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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

THE ACQUISITION

On 24 September 2010 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendor have conditionally agreed to dispose of the Sale Shares and the Sale Loan, being 51% of the entire issued share capital of the Target Company and 51% of the shareholders loan of the Target Company, at a total consideration of HK\$52,000,000.

The Consideration of HK\$52,000,000 shall be settled in the following manner:

- (i) as to HK\$2,000,000 in cash;
- (ii) as to HK\$2,000,000 by the allotment and issue of the Consideration Shares at the issue price of HK\$0.160 per Consideration Share to the Vendor and/or its nominees (as the Vendor may direct);
- (iii) as to HK\$48,000,000 by the issue of Convertible Notes in the principal amount of HK\$48,000,000 at the initial Conversion Price of HK\$0.160 per Conversion Share to the Vendor and/or its nominees (as the Vendor may direct);

* for identification purpose only

The Target Company is incorporated in Hong Kong with limited liability and is owned as to 76% by the Vendor. The Vendor is an investment holding company incorporated in British Virgin Islands with limited liability and is wholly-owned by Ms. Tin Yuen Sin Carol. The Target Company is principally engaged in the business of money lending and the provision of credit and it holds a Money Lenders License under the Money Lenders Ordinance.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but lower than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

INTRODUCTION

On 24 September 2010 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendor have conditionally agreed to dispose of the Sale Shares and the Sale Loan, being 51% of the entire issued share capital of the Target Company and 51% of the shareholders loan of the Target Company, at a total consideration of HK\$52,000,000.

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date:

24 September 2010 (after trading hours)

Parties involved:

- (i) the Company
- (ii) Best Harvest Asia Limited as purchaser, being a wholly-owned subsidiary of the Company, an investment holding company incorporated in the British Virgin Islands with limited liability.
- (iii) Favor Way Investments Limited as vendor, an investment holding company incorporated in British Virgin Islands with limited liability and is wholly-owned by Ms. Tin Yuen Sin Carol. Ms. Tin Yuen Sin Carol is Vendor's guarantor.
- (iv) To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Vendor and its ultimate beneficial owner; and (ii) other shareholders of the Target Company and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor have conditionally agreed to dispose of the Sale Shares and the Sale Loan.

Upon Completion, the Purchaser will be interested in 51% of issued share capital of the Target Company and accordingly, the financial results of the Target Company will be consolidated into the financial statements of the Group.

The Consideration:

The Consideration of HK\$52,000,000 shall be settled in the following manner:

- (i) as to HK\$2,000,000 in cash;
- (ii) as to HK\$2,000,000 by the allotment and issue of the Consideration Shares at the Issue Price of HK\$0.160 per Consideration Share to the Vendor and/or its nominees (as the Vendor may direct);
- (iii) as to HK\$48,000,000 by the issue of Convertible Notes in the principal amount of HK\$48,000,000 at the initial Conversion Price of HK\$0.160 per Conversion Share to the Vendor and/or its nominees (as the Vendor may direct);

Basis of the Consideration:

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiations and on normal commercial terms, with reference to, among other things, including but not limited to (i) 51% of the unaudited net assets of the Target Company of approximately HK\$5,900,000 million as at 31 August 2010 and 51% of the shareholders loan of approximately HK\$86,700,000 as at 31 August 2010; (ii) the future prospects of the Target Company; and (iii) the Put Option mechanism as set out in the following section of this announcement, which allows the Company to return the Sale Shares and the Sale Loan to the Vendor at the Option Price (as defined below).

Put Option:

The Vendor will grant to the Purchaser the option to require the Vendor to purchase the Sale Shares and the Sale Loan at HK\$48,000,000 (the "**Option Price**").

The Put Option shall be exercisable by the Purchaser by serving a notice in writing on the Vendor on any business days after Completion and on or before 31 December 2011.

The Vendor shall pay the Option Price by way of:

- (a) setting off against the outstanding principal amount of the Convertible Notes; and/or
- (b) cash.

The Convertible Notes will be cancelled upon setting off.

Conditions precedent:

Completion shall take place on the third business day after all the conditions precedents set out below are fulfilled (or otherwise waived by the Purchaser) or such other date as the Vendor and Purchaser may agree:

- (a) outcome of the Purchaser's financial, legal and business due diligence against the Target Company to the satisfaction of the Purchaser;
- (b) the passing by the directors of the Vendor all necessary resolutions for approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (c) the warranties remaining true and correct in all respects and not misleading in any respect at Completion as if repeated at all times between the date of the Sale and Purchase Agreement up to Completion;
- (d) all necessary approvals, permits, consents and authorization having been obtained by the parties in connection with the transactions contemplated under the Sale and Purchase Agreement, whether pursuant to law, regulatory compliance or the Listing Rules or otherwise;
- (e) the execution of a deed of tax indemnity; and
- (f) the execution of a deed of assignment of loan.

Save and except for conditions (b) and (d), the Purchaser may in its absolute discretion at any time waive in writing any or all of the conditions (or any part thereof) and such waiver may be granted subject to such terms and conditions as are determined by the Purchaser.

Completion

Parties to the Sale and Purchase Agreement shall use their best endeavors to procure the fulfillment of the conditions precedents set out in above on or before 31 December 2010.

Consideration Shares

Pursuant to the Sale and Purchase Agreement, HK\$2,000,000 out of the Consideration is to be satisfied by the allotment and issue of the Consideration Shares at the Issue Price of HK\$0.160 by the Company to the Vendor and/or its nominees (as the Vendor may direct).

The Issue Price was arrived at after arm's length negotiations between the Purchaser and the Vendor, after taking into account the prevailing market price and liquidity of the Shares and the unaudited net liability position of the Company as at 30 June 2010.

The Issue Price represents:

- (i) a discount of approximately 19.60% to the closing price of HK\$0.199 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 18.78% to the average of the closing price of HK\$0.197 per Share for the last five consecutive trading days up to and including the Last Trading Day.

Based on the Issue Price, an aggregate of 12,500,000 Consideration Shares would be allotted and issued, representing (i) approximately 0.78% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 0.78% of the issued share capital of the Company as enlarged by the Consideration Shares; and (iii) approximately 0.66% of the issued share capital of the Company as enlarged by the Consideration Shares and the Conversion Shares upon conversion of the Convertible Notes in full.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects amongst themselves and with the Shares in issue on the date of allotment and issue of the Consideration Shares and be entitled to dividends and other rights carried by the Shares. There is no restriction on subsequent sale of the Consideration Shares.

The Consideration Shares shall be issued and allotted under the general mandate of the Company. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

The Convertible Notes:

Pursuant to the Sale and Purchase Agreement, the Consideration is to be satisfied by the issue of the Convertible Notes at the initial Conversion Price of HK\$0.160 per Conversion Share to the Vendor and/or its nominees (as the Vendor may direct).

The principal terms of the Convertible Notes are summarized as follows:

Issuer

The Company

Noteholder(s)

The Vendor and/or its nominees (as the Vendor may direct)

Principal amount

HK\$48,000,000

Maturity date

31 December 2011

Interest

Nil

Listing of the Convertible Notes

No application will be made for the listing of the Convertible Notes.

Transferability

The Noteholder may assign or transfer the Convertible Note to any transferee subject to the prior consent of the Company.

Voting rights

The Noteholder(s) is/are not entitled to attend or vote at any meetings of the Company.

Conversion rights

The Noteholder shall, subject to compliance with the procedures set out in the conditions to the Convertible Note and with the prior consent of the Company, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Note registered in its name into Shares provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Note is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Note may be converted, provided always that (i) the Noteholders and parties acting in concert (as defined in the Takeovers Code) with it will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code, and (ii) the Noteholders shall not exercise the conversion rights if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other requirements under the Listing Rules.

Conversion Price

The initial Conversion Price of HK\$0.160 per Conversion Share (subject to adjustments upon the occurrence of subdivision or consolidation of Shares, capitalisation issues, rights issues and other dilutive events) represents:

- (i) a discount of approximately 19.60% to the closing price of HK\$0.199 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 18.78% to the average of the closing price of HK\$0.197 per Share for the last five consecutive trading days up to and including the Last Trading Day.

The Conversion Price was arrived at after arm's length negotiations between the Purchaser and the Vendor, after taking into account the prevailing market price and liquidity of the Shares and the net liability position of the Company as at 30 June 2010.

Redemption

The Company may at its absolute discretion, at any time and from time to time during the term of the Convertible Notes, by notice to the Noteholder(s) to redeem the Convertible Notes at 100% of its principal amount outstanding. Any Convertible Notes outstanding on the maturity date shall be redeemed by the Company at 100% of the outstanding principal amount.

Ranking of the Conversion Shares

The Conversion Shares shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of such Shares.

Conversion Shares

The 300,000,000 Conversion Shares represent (i) approximately 18.83% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 15.74% of the issued share capital of the Company as enlarged by the Consideration Shares and the Conversion Shares upon conversion of the Convertible Notes in full.

The Conversion Shares shall be issued and allotted under the general mandate of the Company.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON THE VENDOR AND THE TARGET COMPANY

Information on the Vendor

The Vendor is an investment holding company incorporated in British Virgin Islands with limited liability and is wholly-owned by Ms. Tin Yuen Sin Carol. Ms. Tin Yuen Sin Carol is the chairperson of Oriental Ginza Holdings Limited, a company listed on the Stock Exchange. She has extensive experience in Hong Kong – China trading business.

Information on the Target Company

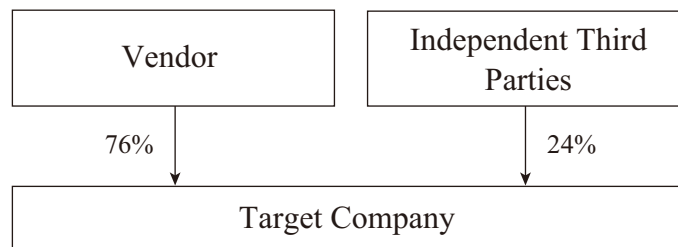
The Target Company is incorporated in Hong Kong with limited liability and is owned as to 76% by the Vendor as at the date of this announcement. The Target Company is principally engaged in the business of money lending and the provision of credit and it holds a Money Lenders License under the Money Lenders Ordinance. As at the date of this announcement, the Target Company has no other subsidiaries or associates.

According to the financial information of the Target Company provided by the Vendor, the audited turnover, profit before and after taxation of the Target Company were approximately HK\$9.8 million, HK\$2.5 million and HK\$2.1 million respectively for the year ended 31 March 2009, while the audited turnover, profit before and after taxation of the Target Company were approximately HK\$8.7 million, HK\$1.3 million and HK\$1.1 million respectively for the year ended 31 March 2010. From the management account of the Target Company, the unaudited net assets of the Target Company amounted to approximately HK\$5.9 million as at 31 August 2010.

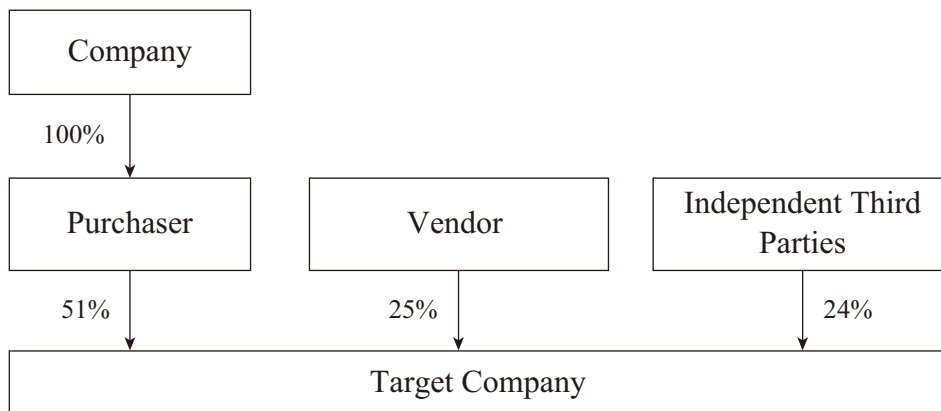
Shareholding structure of the Target Company

The following charts show the shareholding structure of the Target Company (i) as at the date of this announcement; and (ii) immediately after the Completion:

Shareholding structure as at the date of this announcement



Shareholding structure immediately after the Completion



REASONS FOR THE ACQUISITION

The Company is principally engaged in the manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products. According to the financial information of the Company for the two years ending 31 December 2009, the Group recorded a loss of approximately US\$9.79 million and US\$36.45 million respectively and such losses continued for the six months ended 30 June 2010. Currently, the Company is actively seeking solutions with an objective to turnaround the overall financial performance of the Group, including but not limited to review the existing business operations of the Group and to seek for other business opportunities to be identified by the Company. The Acquisition represents a new start of the Company, which enables the Company to diversify its existing wood related businesses into the provision of credit finance industry; the Directors consider that there is a persistent demand on money lending and the provision of credit, e.g. personal loans from the general public in Hong Kong. Upon Completion, the Group will start the business of money lending and the provision of credit as it will hold the Money Lenders License under the Money Lenders Ordinance. The Directors (including all the independent non-executive Directors) believe that the Acquisition provides an attractive opportunity to broaden the income and customer base of the Group. In addition, the Directors (including all the independent non-executive Directors) consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Company will also consider other investment opportunities should and when they arise (i.e. the memorandum of understanding entered into by the Company on 6 July 2010 for the possible investment in an oilfield project in Kazakhstan). In addition, the Company will continue its review on the existing operations of the Group and may conduct reorganization of the structure of the Group (if required) should the loss making position of the Group continued, however, no concrete plan has yet to be formulated at this moment.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company as a result of the issue of the Consideration Shares and Conversion Shares upon the conversion of the Convertible Notes in full:

Shareholders	As at the date of the announcement ^(Note)		After the allotment and issue of the Consideration Shares		After the allotment and issue of the Consideration Shares and the Conversion Shares upon conversion of the Convertible Notes in full	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ma Hongyi	276,119,300	17.33	276,119,300	17.19	276,119,300	14.49
Interest deemed to be beneficially owned by Dr. Budiono Widodo, the executive Director	129,798,000	8.15	129,798,000	8.08	129,798,000	6.81
Vendor and/or its nominees	–	–	12,500,000	0.78	312,500,000	16.40
Public shareholders	<u>1,187,402,148</u>	<u>74.52</u>	<u>1,187,402,148</u>	<u>73.95</u>	<u>1,187,402,148</u>	<u>62.30</u>
Total	<u>1,593,319,448</u>	<u>100</u>	<u>1,605,819,448</u>	<u>100</u>	<u>1,905,819,448</u>	<u>100</u>

Note: The shareholding information above is extracted from the Disclosure of Interests forms filed in the website of the Stock Exchange.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but lower than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement
“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong
“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
“Completion”	the completion of the Acquisition
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration of HK\$52,000,000 payable by the Purchaser to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement
“Consideration Share(s)”	12,500,000 new Shares issued to settle part of the Consideration
“Conversion Price”	HK\$0.160 per Conversion Share
“Conversion Shares”	300,000,000 new Shares to be issued upon conversion of the Convertible Notes
“Convertible Notes”	convertible notes with principal amount of HK\$48,000,000 with nil interest to be issued to settle part of the Consideration
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Parties”	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Issue Price”	HK\$0.160 per Consideration Share
“Last Trading Day”	24 September 2010, being the last day on which the Shares were traded on the Stock Exchange prior the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Noteholder(s)”	holder(s) of the Convertible Notes
“Option Price”	HK\$48,000,000, the price the Vendor will purchase the Sale Shares and the Sale Loan upon the exercise of the Put Option
“PRC”	the People’s Republic of China
“Purchaser”	Best Harvest Asia Limited, being the purchaser of the Acquisition under the Sale and Purchase Agreement and is a wholly-owned subsidiary of the Company
“Put option”	the option to require the Vendor to purchase the Sale Shares and the Sale Loan at HK\$48,000,000
“Sale and Purchase Agreement”	the conditional sale and purchase agreement in relation to the Acquisition entered into between the Purchaser and the Vendor on 24 September 2010
“Sale Loan”	means the shareholders loan of approximately HK\$44.22 million, being 51% of the shareholders loan amounted to approximately HK\$86.7 million as at 31 August 2010 which is proposed to be assigned to the Purchaser pursuant to a deed of assignment of loan
“Sale Shares”	means the 510,000 shares of HK\$1.00 each in the issued share capital of the Target Company legally and beneficially owned by the Vendor, representing 51% of the issued share capital of the Target Company
“Share(s)”	means ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
“Target Company”	Head & Shoulders Finance Limited, a company incorporated in Hong Kong
“Vendor”	Favor Way Investments Limited, being the vendor of the Acquisition under the Sale and Purchase Agreement
“%”	per cent.

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

Hong Kong, 24 September 2010

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

As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. Marzuki Usman, Mr. Wong Chun Hung and Mr. Chan Kin Sang.

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