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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
REDEEMABLE PREFERENCE SHARE SUBSCRIPTION OF
MILLION WEALTH CAPITAL INVESTMENT LIMITED**

REDEEMABLE PREFERENCE SHARE SUBSCRIPTION

On 11 October 2012, Perpetual Master (as subscriber) (a wholly-owned subsidiary of the Company) entered into the Subscription Agreement with Million Wealth (as issuer) and Mr. Fok (as guarantor) pursuant to which Perpetual Master has conditionally agreed to subscribe for and Million Wealth has conditionally agreed to issue and allot 90 Redeemable Preference Shares at the Subscription Price of HK\$90,000,000.

Million Wealth is a company incorporated in Hong Kong with limited liability and has submitted an application for a money lender's license under the Money Lenders Ordinance to the relevant government authorities and the Licensing Office of the Hong Kong Police Force has indicated that they would raise no objection to the application. As at the date of this announcement, Million Wealth is a wholly-owned subsidiary of Pure Profit.

Upon completion of the Share Subscription, Pure Profit shall procure Million Wealth to enter into the Shareholders' Agreement among Perpetual Master, Pure Profit and Million Wealth which sets out the rights and obligations of the shareholders of Million Wealth.

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios (as defined under the Listing Rules) of the Share Subscription exceed 5% but are less than 25%, the Share Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement but exempt from Shareholders' approval requirement under the Listing Rules.

* For identification purposes only

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Major terms of the Subscription Agreement

Date:	11 October 2012 (after trading hours)
Parties:	(i) Perpetual Master (as subscriber); (ii) Million Wealth (as issuer); (iii) Mr. Fok (as Million Wealth's guarantor)
Subject matter:	90 Redeemable Preference Shares of HK\$1,000,000 each
Subscription Price:	HK\$90,000,000, which shall be financed by the internal resources of the Group and/or debt financing methods

Conditions:

Completion of the Subscription Agreement is subject to the following conditions precedent:

- (a) the passing by the board of directors of each of Pure Profit and Million Wealth all necessary resolutions for approving the increase in authorized share capital of Million Wealth and the creation of Redeemable Preference Shares in the share capital of Million Wealth (the "**Capital Reorganization**"), the Subscription Agreement, the Shareholders' Agreement and the transactions contemplated thereunder respectively;
- (b) the Capital Reorganization being completed by Million Wealth by all necessary action of the board and the shareholders of Million Wealth, all necessary forms in relation to the Capital Reorganization being duly filed with the Registrar of Companies of Hong Kong and the Capital Reorganization being effective and in full force;
- (c) the memorandum and articles of association of Million Wealth providing for, among other things, the rights, preferences and privileges of the Redeemable Preference Shares, in form and substance to the absolute satisfaction of Perpetual Master being duly adopted by Million Wealth by all necessary action of the board and the shareholders of Million Wealth and being duly filed with the Registrar of Companies of Hong Kong and being effective and in full force;
- (d) Million Wealth having duly obtained a licence under the Money Lenders Ordinance;

- (e) the compliance of all requirements of the regulatory authorities or any applicable laws and regulations which requires compliance by Million Wealth at any time prior to Completion in relation to the transactions contemplated under the Subscription Agreement and the Shareholders' Agreement;
- (f) all third party consents and waivers required to be obtained by Pure Profit and/or Million Wealth having been obtained in connection with the transactions contemplated under the Subscription Agreement and the Shareholders' Agreement;
- (g) each of the Company and Perpetual Master having obtained all approvals, consent and qualifications necessary for it to undertake the transactions to be undertaken by it as contemplated by the Subscription Agreement and the Shareholders' Agreement;
- (h) the conducting of financial, legal and business due diligence against Million Wealth by Perpetual Master to its absolute satisfaction; and
- (i) each of the warranties in the Subscription Agreement being true and correct on and as of Completion and there having been no breach by the warrantors of any obligation, undertakings, representations and warranties thereunder.

If the conditions above have not been fulfilled (or waived, as the case may be, by Perpetual Master) on or before 31 January 2013 (or such other date as the parties thereto may agree in writing), the Subscription Agreement shall thereupon terminate, the parties thereto shall have no further claims against each other under the Subscription Agreement for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims. Pursuant to the Subscription Agreement, Perpetual Master may waive the above conditions (h) and (i) above in writing.

Terms of the Redeemable Preference Shares:

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|------------|---|
| Dividends | In preference to any other shareholders of Million Wealth, holder(s) of the Redeemable Preference Shares will be entitled to receive cumulative dividends at the rate of 10% per annum, compounded annually, calculated as from the issuance of the Redeemable Preference Shares (the " Dividends "). |
| Conversion | The issued Redeemable Preference Shares shall be convertible only in whole (but not in part only) into ordinary share(s) of Million Wealth at the option of the holder(s) of such Redeemable Preference Shares at any time after the issuance of the Redeemable Preference Shares (the " Conversion Rights "). |

Upon such conversion, the percentage of interest in the entire issued share capital of Million Wealth as enlarged (inclusive of the number of ordinary shares of Million Wealth in issue before such conversion, if any) by the holder(s) of the Redeemable Preference Shares is calculated as follows:

Aggregate subscription price for the Redeemable Preference Shares +
Dividends declared but unpaid on such Redeemable Preference Shares

Net asset value of Million Wealth (*Note*)

Note: Net asset value of Million Wealth shall mean (i) the aggregate par value of the Redeemable Preference Shares; (ii) the aggregate par value of the ordinary shares of Million Wealth; and (iii) the accumulated profits and loss and reserves of Million Wealth.

Million Wealth shall and the board of Million Wealth (the “**Million Wealth Board**”) shall procure Million Wealth to issue such number of ordinary shares of Million Wealth to holder(s) of the Redeemable Preference Shares and holder(s) of the ordinary shares of Million Wealth (if necessary), respectively upon such conversion such that the above percentage of interest in Million Wealth by the holder(s) of the Redeemable Preference Shares is achieved.

The conversion mechanism as set out above is arrived at on the principal that in the event of conversion of the Redeemable Preference Shares, Perpetual Master can obtain its proportionate shareholding equivalent to the total sum invested into Million Wealth, and such basis is considered to be fair and reasonable by the Directors. As at the date of this announcement, the Board has no intention to convert the Redeemable Preference Shares into ordinary share(s) of Million Wealth.

Voting rights Except in relation to any resolution which if passed would abrogate or vary the rights or preferences attached to the Redeemable Preference Shares which holder(s) of Redeemable Preference Share shall be entitled to vote as a separate class at a general meeting of Million Wealth, holder(s) of Redeemable Preference Shares shall not have any rights to vote at general meetings of Million Wealth.

Transferability Subject to the consent of all shareholders of Million Wealth, the issued Redeemable Preference Shares could be sold or transferred only in whole (but not in part only) without restriction upon issuance.

Redemption

Subject to the Conversion Rights, Million Wealth may only redeem all of the issued Redeemable Preference Shares and provided that the Redeemable Preference Shares shall be redeemed by the Company in accordance with the provisions of the Companies Ordinance and on and subject to, among other things, the following terms and conditions:

Optional redemption

Subject to the Conversion Rights and the consent of all the holder(s) of the Redeemable Preference Shares, Million Wealth may at any time after issuance of the Redeemable Preference Shares redeem only in whole (but not in part only) the Redeemable Preference Shares at an amount equal to the sum of (i) the aggregate Subscription Price; and (ii) any Dividends declared but unpaid on such Redeemable Preference Shares.

Mandatory redemption

Upon the occurrence of certain events of defaults, holder(s) of the Redeemable Preference Shares shall be entitled (but not obliged) to require Million Wealth to redeem only in whole (but not in part only) the Redeemable Preference Shares at an amount equal to the sum of (i) the aggregate Subscription Price; and (ii) any Dividends declared but unpaid on such Redeemable Preference Shares.

Liquidation preference

In the event of (i) an return of capital, liquidation, dissolution or winding-up of Million Wealth (or other similar events), either voluntary or involuntary, or (ii) a sale of all or substantially all of the Million Wealth's assets (each a "**Liquidation Event**"), holder(s) of the Redeemable Preference Shares shall rank in priority to any other class of shares in Million Wealth and shall be entitled to receive in cash, an amount per Redeemable Preference Share equal to the subscription price per Redeemable Preference Share and all accrued or declared but unpaid Dividends thereon (the "**Preference Amount**"). Following the distribution of the Preference Amount in full, any remaining assets of Million Wealth legally available for distribution shall be distributed pro rata among holder(s) of the Redeemable Preference Shares (on an as-if-converted basis) together with holder(s) of the ordinary shares of Million Wealth. If upon any Liquidation Event, the assets lawfully available for distribution among the holder(s) of the Redeemable Preference Shares shall be insufficient to permit the payment in full of the Preference Amount, the entire assets of Million Wealth shall be distributed rateably to the holder(s) of the Redeemable Preference Shares in proportion to the Preference Amount each such holder would otherwise be entitled to receive.

BASIS OF THE SUBSCRIPTION PRICE

The Subscription Price was determined between Perpetual Master, Million Wealth and Mr. Fok after arm's length negotiations and on normal commercial terms, with reference to, among other things, (i) the value of 90 Redeemable Preference Shares of HK\$1,000,000 each; (ii) the scale of business of Million Wealth; and (iii) the embedded Conversion Rights.

Guarantee by Million Wealth's guarantor

Million Wealth's guarantor, Mr. Fok, has unconditionally and irrevocably guaranteed to Perpetual Master the due and punctual performance by Million Wealth of all of its obligations under the Subscription Agreement and has agreed to indemnify Perpetual Master against all losses, damages, costs and expenses which Perpetual Master may suffer through or arising from any breach by Million Wealth of such obligations.

Completion

Completion shall take place on the third Business Day after the fulfillment of the conditions under the Subscription Agreement or other date as the parties thereto may agree in writing.

Upon completion of the Share Subscription, Pure Profit shall procure Million Wealth to enter into the Shareholders' Agreement among Perpetual Master, Pure Profit and Million Wealth which sets out the rights and obligations of the shareholders of Million Wealth.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Million Wealth and its ultimate beneficial owner, Mr. Fok, are Independent Third Parties.

Major terms of the Shareholders' Agreement (to be entered into at Completion)

Parties: (i) Perpetual Master;
 (ii) Pure Profit; and
 (iii) Million Wealth

Constitution of Million Wealth

1. Million Wealth shall open a bank account(s) and all such bank accounts shall be operated jointly by one person nominated by Perpetual Master and one person nominated by Pure Profit; and
2. Million Wealth shall set up a credit committee in such way as set out in the section "Credit Committee of Million Wealth" of this announcement.

Business of Million Wealth

The principal business activities of Million Wealth are to establish, operate, provide, undertake, manage, supervise, control, take part in the management, supervision or control of, and carry on all or any business of money lending and any other business activities as Perpetual Master and Pure Profit may agree from time to time.

Composition of Million Wealth Board

The Million Wealth Board shall comprise up to three (3) directors, of whom one (1) director shall be appointed by Perpetual Master and up to two (2) directors by Pure Profit. The chairman of the Million Wealth Board shall be nominated by Perpetual Master. Other than those directors nominated or removed in such manner, no director may be appointed or removed from the Million Wealth Board save and except with the unanimous approval of shareholders of Million Wealth.

The quorum for Million Wealth Board meetings shall be two directors of Million Wealth comprising at least one director nominated by each of the shareholders of Million Wealth, present at the commencement and throughout the whole of the meeting.

The Million Wealth Board may delegate any of its powers (including the day-to-day running of the business of Million Wealth) to the Credit Committee of Million Wealth (the “**Credit Committee**”).

Funding by shareholders of Million Wealth

If the Million Wealth Board resolves that it requires further capital and financing, each of the shareholders of Million Wealth may, subject to compliance with applicable laws and regulations, (i) provide further financing to Million Wealth by way of shareholder’s loan or such other forms of financing as the Million Wealth Board may approve; and/or (ii) approve the Million Wealth Board to raise further equity or debt financing from external sources and at all times on terms satisfactory to the Million Wealth Board.

Credit Committee of Million Wealth

The Credit Committee shall be responsible for the day to day management of the Company, in particular, the Credit Committee shall be responsible for performing credit assessments over loan applicants, maintaining loan portfolios and reducing any risks associated with any bad debts and/or defaults.

The Million Wealth Board shall ensure that:

- (a) the Credit Committee shall consist of up to three (3) members;
- (b) Pure Profit shall be entitled to nominate to the Credit Committee up to two (2) members;
- (c) Perpetual Master shall be entitled to nominate to the Credit Committee one (1) member who shall also be the Chairman of the Credit Committee;
- (d) The Credit Committee member nominated by Perpetual Master shall be the Chairman of the Credit Committee; however, for the avoidance of doubt, during the course when the amount of the Pure Profit Shareholder’s Loan exceeds HK\$90,000,000, the Chairman of the Credit Committee shall be a member nominated by Pure Profit instead;
- (e) The Chairman of the Credit Committee shall have veto rights on all decisions arising at all meetings of the Credit Committee;

- (f) if any of the shareholders of Million Wealth wishes to replace any of its nominated member(s) of the Credit Committee with or without cause, the other shareholder(s) shall consent to such replacement upon written notice being received by the secretary of Million Wealth signed by or on behalf of the relevant shareholder of Million Wealth, and procure that the Million Wealth Board implements such replacement; and
- (g) no other members may be appointed or removed from the Credit Committee save with the unanimous approval of all shareholders of Million Wealth.

The Directors consider that the terms of the Subscription Agreement and the Shareholders' Agreement are determined on an arm's length basis, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Further Information on Pure Profit, Mr. Fok and Million Wealth

Pure Profit is an investment holding company incorporated in BVI with limited liability and Mr. Fok is the sole beneficial owner of Pure Profit. Mr. Fok will be one of the directors of Million Wealth nominated by Pure Profit.

Mr. Fok, aged 41, has acquired extensive and solid experiences in the banking and finance fields, including accounting, auditing, finance, investment banking, regulations and risk management, in the past 20 years. In around 2004 to 2007 and 2006 to 2007, Mr. Fok was the managing director of Chief Finance Limited (“**Chief Finance**”) and Gold-Face Finance Limited (“**Gold-Face Finance**”) respectively, which were directly and indirectly controlled by listed companies in Hong Kong and he was mainly responsible for overseeing the operation (which includes loan approval and collection activities; devising and implementing loan restructuring programs), formulating market strategies and ensuring the qualities of the loans. During his management and supervision, Chief Finance and Gold-Face Finance had a loan portfolio of not less than HK\$150 million and HK\$80 million respectively. Majority of customers of Chief Finance and Gold-Face Finance included corporate, institutional and individual customers. In addition, Mr. Fok gained regulatory experience from his past work experience with the Listing Division of the Stock Exchange. Mr. Fok is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia and also a Chartered Financial Analyst.

He is currently an executive director, chief financial officer and company secretary of Jian ePayment Systems Limited (stock code: 8165), which is a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Fok is also the independent non-executive director of two publicly listed companies of the Main Board of the Stock Exchange, namely, Rising Development Holdings Limited (stock code: 1004) and Greenfield Chemical Holdings Limited (stock code: 582).

As at the date of this announcement, save for the relevant administrative fee(s) for the application of a money lender's license under the Money Lenders Ordinance and registration fees, Million Wealth has not yet commenced any operation since its incorporation.

Reasons for and benefits of the Share Subscription

The Group is principally engaged in money lending and provision of credits, securities investments, provision of corporate secretarial and consultancy services and forestry business.

Through the Share Subscription, the Group will have an additional money lending platform to further promote and develop its money lending business and will also be able to broaden the existing customers base through the cooperation with Mr. Fok. Given the extended social and business networks of Mr. Fok and his extensive experience and knowledge in the credit provision industry as well as one of the major regulatory institutions in Hong Kong (i.e. the Stock Exchange), the Share Subscription shall benefit the Group by allowing it to share profit and return from the money lending business conducted by Mr. Fok without adversely burdening the Group's resources on promotion, locating new customers and ensuring compliance of applicable laws and regulations.

In addition, the Share Subscription will bring to the Group a sustainable satisfactory return on the sum of HK\$9 million per annum (based on the Dividends rate of 10% per annum. In the event that Million Wealth does not have the required financial resources to make available loans to all potential customers, it can refer such potential customers to Joy Wealth Finance Limited, which is a wholly-owned subsidiary of the Company.

To keep the subscription monies by Perpetual Master in safety and good use, the following measures are stipulated in the Shareholders' Agreement:

- bank account(s) of Million Wealth shall be jointed operated by Perpetual Master and Pure Profit;
- the Million Wealth Board shall consist of a member (who shall be the Chairman) nominated by Perpetual Master;
- decisions on certain significant matters can only be made with the unanimous consent of shareholders of Million Wealth;
- the conversion mechanism of the Redeemable Preference Shares is determined on a fair and reasonable basis; and
- the Credit Committee shall consist of up to three (3) member, one (1) of whom (who shall be the Chairman having veto rights on all decisions arising at all meetings of the Credit Committee) will be nominated by Perpetual Master to approve and review loan portfolio of Million Wealth. However, during the course when the amount of the Pure Profit Shareholders' Loan exceeds HK\$90,000,000, the Chairman of the Credit Committee shall be a member nominated by Pure Profit instead.

In summary, the Group will be able to earn additional income through the Share Subscription and the Board is of the opinion that this is a valuable opportunity to further develop the Group's money lending and provision of credits business. Accordingly, the Directors consider the terms of Subscription Agreement and the Shareholders' Agreement are fair and reasonable and the Share Subscription is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios (as defined under the Listing Rules) of the Share Subscription exceed 5% but are less than 25%, the Share Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement but exempt from Shareholders' approval requirement under the Listing Rules.

DEFINITION

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business throughout their normal business hours in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Share Subscription pursuant to the terms and conditions therein
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries (as defined under the Listing Rules)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Independent Third Party(ies)”	third parties independent of and not connected with the Directors, chief executive and substantial Shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Million Wealth”	Million Wealth Capital Investment Limited, a company incorporated in Hong Kong with limited liability

“Money Lenders Ordinance”	Money Lenders Ordinance (Cap.163) of the laws of Hong Kong
“Mr. Fok”	Mr. Fok Ho Yin, Thomas, the sole and ultimate beneficial owner of Pure Profit as of the date of this announcement and Million Wealth’s guarantor under the Subscription Agreement
“Perpetual Master”	Perpetual Master Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“Pure Profit”	Pure Profit Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Pure Profit Shareholder’s Loan”	the shareholder’s loan to be provided to Million Wealth by Pure Profit
“Redeemable Preference Share(s)”	the redeemable convertible preference shares of HK\$1,000,000 each to be issued by Million Wealth to Perpetual Master pursuant to the Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.08 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between Perpetual Master and Pure Profit at Completion setting out the rights and obligations of the shareholders of Million Wealth
“Share Subscription”	the subscription by Perpetual Master for 90 Redeemable Preference Shares to be issued by Million Wealth
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 11 October 2012 entered into between Perpetual Master, Million Wealth and Mr. Fok in relation to the Share Subscription
“Subscription Price”	HK\$90,000,000
“%” 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, 11 October 2012

As at the date of this announcement, the Directors are:

Executive Directors

Mr. Ng Kwok Fai (*Chairman*)
Mr. Huang Chuan Fu (*Deputy Chairman*)
Mr. Liang Jian Hua
Ms. Jia Hui
Mr. Jiang Yi Ren

Independent non-executive Directors

Mr. Cheng Po Yuen
Mr. Wong Chun Hung

Non-executive Director

Mr. Chan Kin Sang

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