights of the Shareholders, save that any fractional New Shares will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company. Save as disclosed above, the Capital Reorganisation itself will not have any material effect on the financial position of the Group.

#### **Conditions of the Capital Reorganisation**

The Capital Reorganisation will be conditional upon:-

- a) the passing of the special resolution by the Shareholders to approve the Capital Reorganisation at the SGM;
- b) compliance with the relevant legal procedures and requirements under the Companies Act to effect the Capital Reorganisation;
- c) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Shares in issue and following the implementation of the Capital Reorganisation, the New Shares falling to be issued upon exercise of the conversion rights attaching to the Share Options; and
- d) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

Assuming that all conditions are fulfilled, it is expected that the Capital Reorganisation will be effective from 9:30 a.m. on Tuesday, 11 July 2006, the day following the SGM.

#### **OPEN OFFER**

The Open Offer is proposed to take place after the Capital Reorganization becoming effective. Details of the Open Offer are set out below:-

##### **Issue Statistics**

Basis of Open Offer:	One Offer Share for every New Share held by the Qualifying Shareholders on the Record Date on an assured basis. No Offer Shares will be allotted to the Qualifying Shareholders in excess of their provisional allotments.
Number of Shares in issue:	5,580,897,243 Shares as at the Announcement Date.
Number of New Shares expected to be in issue upon completion of the Capital Reorganization:	558,089,724 New Shares
Number of Offer Shares:	558,089,724 Offer Shares
Subscription price:	HK\$0.025 per Offer Share
Number of Offer Shares Undertaken to be taken up by Mr. Widodo:	24,827,600 Offer Shares
Underwritten Shares:	533,262,124 Offer Shares

As at the Announcement Date, the number of underlying Shares of Share Options is 145,300,000 Shares. All the holders of the Share Options have undertaken to the Company that they will not exercise any subscription rights attached to the Share Options during the period from the Announcement Date up to and including the Record Date. Save for the Share Options, the Company has no other derivatives, options, warrants and conversion rights which are convertible into Shares. Mr. Widodo has given an undertaking to accept all the 24,827,600 Offer Shares to be provisionally allotted to him pursuant to the Open Offer.

Qualifying Shareholders will be assured of receiving the number of Offer Shares accepted if acceptance is made for a number of Offer Shares equal to or less than the number in their provisional allotments.

**Subscription price for the Offer Shares**

Subscription Price of HK\$0.025 per Offer Share will be payable in full when a Qualifying Shareholder accepts the Offer Shares, which price represents:

- a) a discount of approximately 89.13% to the closing price of HK\$0.23 per New Share based on the closing price of HK\$0.023 per Share (before Capital Reorganization) as quoted on the Stock Exchange on the Last Trading Day;
- b) a discount of approximately 90.12% to the average closing price of approximately HK\$0.253 per New Share based on the average closing price of HK\$0.0253 for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- c) a discount of approximately 80.39% to the theoretical ex-entitlement price of HK\$0.1275 per New Share based on the closing price of HK\$0.023 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- d) a discount of approximately 92.33% to the audited consolidated net asset value of approximately HK\$0.326 per New Share based on the audited consolidated net asset value of approximately HK\$0.033 per Share as at 31 December 2005.

The Subscription Price was determined after negotiations between the Company and the Underwriters, with reference to the prevailing market price of the Shares, the audited consolidated net asset value per Share, the financial position, performance and prospects of the Group and the trading volume of the Shares on the Stock Exchange.

The Company intended to raise funds for the operation after suffering losses for many years but did not intend to create great burden to the existing shareholders. Therefore, the Subscription Price was set to be low to induce the existing shareholders to participate in the Open Offer.

**Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, all transfer of Shares (together with the relevant share certificates) must be lodged with the Company's Registrar and its transfer office at Computershare Hong Kong Investor Services Limited at Shops 1712-1716 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 13 July 2006 pursuant to the expected timetable.

**Rights of Excluded Shareholders**

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. If at the close of business of Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer. If at any time before or on the Record Date, there is any Shareholder who maintain address overseas on the Company's register of members, the Company will make enquiries regarding the legal restrictions under the laws of the relevant regulatory body or stock exchange for extending the Open Offer to such Shareholders and will only exclude such Shareholders for the Open Offer if it would be necessary or expedient to do so in accordance with Rule 13.36(2)(a) of the Listing Rules. If the Directors, after making enquiries, find it necessary or expedient to exclude the Excluded Shareholders for the Open Offer, the Company will not make provisional allotment of Offer Shares to the Excluded Shareholders. The Company will send copies of the Prospectus to the Excluded Shareholders for their information only, but will not send any assured allotment letter to Excluded Shareholders. The Excluded Shareholders, if any, will be entitled to vote at the SGM to consider, among others, the Open Offer.

**Closure of register of members**

The register of members of the Company is expected to be closed from Friday, 14 July 2006 to Thursday, 20 July 2006, both dates inclusive, to determine entitlements to participate in the Open Offer. No transfer of shares will be registered during this period.

**Fractions of Offer Shares**

Given the Open Offer is on the basis of one Offer Share for every New Share held by Qualifying Shareholders on the Record Date, there will be no fractions of Offer Shares.

### **No trading in nil-paid allotments and application for excess Offer Shares**

Under the Open Offer, there will not be trading in nil-paid allotments of Offer Shares and there will be no arrangements for application for excess Offer Shares by Qualifying Shareholders. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriters pursuant to the Underwriting Agreement at the Subscription Price, which is at a discount to the prevailing market price of the Shares. As a result, the interest of these Qualifying Shareholders not taking up the Offer Shares in the Company will be diluted.

In view of the current market price of the Shares of the Company and the expected market price of the New Shares of the Company, the Directors consider that trading in nil-paid Offer Shares and excess application may lead to higher issue costs and higher transaction costs to the Shareholders which would not be in the interests of the Shareholders. In the circumstances and given that new capital fund by way of the Open Offer enables the existing Shareholders (except Excluded Shareholders due to the legal concerns explained above) to maintain their relative percentage interests in the Company among themselves, in the same way as a rights issue but in contrast with for example, a private placement of Shares which will result in dilution of existing Shareholders' interests in the Company, the Directors have decided to proceed with the Open Offer. In addition, as the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Open Offer.

### **Status of the Offer Shares**

When fully paid, issued and allotted, the Offer Shares will rank *pari passu* in all respects with the then issued New Shares. Holders of the fully paid Offer Shares will be entitled to receive all future dividends and distributions declared, made or paid on or after the Record Date.

### **Share Certificates**

Subject to the fulfilment of the conditions of the Open Offer, certificates for all the fully-paid Offer Shares are expected to be posted on or before Monday, 14 August 2006 to those who have accepted and paid in full for the Offer Shares at their risk.

### **Application for listing and dealings**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Offer Shares following the implementation of the Capital Reorganization. Dealings in the Offer Shares in board lot of 20,000 New Shares, will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

### **Reasons for the Open Offer and Use of Proceeds**

The Group is principally engaged in the manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and wood related products.

The estimated net proceeds of the Open Offer will be approximately HK\$12.4 million, which will be used for general working capital of the Company. The Directors consider that to strengthen the working capital of the Group would be desirable as there was only little net cash inflow during the year ended 31 December 2005 but the Group has to repay part of its bank loans during the year 2006. The Directors consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

The Company had not conducted any fund raising activities in the past 12 months immediately before the date of this announcement. The Directors have considered other alternative fund raising methods such as issue of new shares and bank borrowings and consider that Open Offer has the benefits of allowing Qualifying Shareholders to maintain their respective pro rata shareholdings if they take up their entitled Offer Shares and participate in the future growth of the Group. Furthermore, the Directors have also considered to issue right issues. However, the Directors were of the opinion that right issues may not benefit the Shareholders because that higher cost of issuing and also higher transaction costs if the Shareholders wish to trade the nil-paid rights.

## **UNDERWRITING ARRANGEMENTS**

### **Undertaking from Mr. Widodo**

As at the Announcement Date, Mr. Widodo has the following interest in the Shares:

	<b>Number of Shares</b>	<b>% of the issued share capital of the Company</b>
Personal interest	248,276,000	4.45%
Corporate interest through SMI International Limited ( <i>Note</i> )	1,974,720,000	35.38%

*Note:* Mr. Widodo owns 39.82% in the issued share capital of SMI International Limited ("SMI").

Pursuant to the Undertaking Agreement, Mr. Widodo has given an undertaking to accept all the 24,827,600 Offer Shares to be provisionally allotted to him pursuant to the Open Offer. Assuming all the Offer Shares subject to the above undertakings have been fully allotted and issued to Mr. Widodo, his total shareholdings in personal capacity after the Open Offer would amount to 49,655,200 New Shares representing approximately 4.45% of the total issued share capital of the Company as enlarged by the Open Offer. As at the Announcement Date, SMI has not indicated whether it would accept its provisional allotted Offer Shares. Mr. Widodo, as one of the Underwriters, has agreed to underwrite the entitlement of SMI to the 197,472,000 Offer Shares.

### Underwriting Agreement

**Date:** 16 May 2006

**Underwriters:** Mr. Widodo

Grand Vinco Capital Limited, a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company

Celestial Securities Limited, a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company

<b>Number of Offer Shares underwritten or undertaken to be accepted:</b>	<b>Offer Shares</b>	<b>As % of total New Shares expected to be in issue</b>
Offer Shares undertaken to be accepted by Mr. Widodo	24,827,600	2.22%
Underwritten Shares		
– Mr. Widodo ( <i>Note</i> )	197,472,000	17.70%
– Grand Vinco	167,895,062	15.04%
– Celestial	167,895,062	15.04%
	<u>533,262,124</u>	<u>47.78%</u>
	<u>558,089,724</u>	<u>50.00%</u>

**Commission:** 2.5% of the aggregate Subscription Price in respect of the actual number of the Offer Shares underwritten by the Underwriters and is expected to be approximately HK\$333,000.

*Note:* The Offer Shares underwritten by Mr. Widodo only apply to entitlement of SMI to the Offer Shares.

Pursuant to the Underwriting Agreement, the Underwriters agree to subscribe for or procure subscribers to subscribe for any Shortfall Underwritten Shares. Each of the Underwriters shall use its reasonable endeavours to ensure that the subscribers procured by it for the Shortfall Underwritten Shares shall be third parties who (i) are not connected persons (as defined in the Listing Rules) of the Company; and (ii) are not acting in concert with any connected persons (as defined in the Listing Rules) of the Company and their respective associates.

As one of the Underwriters, Mr. Widodo, is a connected person of the Company, the underwriting arrangement in respect of the Open Offer constitutes a connected transaction under Rule 14A.13 of the Listing Rules. Given the absence of facility for excess applications for Offer Shares being subject to approval of the Independent Shareholders in SGM, the underwriting arrangement can be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.31(3)(c) of the Listing Rules.

### Termination of the Underwriting Agreement and force majeure

The Underwriting Agreement contains provisions entitling each of the Underwriters, by notice in writing, to terminate its obligations thereunder if at any time prior to the Latest time for Termination:

- a) the success of the Open Offer would be materially and adversely affected by the development, occurrence or enforcement of:
  - i) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the financial position of the Group as a whole; or
  - ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer; or

- iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer; or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
  - iv) any suspension of dealings in the Shares for any period longer than five consecutive Business Days after the date of the Underwriting Agreement (other than as a result of the Change in Domicile, Capital Reorganization and the Open Offer); or
  - v) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to Latest Time for Termination; or
- b) any breach of any of the warranties by the Company pursuant to the Underwriting Agreement comes to the knowledge of the Underwriters; or
  - c) any event occurs or any matter arises on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date thereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect in such a manner as would in the absolute opinion of the Underwriters materially and adversely affect the financial position or business of the Group as a whole; or
  - d) there is any such adverse change in the general affairs, management, business, stockholders' equity or in the financial or trading position of the Group as a whole which in the absolute opinion of the Underwriters is materially adverse to the success of the Open Offer; or
  - e) there is any change in the composition of the Board which in the absolute opinion of the Underwriters may affect the management and general affairs of the Company;

In any of such cases, the Underwriters may terminate the Underwriting Agreement without liability to the Company by giving notice in writing to the Company, served prior to the Latest Time for Termination.

#### **CONDITIONS OF THE UNDERWRITING AGREEMENT**

The Underwriting Agreement is conditional, amongst other things, on:

- i) the passing by the Shareholders or Independent Shareholders at the SGM of:–
  - (1) a special resolution to approve the Capital Reorganization; and
  - (2) an ordinary resolution to approve the Open Offer;
- ii) the Capital Reorganization having become effective;
- iii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Shares;
- iv) the Listing Committee of the Stock Exchange granting or agreeing to grant in principle (subject to allotment of Offer Shares) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares by no later than the prospectus posting date;
- v) compliance with the requirements under the applicable laws and regulations of Hong Kong and Bermuda;
- vi) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- vii) trading of Shares on the Stock Exchange not being suspended for more than five (5) consecutive Business Days at any time prior to the Latest Time for Acceptance (excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Capital Reorganization and the Open Offer); and
- viii) the performance in full by Mr. Widodo of his undertaking in respect of taking up his entitlements to Offer Shares in full.

Save for conditions (vi) and (vii) above, none of the above conditions can be waived. If the conditions referred to above are not satisfied and/or waived in whole or in part by the Underwriter by 4:00 p.m. on the Latest Time for Acceptance of the Offer Shares, the Underwriting Agreement shall terminate and the Open Offer will not proceed. In case the Open Offer does not proceed, the Company will not be liable for the underwriting commission of the Underwritten Shares. However, the Company will still be liable to any costs and expenses of the legal and other professional advisers incurred in relation to the Open Offer.



## SHAREHOLDING IN THE COMPANY

The following table sets out the shareholding structure of the Company as at the Announcement Date and upon completion of the Capital Reorganization and Open Offer, on the basis that no option issued under the Share Option Scheme will be exercised before Record Date, and assuming different levels of acceptance of the Offer Shares by SMI and the other Shareholders on or before the Record Date:

### (a) Assuming that SMI has not accepted any of its entitled Offer Shares

	Existing shareholding as at the Announcement Date		Upon completion of Capital Reorganization but prior to the Open Offer		Shareholding upon completion of the Capital Reorganization and Open Offer assuming subscription by the Shareholders of Open Offer			
					0% (Note 1)		100% (Note 2)	
	Shares	(%)	New Shares	(%)	New Shares	(%)	New Shares	(%)
Mr. Widodo	248,276,000	4.45	24,827,600	4.45	247,127,200	22.14	247,127,200	22.14
SMI (Note 3)	1,974,720,000	35.38	197,472,000	35.38	197,472,000	17.69	197,472,000	17.69
Grand Vinco (Note 4)	-	-	-	-	167,895,062	15.04	-	-
Celestial (Note 4)	-	-	-	-	167,895,062	15.04	-	-
Other public Shareholders	3,357,901,243	60.17	335,790,124	60.17	335,790,124	30.09	671,580,248	60.12
<b>Total</b>	<b>5,580,897,243</b>	<b>100.00</b>	<b>558,089,724</b>	<b>100.00</b>	<b>1,116,179,448</b>	<b>100.00</b>	<b>1,116,179,448</b>	<b>100.00</b>

Note:

1. Assuming that no Qualifying Shareholders (other than Mr. Widodo) will take up their provisional entitlements under the Open Offer and all the Underwritten Shares (other than those entitled by SMI which will be taken up by Mr. Widodo) will be taken up by the Underwriter.
2. Assuming that all Qualifying Shareholders will take up their provisional entitlements under the Open Offer (except that the entitlement of SMI will be taken up by Mr. Widodo).
3. SMI is owned by Mr. Widodo as to 39.82%.
4. Pursuant to the Underwriting Agreement, each of the Underwriters undertook to the Company that it shall use its reasonable endeavours to ensure that the subscribers procured by it for the Shortfall Underwritten Shares shall be third parties who (i) are not connected persons of the Company; and (ii) are not acting in concert with any connected persons of the Company and their respective associates.
5. Mr. Widodo has undertaken to the Company that he will take up in full his entitlement of Offer Shares under the Open Offer. Number of New Shares comprises of shares after Capital Reorganization, shares upon completion of Open Offer and shares owned by SMI.

### (b) Assuming that SMI has accepted all of its entitled Offer Shares

	Existing shareholding as at the Announcement Date		Upon completion of Capital Reorganization but prior to the Open Offer		Shareholding upon completion of the Capital Reorganization and Open Offer assuming subscription by the Shareholders of Open Offer			
					0% (Note 1)		100% (Note 2)	
	Shares	(%)	New Shares	(%)	New Shares	(%)	New Shares	(%)
Mr. Widodo	248,276,000	4.45	24,827,600	4.45	49,655,200	4.45	49,655,200	4.45
SMI (Note 3)	1,974,720,000	35.38	197,472,000	35.38	394,944,000	35.38	394,944,000	35.38
Grand Vinco (Note 4)	-	-	-	-	167,895,062	15.04	-	-
Celestial (Note 4)	-	-	-	-	167,895,062	15.04	-	-
Other public Shareholders	3,357,901,243	60.17	335,790,124	60.17	335,790,124	30.09	671,580,248	60.17
<b>Total</b>	<b>5,580,897,243</b>	<b>100.00</b>	<b>558,089,724</b>	<b>100.00</b>	<b>1,116,179,448</b>	<b>100.00</b>	<b>1,116,179,448</b>	<b>100.00</b>

*Note:*

1. Assuming that no Qualifying Shareholders (other than Mr. Widodo) will take up their provisional entitlements under the Open Offer and all the Underwritten Shares (other than those entitled by SMI which will be taken up by Mr. Widodo) will be taken up by the Underwriter.
2. Assuming that all Qualifying Shareholders will take up their provisional entitlements under the Open Offer.
3. SMI is owned by Mr. Widodo as to 39.82%.
4. Pursuant to the Underwriting Agreement, each of the Underwriters undertook to the Company that it shall use its reasonable endeavours to ensure that the subscribers procured by it for the Shortfall Underwritten Shares shall be third parties who (i) are not connected persons of the Company; and (ii) are not acting in concert with any connected persons of the Company and their respective associates.
5. Mr. Widodo has undertaken to the Company that he will take up in full his entitlement of Offer Shares under the Open Offer. Number of New Shares is comprising of shares after Capital Reorganization, shares upon completion of Open Offer and shares owned by SMI.

### **WARNING OF THE RISKS OF DEALING IN SHARES**

**Subject to the implementation of Capital Reorganisation, the New Shares will be dealt in on an ex-entitlement basis from Wednesday, 12 July 2006. Any person contemplated buying or selling of the Shares or New Shares from now up to the date on which all conditions of Open Offer are fulfilled will bear the risk that Open Offer may not become unconditional and may not proceed. Investors should seek professional advice regarding dealing in Shares if they are in any doubt.**

### **MAINTENANCE OF PUBLIC FLOAT**

It is expected that immediately following the completion of the Open Offer, there will be more than 25% of the New Shares held by the public. The Directors are aware of the Company's obligation to maintain a sufficient public float of the New Shares under Rule 8.08 of the Listing Rules and the related obligations under Rule 13.32 of the Listing Rules. The Company will ensure that these obligations be complied with from time to time before and after the completion of the Open Offer.

### **EXPECTED TIMETABLE**

The expected timetable for the Capital Reorganization and the Open Offer is set out below and is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

2006

Despatch of circulars and proxy forms in relation to the SGM to the Shareholders	Wednesday, 14 June
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Saturday, 8 July
SGM	11:00 a.m. on Monday, 10 July
Capital Reorganization becoming effective	9:30 a.m. on Tuesday, 11 July
Announcement of results of SGM	Tuesday, 11 July
Closure of original counter for trading in Shares in board lot of 2,000 Shares	9:30 a.m. on Tuesday, 11 July
Establishment of temporary counter for trading in New Shares in board lot of 200 New Shares	9:30 a.m. on Tuesday, 11 July
First day of free exchange of existing share certificates for new share certificates for the New Shares	Tuesday, 11 July
Last day of dealings in the New Shares on a cum-entitlement basis	Tuesday, 11 July
First day of dealings in the New Shares on an ex-entitlement basis	Wednesday, 12 July
Latest time for lodging transfer of New Shares for entitlement to the Open Offer	4:00 p.m. on Thursday, 13 July 2006

Book closure period (both days inclusive)	Friday, 14 July to Thursday, 20 July
Record Date	Thursday, 20 July
Despatch of Prospectus Documents	Thursday, 20 July
Register of members re-opens	Friday, 21 July
Original counter for trading in New Shares in board lot of 20,000 New Shares re-opens	9:30 a.m. on Tuesday, 25 July
Parallel trading commences	9:30 a.m. on Tuesday, 25 July
First day of operations of odd lot trading facilities	Tuesday, 25 July
Latest time for payment for and acceptance of the Offer Shares	4:00 p.m. on Friday, 4 August
Open Offer becomes unconditional	4:00 p.m. on Thursday, 10 August
Announcement on results of the Open Offer appears on newspaper	Friday, 11 August
Despatch of share certificates for Offer Shares	Monday, 14 August
Closure of temporary counter for trading in New Shares in board lot of 200 New Shares	4:00 p.m. on Tuesday, 15 August
Parallel trading ends	4:00 p.m. on Tuesday, 15 August
Last day of operations of odd lot trading facilities	Tuesday, 15 August
Dealings in Offer Shares expected to commence	Wednesday, 16 August
Last day of free exchange of existing share certificates for new share certificates for the New Shares	Friday, 18 August

*Note: All times refer to Hong Kong local times.*

### **Summary of Fund Raising Activities in the 12 months preceding the Announcement Date**

The Company has not conducted any fund raising activities in the 12 months preceding the Announcement Date.

### **GENERAL**

A circular containing, among other things, details of the Capital Reorganization and the Open Offer and the notice of the meetings will be despatched to the Shareholders as soon as practicable.

In accordance with Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. In this regard, Mr. Widodo and SMI and their associates will abstain from voting in favour of the proposed resolution on the Open Offer.

### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Wednesday, 17 May 2006 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption in trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 19 May 2006.

## DEFINITIONS

The following defined terms are used in this announcement:–

“Announcement Date”	18 May 2006, date of this announcement
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for business in Hong Kong throughout their normal business hours (excluding Saturday and Sunday)
“Bye-laws”	the bye-laws of the Company in force from time to time
“Celestial”	Celestial Securities Limited being one of the Underwriters, which is a licensed corporation to carry out, among others, type 1 regulated activities (dealing in securities) under the Securities and Futures Ordinance
“Capital Reduction”	the proposed reduction of the nominal value of the issued share capital of the Company each of the Consolidated Share from HK\$0.25 to HK\$0.025 per New Share
“Capital Reorganization”	the proposed capital reorganization of the Company involving the Share Consolidation, Capital Reduction, Subdivision, Share Premium Cancellation and Elimination of Accumulated Deficit
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Consolidated Share(s)”	share(s) of HK\$0.25 each in the share capital of the Company immediately upon the Share Consolidation taking effect but before the Capital Reduction
“Controlling Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Elimination of Accumulated Deficit”	the proposed setting-off of the accumulated deficit of the Company as at 31 December 2005 at the effective date of the Capital Reorganization using the total credit arising from the Capital Reduction and the Share Premium Cancellation
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making relevant enquiry as required under the Listing Rules, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Grand Vinco”	Grand Vinco Capital Limited being one of the Underwriters, which is a licensed corporation to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the Securities and Futures Ordinance
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Mr. Widodo, SMI and their associates
“Last Trading Day”	Tuesday, 16 May 2006, the last day on which the Shares were traded immediately preceding the publication of this announcement
“Latest Time for Acceptance”	4:00 p.m. on 4 August 2006 or such other date as may be agreed by the Company and the Underwriter
“Latest Time for Termination”	4:00 p.m. on 9 August 2006, being the third Business Day after the Latest Time for Acceptance
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Mr. Widodo”	Mr. Budiono Widodo, the Chairman, Executive Director of the Company and owns approximately 39.82% interest in the issued share capital of SMI

“New Share(s)”	share(s) of HK\$0.025 each in the share capital of the Company after the Capital Reorganization becoming effective
“Notice”	the notice of the SGM contained in the Circular in the agreed form
“Open Offer”	The proposed issue of the Offer Shares on the basis of one Offer Share for every New Share held on the Record Date at the Subscription Price
“Offer Shares”	558,089,724 New Shares to be issued under the Open Offer
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
“Prospectus”	a prospectus containing details of the Open Offer to be issued by the Company
“Prospectus Documents”	the Prospectus, the assured allotment Letter relating to the Open Offer
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Thursday, 20 July 2006, the date by reference to which entitlements under the Open Offer will be determined
“Registrar”	Computershare Hong Kong Investor Limited, the branch registrar of the Company in Hong Kong
“Settlement Date”	Thursday, 10 August 2006, being the fourth Business Day after the Latest Time for Acceptance
“SGM”	the special general meeting of the Company to be convened and held for the approving, amongst other things, the Capital Reorganization and the Open Offer
“Share(s)”	share(s) of HK\$0.025 each in the share capital of the Company prior to the Capital Reorganization
“Share Consolidation”	the proposed consolidation of every 10 Shares into one Consolidated Share
“Share Option(s)”	the share option(s) granted under any of the Share Option Schemes
“Share Option Schemes”	the two share option schemes adopted by the Company respectively on 17 October 1995 and 21 June 2002
“Share Premium Cancellation”	the cancellation of the entire amount standing to the credit of the share premium account of the Company as at 31 December 2005
“Shareholder(s)”	holder(s) of the Share(s) or New Share(s) (as the case may be)
“Shortfall Underwritten Shares”	any Underwritten Shares not accepted by Qualifying Shareholders (other than Mr. Widodo) or for which duly completed assured allotment letters (accompanied by cheques or banker’s cashier orders 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 the latest time for acceptance of the Offer Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SMI”	SMI International Limited which is owned by Mr. Widodo as to 39.82% in its issued share capital
“Subdivision”	the subdivision of each authorized but unissued Consolidated Share into 10 New Shares
“Subscription Price”	the subscription price of HK\$0.025 per Offer Share pursuant to the Open Offer
“Underwriters”	Mr. Widodo, Grand Vinco and Celestial
“Underwriting Agreement”	the agreement dated 16 May 2006 between the Company and the Underwriters relating to the underwriting in respect of the Open Offer
“Underwritten Shares”	533,262,124 Offer Shares, being all Offer Shares after deducting the Offer Shares allotted to Mr. Widodo on an assured basis which have been undertaken to be accepted by him

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

“US\$”

United State Dollars, the lawful currency of the United States of America

Unless otherwise stated, the conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.80 for indication purpose only.

By Order of the Board  
**Pacific Plywood Holdings Limited**  
**Mr. Sardjono Widodo**  
*Managing Director*

Hong Kong, 18 May 2006

*As at the date of this announcement, the Board comprises 4 executive directors, namely Mr. Budiono Widodo, Mr. Sardjono Widodo, Mr. Liao Yun Kuang, Mr. Yu Chien Te, 3 non-executive directors, namely Mr. Chen Chung I, Mr. Pipin Kusnadi and Mr. Sudjono Halim and 3 independent non-executive directors namely Mr. Marzuki Usman, Mr. Kusnadi Widjaja and Mr. Ngai Kwok Chuen*