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PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

PROPOSED CAPITAL REORGANIZATION

The Board proposes to reorganize the capital of the Company in the following manner:

1. reduction in the par value of each issued Share from HK\$0.025 to HK\$0.001; and
2. subdivision of each authorized but unissued Share into 25 New Shares of HK\$0.001 each.

The credit arising from the Capital Reduction of approximately HK\$38.54 million will be transferred to the contributed surplus account of the Company and used to offset accumulated losses of the Company partially. Any credit standing in the contributed surplus account of the Company will be used in any manner permitted by laws of Bermuda and the Bye-Laws.

A circular containing further details of the Capital Reorganization and a notice convening the SGM for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve the Capital Reorganization will be despatched to the Shareholders as soon as practicable.

CAPITAL REORGANIZATION

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* *For identification purposes only*

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Immediately after completion of the Capital Reorganization, the authorized share capital of the Company will remain unchanged, being HK\$200,000,000 divided into 200,000,000,000 New Shares.

Effects of the Capital Reorganization

The effect of the Capital Reorganization is summarized below:

	As at the date of this announcement	Immediately following the Capital Reorganization becoming effective
Nominal value of each Share	HK\$0.025	HK\$0.001
Authorized share capital	HK\$200,000,000 divided into 8,000,000,000 Shares	HK\$200,000,000 divided into 200,000,000,000 New Shares
Number of Share in issue	1,605,819,448	1,605,819,448
Issued and fully paid-up share capital	HK\$40,145,486.20	HK\$1,605,819.44

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 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.

Conditions of the Capital Reorganization

The Capital Reorganization is conditional on the following:

- (i) the passing of necessary resolution(s) by the Shareholders at the SGM by way of poll to approve the Capital Reorganization;
- (ii) the compliance with the relevant procedures and requirements under Bermuda law and the Listing Rules to effect the Capital Reorganization; and
- (iii) the Stock Exchange granting of the listing of, and permission to deal in, the New Shares to be issued upon the Capital Reorganization becoming effective.

Subject to the fulfillment of the above conditions, the Capital Reorganization will become effective on the business day following the date of the SGM.

Reasons of the Capital Reorganization

The Board is of the opinion that the Capital Reorganization would enable the Company to offset accumulated losses partially and the reduced par value of the Shares will give the Company greater flexibility in pricing any future issue of Shares. In view of the foregoing, the Board considers that the Capital Reorganization is in the interests of the Company and the Shareholders as a whole.

Listing application

Application will be made to the Stock Exchange for granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganization.

The New Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date 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.

Exchange of share certificates

Subject to the Capital Reorganization becoming effective, Shareholders may submit share certificates for existing Shares to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Service Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, to exchange, at the expense of the Company, for certificates of the New Shares. Thereafter, certificates of Shares will remain effective as documents of title but will be accepted for exchange only on payment of a fee of HK\$2.5 (or such other amount as may from time to time be specified by the Stock Exchange) per certificate issued or cancelled, whichever is higher, payable by Shareholders.

GENERAL

A circular containing further details of the Capital Reorganization and a notice convening the SGM for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve the Capital Reorganization will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company, as amended from time to time
“Capital Reduction”	the proposed reduction of the par value of each issued Share from HK\$0.025 to HK\$0.001 by canceling paid up capital to the extent of HK\$0.024 on each issued Share
“Capital Reorganization”	the Capital Reduction and the Subdivision
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“Company”	Pacific Plywood Holdings Limited (stock code: 767), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“New Share(s)”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company upon the Capital Reorganization becoming effective
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, the Capital Reorganization

“Share”	the ordinary share(s) of HK\$0.025 each in the existing issued share capital of the Company, before the Capital Reorganization becoming effective
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the proposed subdivision of each authorized but unissued Share into 25 New Shares of HK\$0.001 each
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 20 October 2010

As at the date of this announcement, the executive Directors are Dr. Budiono Widodo (Chairman), Mr. Sardjono Widodo (Managing Director), Mr. Liao Yun Kuang (President), Mr. Yu Chien Te, Ms. Jia Hui, Mr. Huang Chuan Fu, Mr. Jiang Yi Ren and Mr. Liang Jian Hua and the independent non-executive Directors are Mr. Marzuki Usman, Mr. Wong Chun Hung and Mr. Chan Kin Sang.