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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)

CONNECTED TRANSACTION

On 27 October 2010, the Company granted the Facility to the Borrower, a non-wholly owned subsidiary of the Company. Pursuant to the Facility Letter, the Company agreed to provide a facility of HK\$12,000,000 to the Borrower.

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. Therefore, the Borrower is a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to the Rule 14A.66 of the Listing Rules, this transaction is only subject to the reporting and announcement requirements set out in rules 14A.45 to 14A.47 and is exempt from the independent Shareholders' approval requirements.

THE FACILITY LETTER

Date

27 October 2010

Parties

Lender:

The Company

Borrower:

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

* *For identification purposes only*

Amount of the Facility

HK\$12,000,000

Interest Rate

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 Facility Letter, the Facility shall be available for drawdown on 27 October 2010.

Repayment

The Borrower shall repay the principal amount outstanding under the Facility together with accrued interest thereon within 3 months from the date of drawdown of the Facility. 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 THE 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 money lending and provision of credits.

The Board decides to further develop its new business in money lending and provision of credits through the Borrower (details of which are disclosed in the announcement of the Company dated 24 September 2010).

The Facility will be used as (i) general working capital of the Borrower and (ii) the capital for 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 Directors (including the independent non-executive Directors) consider that the granting of the Facility is not in the ordinary and usual course of business of the Company but on 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. Therefore, the Borrower is a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to the Rule 14A.66 of the Listing Rules, this transaction is only subject to the reporting and announcement requirements set out in rules 14A.45 to 14A.47 and is exempt from the independent Shareholders' approval requirements.

None of the Directors has any material interest in the transaction.

DEFINITIONS

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

“Board”	:	the board of Directors
“Borrower”	:	Head & Shoulders Finance Limited, a non-wholly owned subsidiary of the Company
“Company”	:	Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Stock Exchange
“connected person(s)”	:	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	:	the director(s) of the Company
“Facility”	:	a principal amount of HK\$12,000,000 as prescribed in the Facility Letter
“Facility Letter”	:	the facility letter dated 27 October 2010 issued to the Borrower by the Company
“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
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“Repayment Date”	:	3 months from the date of drawdown; further extendable for up to 9 months subject to the mutual agreement between the Company and the Borrower

“Share(s)” : ordinary share(s) of HK\$0.025 each in the share capital of the Company

“Shareholder(s)” : the holder(s) of Shares

“Stock Exchange” : The Stock Exchange of Hong Kong Limited

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

Hong Kong, 27 October 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 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.