

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its 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 this announcement.



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

CONNECTED TRANSACTION

On 27 October 2010, the Company granted the First Facility of HK\$12,000,000 to the Borrower, a non-wholly owned subsidiary of the Company, which was drawdown by the Borrower on 3 November 2010.

In order to meet the business expansion of the Borrower, the Board wishes to announce that the Company proposes to grant the Second Facility to the Borrower of HK\$138,000,000 on 10 November 2010.

As at the date of this announcement, the Company holds 51% equity interest in the Borrower, which is a non-wholly owned subsidiary of the Company and Ms. Tin Yuen Sin Carol is a director and substantial shareholder of the Borrower and is deemed to be interested in the convertible notes issued by the Company with principal amount of HK\$48 million through Favor Way Investments Limited, exercisable into 300,000,000 Shares, representing approximately 18.68% of the existing issued share capital of the Company. Therefore, both the Borrower and Ms. Tin Yuen Sin Carol are connected persons of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the granting of the Second Facility are more than 5%, the granting of the Second Facility (when aggregated with the granting of the First Facility) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to approval by the Independent Shareholders by way of poll at the SGM.

Accordingly, Ms. Tin Yuen Sin Carol and her associates are required to abstain from voting in favour of the relevant resolution(s) to approve the granting of the Second Facility at the SGM.

* *For identification purposes only*

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the granting of the Second Facility. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the granting of the Second Facility.

The granting of the Second Facility also constitutes an advance to an entity under Rule 13.13 of the Listing Rules, no collateral was provided by the Borrower to the Company.

A circular containing, among other things, (i) further details of the Second Facility; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and Independent Shareholder(s) regarding the granting of the Second Facility; (iii) the recommendations of the Independent Board Committee regarding the granting of the Second Facility; and (iv) a notice of the SGM, which will be despatched to the Shareholders no later than 1 December 2010.

INTRODUCTION

On 27 October 2010, the Company granted the First Facility of HK\$12,000,000 to the Borrower, a non-wholly owned subsidiary of the Company, which was drawdown by the Borrower on 3 November 2010.

In order to meet the business expansion of the Borrower, the Board wishes to announce that the Company proposes to grant the Second Facility to the Borrower with a principal amount of HK\$138,000,000 on 10 November 2010.

THE SECOND FACILITY LETTER

Date

10 November 2010

Parties

Lender: The Company

Borrower: Head & Shoulders Finance Limited, a non-wholly owned subsidiary of the Company

Amount of the Second Facility

HK\$138,000,000

Term

The Second Facility shall have a term of one (1) year from the date of the Second Facility Letter, subject to possible extension between the parties thereto.

Interest rates

5.25% per annum, which is determined with reference to the prime rate of Hong Kong's banks.

Drawdown

Subject to the terms and conditions of the Second Facility Letter, the Second Facility shall be available for drawdown upon approval of the Shareholder(s) by the Lender.

Absolute rights

The Lender shall have the absolute rights to accept or reject the drawdown of the Second Facility by the Borrower.

Repayment

The Borrower shall repay the principal amount outstanding under the Second Facility together with accrued interest thereon within 3 months from the date of drawdown. The repayment date can be extended for a further period of up to 9 months subject to the mutual agreement between the Company and the Borrower.

REASONS FOR AND BENEFITS OF GRANTING OF THE SECOND FACILITY

The Company is principally engaged in (1) the manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products; and (2) the business of the money lending and provision of credits.

The Borrower, a non-wholly owned subsidiary of the Company, is principally engaged in the business of the money lending and provision of credits.

As stated in the announcement of the Company dated 8 November 2010, the Group will focus and reallocate its resources on its existing money lending and provision of credits business. In order to meet the business expansion of the Borrower and the business strategy of the Group, the Board proposes to grant the Second Facility to the Borrower.

In the event that the Second Facility is drawdown by the Borrower, it will be used as (i) general working capital of the Borrower and (ii) the capital for the money lending and provision of credits by the Borrower. The Board is optimistic about the future prospect of the money lending business and is confident that such business will remain strong and profitable in long term. The Second Facility will be financed by the internal resources of the Group and/or through other fund raising activities of the Company (including equity financing and/or debt financing) in the future to meet the then business needs of the Borrower.

The Directors (excluding the independent non-executive Directors who will give their view on the granting of the Second Facility after taking into account the advice of the independent financial adviser) consider that the granting of the Second Facility is not in the ordinary and usual course of business of the Company but is on the normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company holds 51% equity interest in the Borrower, which is a non-wholly owned subsidiary of the Company and Ms. Tin Yuen Sin Carol is a director and the substantial shareholder of the Borrower and is deemed to be interested in the convertible notes issued by the Company with principal amount of HK\$48 million through Favor Way Investments Limited, exercisable into 300,000,000 Shares, representing approximately 18.68% of the existing issued share capital of the Company. Therefore, both the Borrower and Ms. Tin Yuen Sin Carol are connected persons of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the granting of the Second Facility are more than 5%, the granting of the Second Facility (when aggregated with the granting of the First Facility) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to approval by the Independent Shareholders by way of poll at the SGM.

Accordingly, Ms. Tin Yuen Sin Carol and her associates are required to abstain from voting in favour of the relevant resolution(s) to approve the granting of the Second Facility at the SGM.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the granting of the Second Facility. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the granting of the Second Facility Letter.

The granting of the Second Facility also constitutes an advance to an entity under Rule 13.13 of the Listing Rules, no collateral was provided by the Borrower to the Company.

A circular containing, among other things, (i) further details of the Second Facility; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholder(s) regarding the granting of the Second Facility; (iii) the recommendations of the Independent Board Committee regarding the granting of the Second Facility; and (iv) a notice of the SGM which will be despatched to the Shareholders no later than 1 December 2010.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“associates”	:	has the meaning ascribed to it under the Listing Rules
“Board”	:	the board of Directors
“Borrower”	:	Head & Shoulders Finance Limited, a non-wholly owned subsidiary of the Company
“Company” or “Lender”	:	Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Stock Exchange
“connected person(s)”	:	has the meaning ascribed to it under the Listing Rules
“Director(s)”	:	the director(s) of the Company
“First Facility”	:	the facility with the principal amount of HK\$12,000,000 granted to the Borrower on 27 October 2010
“Group”	:	the Company and its subsidiaries
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	:	the independent board committee of the Company
“Independent Shareholders”	:	Shareholders other than Ms. Tin Yuen Sin Carol and her associates
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“Second Facility”	:	a principal amount of HK\$138,000,000, as prescribed in the Second Facility Letter
“Second Facility Letter”	:	the facility letter dated 10 November 2010 granted to the Borrower by the Company subject to Independent Shareholders’ approval

- “SGM” : the special general meeting of the Company to be convened to approve, amongst other things, the granting of the Second Facility Letter, and the transactions contemplated thereunder
- “Share(s)” : ordinary share(s) of HK\$0.025 each in the share capital of the Company
- “Shareholder(s)” : the holder(s) of Share(s)
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited

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

Hong Kong, 10 November 2010

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

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

This announcement will remain on the website of The Stock Exchange of Hong Kong Limited and the website of the Company for at least 7 days from the date of its posting.