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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)

MAJOR AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 24 September 2010 regarding the acquisition of the 51% of issued share capital of Delta Wealth by Best Harvest (a wholly-owned subsidiary of the Company) at a total consideration of HK\$52 million.

On 13 October 2011 (after trading hours), the Sale and Purchase Agreement is entered among the Company, Best Harvest and Favor Way, pursuant to which Best Harvest has conditionally agreed to dispose of and Favor Way has conditionally agreed to acquire the Sale Shares and the Sale Loan at the Consideration of HK\$52 million.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and shall be subject to the Shareholders' approval requirement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Favor Way, being the controlling shareholder of Delta Wealth, and Ms. Tin, being the ultimate beneficial owner of Favor Way and also the director of Favor Way and Delta Wealth, each of Favor Way and Ms. Tin is regarded as a connected person of the Company under Chapter 14A of the Listing Rules and thus the Disposal constitutes a connected transaction for the Company and is subject to approval by the Independent Shareholders by way of poll at the SGM. Accordingly, Favor Way, Ms. Tin and their respective associate(s) shall abstain from voting on the relevant resolution(s) to approve the Disposal and the transactions contemplated thereunder proposed to be passed at the SGM. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as and except for being the holder of the Convertible Notes with principal amount of HK\$48 million, neither Favor Way, Ms. Tin nor their respective associate(s) is interested in any Shares or underlying Shares. Save as disclosed above, none of the Shareholders and Directors has material interest in the Disposal and shall be required to abstain from voting on the relevant resolution(s) to approve the Disposal and the transactions contemplated thereunder.

* For identification purpose only

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Disposal. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Disposal; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (iii) a letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) a notice of SGM, will be despatched to the Shareholders on or before 3 November 2011 in accordance with the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 24 September 2010 regarding the acquisition of the 51% of issued share capital of Delta Wealth by Best Harvest (a wholly-owned subsidiary of the Company) at a total consideration of HK\$52 million.

On 13 October 2011 (after trading hours), the Sale and Purchase Agreement is entered among the Company, Best Harvest and Favor Way, pursuant to which Best Harvest has conditionally agreed to dispose of and Favor Way has conditionally agreed to acquire the Sale Shares and the Sale Loan at the Consideration of HK\$52 million.

THE SALE AND PURCHASE AGREEMENT

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

Date:

13 October 2011

Parties involved:

- (i) the Company;
- (ii) Best Harvest Asia Limited, as vendor, being a wholly-owned subsidiary of the Company, an investment holding company incorporated in the British Virgin Islands with limited liability; and
- (iii) Favor Way Investments Limited, as purchaser, an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Tin. It is also the controlling shareholder of Delta Wealth.

Assets to be disposed of:

Best Harvest has conditionally agreed to dispose of and Favor Way has conditionally agreed to acquire the Sale Shares and the Sale Loan. Upon Completion, Delta Wealth will cease to be a subsidiary of the Company and the Put Option shall be expired.

The Consideration:

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

- (i) as to HK\$4 million in cash payable upon Completion; and
- (ii) as to HK\$48 million by setting off against the Convertible Notes with principal amount of HK\$48 million issued by the Company under the Original Sale and Purchase Agreement, which amount will be cancelled upon setting off.

Basis of the Consideration:

The Consideration was determined between the Company and Favor Way after arm's length negotiations and on normal commercial terms, with reference to, among other things, the original acquisition cost of HK\$52 million under the Original Sale and Purchase Agreement by the Company, details of which have been set out in the announcement of the Company dated 24 September 2010.

The net proceeds from the Disposal will be principally utilized for the development of the finance businesses of the Group and/or financing any acquisition opportunities identified/to be identified by the Company.

Conditions precedent:

Completion shall take place on the third Business Day after all the conditions precedent set out below are fulfilled (or otherwise waived by Best Harvest) or such other date as the Company, Best Harvest, and Favor Way may agree:

- (i) the facilities granted to Delta Wealth under the Facility Letters shall be terminated and Favor Way shall procure Delta Wealth to repay to the Company all the outstanding loans together with interests accrued thereon before Completion;
- (ii) the passing by the sole director of Best Harvest of all necessary resolutions for approving the Sale and Purchase Agreement and the transactions contemplated hereunder;
- (iii) the termination of the shareholders' agreement dated 19 October 2010 in relation to Delta Wealth;
- (iv) the execution of a deed of assignment of the Sale Loan; and
- (v) the passing by the requisite majority of the Independent Shareholders by way of poll at the SGM of all resolutions required under the Listing Rules (if any) to approve the performance by Best Harvest (as a subsidiary of the Company) of the transactions contemplated under the Sale and Purchase Agreement.

Save as and except for sub-clauses (ii) and (v) above, Best Harvest may in its absolute discretion at any time waive in writing any or all of the conditions set out in the Sale and Purchase Agreement (or any part thereof) and such waiver may be granted subject to such terms and conditions as are determined by Best Harvest.

Parties to the Sale and Purchase Agreement shall use their best endeavors to procure the fulfillment of the conditions precedents as set out above on or before 31 December 2011 (or such other dates as agreed in writing among parties to the Sale and Purchase Agreement).

Completion:

Completion shall take place on the third Business Day after the fulfillment of the conditions of the Sale and Purchase Agreement (or at such later date as Favor Way and Best Harvest may agree in writing).

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

Upon the completion of the acquisition of Delta Wealth in October 2010, the Company started to develop its business in money lending and provision of credits. In addition, Joy Wealth, a wholly-owned subsidiary of the Company, started up the money lending and provision of credits business after obtaining the Money Lender's License under the Money Lenders Ordinance of Hong Kong in April 2011. Joy Wealth has successfully achieved remarkable results during the six months ended 30 June 2011 and has provided a wide variety of loans with amount of over HK\$470 million. The interest rates of these loans range from 8% to 48% per annum and the terms of these loans range from two weeks to one year. Existing client portfolio comprises of individuals, small-medium enterprises and listed companies from Hong Kong, Macau, Taiwan and Mainland China. Details of certain loans have been set out in the past announcements of the Company in 2011.

To further enhance the finance business of the Group, the Company has acquired 100,000,000 ordinary shares of Simsen and accepted the provisional allotment of 2,000,000,000 rights shares of Simsen (details have been disclosed in the announcements of the Company dated 27 May 2011 and 15 June 2011 respectively). As at the date of this announcement, the Company is interested in approximately 7.70% of the total issued share capital of Simsen. Simsen is principally engaged in broking and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment holding, broking and dealing of bullion and forex contracts, and provision of management and consultancy services. Through this strategic investment, the Company intends to utilize the platform provided by Simsen to further promote the business of Joy Wealth. Furthermore, the Group has expanded its principal activities to the provision of corporate secretarial and consultancy services in October 2011. Details of such expansion have been set out in the announcement of the Company dated 7 October 2011.

Meanwhile, it is mentioned in the announcement of the Company dated 8 March 2011 that other shareholders of Delta Wealth expressed their concerns on the business operation of Delta Wealth as complying with Rules 13.13 and 13.15 of the Listing Rules requires disclosure on the identity of the borrower and the interest rates charged on the loans, which will reveal highly confidential information to Delta Wealth's competitors. Due to the difference in management style between the Company and other shareholders of Delta Wealth as aforementioned, the Company has started up Joy Wealth to continue its finance

business. As the Company has set up a new finance company, Joy Wealth, to further develop the finance business of the Company, the Directors considered that it is in the interests of the Company and the Shareholders to dispose of Delta Wealth at the original acquisition cost.

In the view that (i) Delta Wealth is not a wholly-owned subsidiary of the Company; and (ii) the Company has successfully conducted business of money lending and provision of credits through Joy Wealth since April 2011, the Directors (excluding the independent non-executive Directors who will give their view on the Disposal after taking into account the advice of Guangdong Securities) consider the terms of the Sale and Purchase Agreement are entered on normal and commercial terms and are fair and reasonable and the Disposal is in the interests of the Company and its Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

After the completion of the Disposal, the Company will focus on other business segments of the Group, together with the existing money lending and provision of credits business through Joy Wealth.

Money lending and provision of credits business

In prospect of the appearance where (i) the policymakers of PRC will continue to conduct tough control on the monetary policies to adjust the economic overheat and inflation, which will raise the hurdle for individuals and companies to borrow money from banks; and (ii) the stock market and economic development of Hong Kong is still uncertain in the future, which rises funding needs of companies and individuals in Hong Kong, the Board expects that there would be a persistently increasing demand on the money lending and provision of credits business (e.g. personal loans and corporate loans from the Hong Kong general public).

Provision of corporate secretarial and consultancy services

To cope with this business expansion, the Company shall recruit a team of professionals in the areas of accounting, finance and company secretaries to provide the said services to its corporate clients which include listed companies in Hong Kong. Currently, the Company is in negotiation with not less than three listed companies for providing the said corporate secretarial and consultancy services. The Directors believe such business segments will grow gradually in the future in view of increasing number of companies getting listed in Hong Kong as well as merger and acquisition activities.

Securities investments

Currently, the aforesaid strategic investment in Simsen is the only securities investment of the Group as at the date of this announcement, through this strategic investment, the Company intends to utilize the platform provided by Simsen to further promote the finance business of Joy Wealth. The Company will try to identify any possible securities investments with a prudent approach in the coming future as a result of the recent downturn of the global stock markets.

Possible acquisition of a forestry business

On 28 July 2011, the Company entered into a memorandum of understanding with vendors in relation to the acquisition of Profit Grand Enterprises Limited (the “**Target Company**”), a company incorporated under the laws of the British Virgin Islands with limited liability. According to the information provided by the vendors, the Target Company, through its wholly-owned subsidiary, I-Sky Natural Resources (PNG) Limited (the “**Project Company**”), has entered into a project agreement with the owner of the forest in the Vabari Timber Authority Area in the Independent State of Papua New Guinea with the size of approximately 65,800 hectares (the “**Forest**”). Pursuant to the project agreement, the Project Company is entitled the rights to harvest forest logs in the Forest for purposes of sale and export and other related activities for a period of ninety nine years.

Currently, the Company has appointed its financial adviser, legal advisers, valuer to carry out the necessary due diligence exercises relating to the Target Company and its subsidiaries. In the event that the relevant preliminary due diligence results are satisfactory to the Company, the Company will enter into a conditional sale and purchase agreement with the vendors for the acquisition of the Target Company. To ensure that the operations of the Project Company will run smoothly after the completion of the said possible acquisition, the Company is in negotiation with a PRC corporation with wealthy forestry experiences for a strategic alliance cooperation for the operating and management of the Forest. The said PRC corporation will allocate suitable expertise on providing advices to the Board on management and operating the Forest and arrange skilled labour for the development of the Forest. Further announcement will be made in relation to such strategic alliance cooperation as and when appropriate.

The Board wishes to emphasize that the said possible acquisition is subject to, among other things, the signing of the formal agreement and the terms and conditions of which are yet to be agreed. As the possible acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares. Further announcement of the said possible acquisition will be made by the Company should any formal agreement be entered into as and when appropriate in accordance with the Listing Rules.

Furthermore, the Company is identifying other acquisition opportunities and/or potential investment projects from time to time, including but not limited to opportunities in the forestry businesses. The Company will make further announcement in accordance with the Listing Rules as and when appropriate.

INFORMATION ON FAVOR WAY

Favor Way is an investment holding company incorporated in the British Virgin Islands with limited liability. Ms. Tin is the sole director and sole shareholder of Favor Way.

INFORMATION ON DELTA WEALTH

Delta Wealth is a company incorporated in Hong Kong with limited liability. It is a licensed money lender in Hong Kong and is principally engaged in the business of money lending and provision of credits. It has a registered capital of HK\$1 million. As at the date of this announcement, Delta Wealth is owned as to 51% by Best Harvest and 40% by Favor Way. In accordance with the generally accepted accounting principles in Hong Kong, the revenue, profit before and after taxation for the years ended 31 March 2010 and 2011 are set out in the following table:

	For the year ended 31 March 2010 <i>HK\$'000</i> (audited)	For the year ended 31 March 2011 <i>HK\$'000</i> (audited)
Revenue	8,736	23,540
Profit before tax	1,311	3,152
Profit after tax	1,094	2,632

The audited net asset value of Delta Wealth was approximately HK\$6.5 million as at 31 March 2011.

POTENTIAL FINANCIAL EFFECTS OF THE DISPOSAL

Based on the interim report of the Group as at 30 June 2011, the Group would realize a book loss of approximately HK\$7,812,000. The book loss was computed by reference to (a) the Consideration of HK\$52,000,000; (b) the shareholders' loan and the net asset value of Delta Wealth attributable to the Group as at 30 June 2011 totaling approximately HK\$52,320,000; (c) the carrying value of the Put Option approximately HK\$5,132,000 as at 30 June 2011 and (d) the difference of the carrying value as at 30 June 2011 and the nominal value of the Convertible Notes amounting HK\$2,360,000.

Based on the interim report of the Company as at 30 June 2011, upon completion of the Disposal, it is expected that the total assets and total liabilities of the Group will both be decreased, while the earnings will be decreased by the book loss of approximately HK\$7,812,000.

The actual financial effect derived from the Disposal would depend on the profit or loss of Delta Wealth up to the date of Completion.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and shall be subject to the Shareholders' approval requirement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Favor Way, being the controlling shareholder of Delta Wealth, and Ms. Tin, being the ultimate beneficial owner of Favor Way and also the director of Favor Way and Delta

Wealth, each of Favor Way and Ms. Tin is regarded as a connected person of the Company under Chapter 14A of the Listing Rules and thus the Disposal constitutes a connected transaction for the Company and is subject to approval by the Independent Shareholders by way of poll at the SGM. Accordingly, Favor Way, Ms. Tin and their respective associate(s) shall abstain from voting on the relevant resolution(s) to approve the Disposal and the transactions contemplated thereunder proposed to be passed at the SGM. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as and except for being the holder of the Convertible Notes with the principal amount of HK\$48 million, neither Favor Way, Ms. Tin nor their respective associate(s) is interested in any Shares or underlying Shares. Save as disclosed above, none of the Shareholders and Directors has material interest in the Disposal and shall be required to abstain from voting on the relevant resolution(s) to approve the Disposal and the transactions contemplated thereunder.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Disposal. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Disposal; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (iii) a letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) a notice of SGM, will be despatched to the Shareholders on or before 3 November 2011 in accordance with the Listing Rules.

DEFINITIONS

Unless otherwise stated, the terms in this announcement have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Best Harvest”	Best Harvest Asia Limited, a wholly-owned subsidiary of the Company and being the vendor of the Disposal under the Sale and Purchase Agreement
“Business Day”	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 Disposal
“Consideration”	HK\$52 million, being the consideration for the Disposal

“Convertible Notes”	the convertible redeemable notes in the aggregate principal amount of HK\$48 million due on 31 December 2011
“Delta Wealth”	Delta Wealth Finance Limited (formerly known as Head & Shoulders Finance Limited), a company incorporated in Hong Kong
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan pursuant to the Sale and Purchase Agreement
“Facility Letters”	the facility letters granted to Delta Wealth by the Company, with principal amount of HK\$12 million and HK\$138 million on 27 October 2010 and 10 November 2010 respectively. HK\$80 million has been utilized in aggregate, in which, HK\$60 million has been settled in the form of assignment of loan receivables by Delta Wealth
“Favor Way”	Favor Way Investments Limited, being the purchaser of the Disposal under the Sale and Purchase Agreement and the holder of all the Convertible Notes as at the date of this announcement
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all of independent non-executive Directors
“Independent Shareholder(s)”	any Shareholder(s) other than Favor Way, Ms. Tin and their respective associate(s)

“Joy Wealth”	Joy Wealth Finance Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. It is a licensed money lender in Hong Kong and is principally engaged in the business of money lending and provision of credits
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Tin”	Ms. Tin Yuen Sin, Carol
“Original Sale and Purchase Agreement”	the original sale and purchase agreement in relation to the acquisition of Delta Wealth entered into between the Company, Best Harvest and Favor Way on 24 September 2010
“PRC”	the People’s Republic of China
“Put Option”	the option to require Favor Way to purchase the Sale Shares and the Sale Loan at HK\$48 million as set out in the Original Sale and Purchase Agreement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement in relation to the Disposal entered into between the Company, Best Harvest and Favor Way on 13 October 2011
“Sale Loan”	the shareholders’ loan of HK\$44,236,125, pursuant to a deed of assignment of loan
“Sale Shares”	510,000 shares of HK\$1.00 each in the issued share capital of Delta Wealth legally and beneficially owned by Best Harvest, representing 51% of the issued share capital of Delta Wealth
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Disposal and the transaction contemplated thereunder
“Share(s)”	share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Simsen”	Simsen International Corporation Limited, 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: 993)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Hong Kong, 13 October 2011

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

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