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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)

DISCLOSEABLE TRANSACTION

On 5 November 2013 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to procure placee(s), on a best effort basis, to purchase the Convertible Notes in an aggregate principal amount of up to HK\$35,000,000 at 280% of the principal amount of the Convertible Notes (equivalent to a maximum of HK\$98,000,000 if the Convertible Notes are fully placed).

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Placing exceed 5% but are less than 25%, the Placing constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement but exempt from Shareholders' approval requirement under the Listing Rules.

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THE PLACING AGREEMENT

- Date: 5 November 2013 (after trading hours)
- Placing Agent: United Simsen Securities Limited, the non-exclusive placing agent to the Placing. To the best of the Company's knowledge, information and belief after making reasonable enquiries, the Placing Agent and its associates are Independent Third Parties.
- Placing: The Placing Agent has conditionally agreed to procure independent placee(s), on a best effort basis, to purchase the Convertible Notes in an aggregate principal amount of up to HK\$35,000,000 during the Placing Period at the Placing Price.
- Placing Price: The Placing Price, which was arrived at after arm's length negotiations and on normal commercial terms with reference to, among other things, the latest fair value and the terms of the Convertible Notes and the liquidity and marketability of the underlying conversion shares, shall be 280% of the principal amount of the Convertible Notes (equivalent to a maximum of HK\$98,000,000 if the Convertible Notes are fully placed).
- Conditions of the Placing: Completion of the Placing of all or part of the Convertible Notes is conditional upon the following conditions being fulfilled:
- (i) the Placing Agreement not being terminated pursuant to the terms and conditions contained therein;
 - (ii) all necessary approvals, consent and authorizations (including but not limited to those of any third parties) for the Placing Agreement and the transactions contemplated thereunder and the relevant Completion having been obtained by the Company and remained effective and not having been withdrawn; and
 - (iii) none of the representations, warranties or undertakings given by the Company or the Placing Agent (as the case may be) having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

If any of the above conditions are not fulfilled by 4:00 p.m. on the Closing Date the Placing Agreement shall terminate and the respective obligations of the parties thereto shall forthwith cease and terminate and none of the Company or the Placing Agent shall have any claims against the other (save for any antecedent breaches).

Placee(s): Any investor (independent of each of the Company and China Environmental, their respective directors, substantial shareholders and chief executive and associates) procured by the Placing Agent to purchase any of the Convertible Notes.

The choice of placee(s) for the Convertible Notes shall be determined solely by the Placing Agent.

Placing commission: The Placing Agent shall be entitled to receive from the Company a commission equivalent to 2.5% of the aggregate sale price of the Convertible Notes placed and all reasonable legal fees and other out-of-pocket expenses it has properly incurred in relation to the Placing.

Termination: If at any time on or prior to the Closing Date:

- (i) any material breach of any of the representations, warranties and undertakings comes to the knowledge of any party of the Placing Agreement to whom such representations and warranties are made (the “**Representee**”) or any event occurs or any matter arises on or after the date thereof and prior to the Closing Date which if it had occurred or arisen before the date thereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by any party (a “**Defaulting Party**”) of any other provision of the Placing Agreement; or
- (ii) there is any adverse change in the financial position of China Environmental which in the reasonable opinion of the Placing Agent or the Company, as the case may be, is material in the context of the Placing,

then (i) the Representee or the party other than the Defaulting Party may after consultation with the other party in either case (in each case to the extent that the same is reasonably practicable) terminate the Placing Agreement without liability to the other party by giving notice in writing to the other party, provided that such notice is received prior to the Closing Date.

Completion: Subject to fulfillment of the Conditions of the Placing, the Placing Agent shall deliver a written notice (the “**Notice**”) to the Company as soon as practicable, provided that no such notice shall be delivered after the expiration of the Placing Period. To facilitate Completion, the settlement of the sales and purchases in relation to such principal amount of all or part of the Convertible Notes, as the case may be, will be conducted at the office of the Company at 4:00 p.m. on the third Business Day from the date of the Notice, provided that such date shall not fall later than the third Business Day after the Closing Date.

POSSIBLE FINANCIAL EFFECT OF THE PLACING

As at 30 June 2013, the book value of the Convertible Notes was approximately HK\$51,654,000. Subject to the Completion, the difference between the Placing Price and the then book value of the Convertible Notes is expected to be recognized as a gain on disposal in the income statement of the Group and the total and net assets of the Group are expected to be increased. Assuming the Convertible Notes are fully placed at the Placing Price, a gain of approximately HK\$46,346,000 shall be recognized in the income statement of the Group based on the book value of the Convertible Notes of approximately HK\$51,654,000 as at 30 June 2013.

The actual amounts of the proceeds of the Placing and the effects on the assets, liabilities and earnings position of the Group in relation to the Placing could only be finalized after the Placing is completed.

INFORMATION ON THE CHINA ENVIRONMENTAL GROUP

The China Environmental Group is principally engaged in the businesses of waste paper, scrap metal and consumable wastes recycling.

Set out below is a summary of the audited consolidated financial information of the China Environmental Group for the two years ended 31 March 2012 and 2013 (as extracted from the 2013 annual report of China Environmental):

	For the year ended 31 March	
	2013 (HK\$'000) (audited)	2012 (HK\$'000) (restated)
Turnover	99,655	136,028
Net (loss)/profit before taxation from the continuing operation	(380,687)	11,253
Net (loss)/profit after taxation from the continuing operation	(377,292)	11,250

According to the annual report of China Environmental for the year ended 31 March 2013, the net assets of the China Environmental Group amounted to approximately HK\$161,978,000 as at 31 March 2013.

INFORMATION ON THE GROUP

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of money lending and provision of credits, securities investments, provision of corporate secretarial and consultancy services and forestry business.

REASONS FOR AND BENEFITS OF THE PLACING AND THE INTENDED USE OF PROCEEDS

After the entering into of the Placing Agreement with the Placing Agent, the Company could realize its investment in the Convertible Notes at the Placing Price with a reasonable profit margin as compared to the interest income of 8% per annum from the Convertible Notes.

It is expected that the proceeds from the Placing will be utilized for the business developments of the Group.

In view of all the above, the Directors consider that the Placing is fair and reasonable and is in the interest of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Placing exceed 5% but are less than 25%, the Placing constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement but exempt from Shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong are generally open for the transaction of normal business
“China Environmental”	China Environmental Energy Investment Limited (中國環保能源投資有限公司*), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 986)
“China Environmental Group”	China Environmental and its subsidiaries
“Closing Date”	the fifth Business Day before the maturity date of the Convertible Notes
“Company”	Pacific Plywood Holdings Limited (太平洋實業控股有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange

“Completion”	Subject to fulfillment of the Conditions of the Placing, the Placing Agent shall deliver a written notice (the “Notice”) to the Company as soon as practicable, provided that no such notice shall be delivered after the expiration of the Placing Period. To facilitate Completion, the settlement of the sales and purchases in relation to such principal amount of all or part of the Convertible Notes, as the case may be, will be conducted at the office of the Company at 4:00 p.m. on the third Business Day from the date of the Notice, provided that such date shall not fall later than the third Business Day after the Closing Date.
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Notes”	the 8% coupon convertible notes in the aggregate principal amount of HK\$35,000,000 due in April 2014 issued by China Environmental to the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Convertible Notes, through the Placing Agent, pursuant to the Placing Agreement
“Placing Agent”	United Simsen Securities Limited, a licensed corporation a licensed corporation to carry on business in type 1, 2, 4 and 6 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), as the non-exclusive placing agent to the Placing
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 5 November 2013 in relation to the Placing

“Placing Period”	the period commencing from the date of the Placing Agreement and terminating at Completion for all the Convertible Notes or 4 p.m. on the Closing Date (whichever is earlier), unless terminated earlier pursuant to the terms therein
“Placing Price”	280% of the principal amount of the Convertible Notes (equivalent to a maximum of HK\$98,000,000 if the Convertible Notes are fully placed)
“PRC”	People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 5 November 2013

As at the date of this announcement, the Directors are:

Executive Directors

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

Independent non-executive Directors

Mr. Wong Chun Hung
Mr. Wong Sze Kai
Mr. Zheng Zhen

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

* *For identification purposes only*