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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

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Under the Capital Reorganization, the Board proposed to reorganize the share capital of the Company in the following manner:

1. the Share Consolidation, which involves the consolidation of every ten (10) issued and unissued Shares of HK\$0.025 each in the share capital of the Company into one (1) Consolidated Share of HK\$0.25 each;
2. the Capital Reduction, which involves (i) the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK\$0.24 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.25 to HK\$0.01; and (ii) the reduction of the authorized share capital of the Company by reducing the nominal value of all Consolidated Shares from HK\$0.25 each to HK\$0.01 each, resulting in the reduction of the authorized share capital of the Company from HK\$400,000,000 divided into 1,600,000,000 Consolidated Shares to HK\$16,000,000 divided into 1,600,000,000 New Shares; and
3. the Increase in Authorized Share Capital, which involves the increase of authorized share capital from HK\$16,000,000 (divided into 1,600,000,000 New Shares) to HK\$400,000,000 (divided into 40,000,000,000 New Shares) by the creation of 38,400,000,000 New Shares.

GENERAL

The Capital Reorganization is subject to the Shareholders' approval at the SGM and no Shareholders are required to abstain from voting on the special resolution in relation to the Capital Reorganization. A circular containing further details of the Capital Reorganization and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

* For identification purpose only

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The credit of approximately HK\$237.68 million arising from the Capital Reduction will be credited to the contributed surplus account of the Company.

Under Bermuda law, the amount standing to the credit of the contributed surplus account is a distributable subject to satisfaction of certain solvency requirements and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the Bye-Laws.

The Board also proposed to put forward to the Shareholders a proposal to approve, as a part of the Capital Reorganization, the Authorization, which authorizes the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate subject to compliance with the Companies Act, including but not limited to setting off against the accumulated losses of the Company from time to time.

As at the date of this announcement, the Company has an authorized share capital of HK\$400,000,000 divided into 16,000,000,000 Existing Shares, of which 9,903,401,934 Existing Shares have been issued and are fully paid or credited as fully paid.

Assuming there will be no change in the share capital of the Company from the date of this announcement up to the date on which the Capital Reorganization becomes effective, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Capital Reorganization
Amount of authorized share capital	HK\$400,000,000	HK\$400,000,000
Par value	HK\$0.025 per Existing Share	HK\$0.01 per New Share
Number of authorized Shares	16,000,000,000 Existing Shares	40,000,000,000 New Shares
Amount of issued share capital	HK\$247,585,048.35	HK\$9,903,401.93
Number of issued Shares	9,903,401,934 Existing Shares	990,340,193 New Shares

Based on the information available as at the date of this announcement, up to 990,340,193 whole New Shares will be in issue after the Capital Reorganization becomes effective.

The resulting New Shares of nominal value of HK\$0.01 each will rank *pari passu* in all respects with each other in accordance with the Company's Bye-Laws.

Conditions of the Capital Reorganization

The Capital Reorganization will be completed upon fulfilling all the following conditions:

- (a) the passing of a special resolution by the Shareholders at the SGM approving the Capital Reorganization;
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, the New Shares in issue arising from the Capital Reorganization;
- (c) the compliance with the requirements of section 46(2) of the Companies Act, including (i) publication of a notice in relation to the Capital Reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Capital Reduction is to take effect; and (ii) that on the date on which the Capital Reduction is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due; and
- (d) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganization.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganization will become effective on the next Business Day following the date of passing of the relevant resolution approving the Capital Reorganization at the SGM.

Reasons for the Capital Reorganization and impact on the Company and the Shareholders

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 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.

As at the date of this announcement, the Group has not entered into any formal agreement for any possible fund raising exercises of the Company. The Group will from time to time seek for suitable fund raising opportunities and will publish the relevant announcement to inform the Shareholders as and when appropriate.

Application for listing of New Shares

Application will be made to the Stock Exchange for granting the listing of, and permission to deal in, the New Shares and all necessary arrangements will be made for the New Shares to be admitted into the CCASS established and operated by HKSCC.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

The New Shares will be identical 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.

Arrangement on odd lot trading

In order to alleviate the difficulties in the trading of odd lots of the Shares or the New Shares (if any) arising from the Capital Reorganization, the Company will appoint a securities firm to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Shares or the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares or the New Shares. Details of the odd lot arrangement will be set out in the circular to be despatched to the Shareholders.

Exchange of share certificates

Subject to the Capital Reorganization becoming effective, the Shareholders may, from 20 March 2012 to 30 April 2012 (both days inclusive) submit their Existing Share Certificates (in purple colour) for Existing Shares to the Branch Registrar to exchange, at the expenses of the Company, for New Share Certificates (in orange colour) (on the basis of ten (10) Existing Shares for one (1) New Share). Thereafter, Existing Share Certificates will remain effective as documents of legal title but will be accepted for exchange only on payment of a fee of HK\$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) per certificate issued or cancelled, whichever is higher, payable by the Shareholders to the Branch Registrar.

The New Share Certificates will be issued in orange colour in order to distinguish them from the Existing Share Certificates which are in purple colour.

Warning

Shareholders and potential investors should also be aware of and take note that the Capital Reorganization is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganization” of this announcement. Therefore, the Capital Reorganization may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares or the New Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholding structure of the Company

Set out below is the shareholding structure of the Company (as extracted from the Disclosure of Interests forms posted on the website of the Stock Exchange) as at the date of this announcement and immediately after the Capital Reorganization becoming effective.

	As at the date of this announcement		Immediately after the Capital Reorganization becomes effective	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of New Shares</i>	<i>%</i>
Shareholders				
Allied Summit Inc. <i>(Note)</i>	1,800,000,000	18.18	180,000,000	18.18
Su Weibiao	<u>142,000,000</u>	<u>1.43</u>	<u>14,200,000</u>	<u>1.43</u>
Subtotal	1,942,000,000	19.61	194,200,000	19.61
Public				
Public Shareholders	<u>7,961,401,934</u>	<u>80.39</u>	<u>796,140,193</u>	<u>80.39</u>
Total	<u>9,903,401,934</u>	<u>100.00</u>	<u>990,340,193</u>	<u>100.00</u>

Note: Allied Summit Inc. is owned as to 80% by Mr. Su Weibiao and as to the remaining 20% by Mr. Ng Kwok Fai. Mr. Su Weibiao is interested in 142,000,000 Shares; Mr. Ng Kwok Fai is the executive Director and chairman of the Company.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganization is set out below:

Event	Year 2012
Despatch of circular with notice of SGM	Thursday, 23 February
Latest time for lodging the form of proxy	9:00 a.m. on Saturday, 17 March
Date of SGM	9:00 a.m. on Monday, 19 March
Announcement on results of SGM	Monday, 19 March
Effective date for the Capital Reorganization	Tuesday, 20 March
First day for free exchange of Existing Share Certificates for New Share Certificates	Tuesday, 20 March
Dealing in New Shares commences	9:00 a.m. on Tuesday, 20 March
Original counter for trading in Existing Shares in the board lots size of 40,000 temporarily closes	9:00 a.m. on Tuesday, 20 March
Temporary counter for trading in New Shares in the board lots size of 4,000 (in the form of Existing Share Certificates) opens	9:00 a.m. on Tuesday, 20 March
Original counter for trading in New Shares in the board lots size of 40,000 (in the form of New Share Certificates) re-opens	9:00 a.m. on Tuesday, 3 April
Parallel trading in New Shares in the form of New Share Certificates and Existing Share Certificates commences	9:00 a.m. on Tuesday, 3 April
Designated broker starts to stand in the market to provide matching services for odd lots of New Shares	Tuesday, 3 April
Temporary counter for trading in New Shares in the board lots size of 4,000 (in the form of Existing Share Certificates) closes	4:00 p.m. on Thursday, 26 April
Parallel trading in New Shares in the form of New Share Certificates and Existing Share Certificates closes	Thursday, 26 April
Designated broker ceases to stand in the market to provide matching services for odd lots of the New Shares	Thursday, 26 April
Last day for free exchange of Existing Share Certificates for New Share Certificates	Monday, 30 April

All times and dates specified in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. If there are any changes to the expected timetable, the Company will publish an announcement to notify the Shareholders as and when appropriate.

GENERAL

The Capital Reorganization is subject to the Shareholders' approval at the SGM and no Shareholders are required to abstain from voting on the special resolution(s) in relation to the Capital Reorganization. A circular containing further details of the Capital Reorganization and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Authorization”	the proposed authorization to the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate subject to the compliance with the Companies Act, including but not limited to setting off against the accumulated losses of the Company from time to time
“Board”	the board of Directors
“Branch Registrar”	the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Business Day”	a day (other than a Saturday, Sunday and public holidays) on which banks are generally open for business more than five hours in Hong Kong
“Bye-Laws”	the bye-laws of the Company, as amended from time to time

“Capital Reduction”	the proposed (i) reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK\$0.24 on each of then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.25 to HK\$0.01; and (ii) reduction of the authorized share capital of the Company by reducing the nominal value of all Consolidated Shares from HK\$0.25 each to HK\$0.01 each, resulting in the reduction of the authorized share capital of the Company from HK\$400,000,000 divided into 1,600,000,000 Consolidated Shares of HK\$0.25 each to HK\$16,000,000 divided into 1,600,000,000 New Shares of HK\$0.01 each
“Capital Reorganization”	the Share Consolidation, the Capital Reduction and the Increase in Authorized Share Capital
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	The Companies Act 1981 of Bermuda
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Consolidated Share(s)”	share(s) of HK\$0.25 each in the share capital of the Company immediately after the Share Consolidation becoming effective but before the Capital Reduction and the Increased in Authorized Share Capital
“Director(s)”	director(s) of the Company
“Existing Share(s)”	the issued and unissued share(s) of HK\$0.025 each in the share capital of the Company prior to the Capital Reorganization
“Existing Share Certificates”	the certificates for the Existing Shares in purple colour
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Increased in Authorized Share Capital”	the proposed increase in the authorized share capital of the Company from HK\$16,000,000 (divided into 1,600,000,000 New Shares) to HK\$400,000,000 (divided into 40,000,000,000 New Shares) by the creation of 38,400,000,000 New Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificates”	the certificates for the New Shares in orange colour
“New Shares”	shares of HK\$0.01 each in the share capital of the Company upon the Capital Reorganization becoming effective
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the proposed Capital Reorganization
“Share(s)”	Existing Share(s), Consolidated Share(s) or New Share(s), as the context requires
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Shares of HK\$0.025 each in the share capital of the Company into one (1) Consolidated Share of HK\$0.25 each
“Shareholder(s)”	the holder(s) of issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%” or “per cent.”	percentage or per centum

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

Hong Kong, 16 February 2012

As at the date of this announcement, the executive Directors are Mr. Ng Kwok Fai (Chairman), Mr. Huang Chuan Fu (Deputy Chairman), Mr. Liang Jian Hua, Ms. Jia Hui, Mr. Jiang Yi Ren, the non-executive Director is Mr. Chan Kin Sang, and the independent non-executive Directors are Mr. Cheng Po Yuen, Mr. Wong Chun Hung and Mr. Li Sui Yang.

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