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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)

VERY SUBSTANTIAL DISPOSAL AND RESUMPTION OF TRADING

On 29 October 2010 (after trading hours), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire all the issued shares in the capital of the Disposal Target at the Consideration of HK\$5,000,000.

Upon completion of the Disposal, the Disposal Target shall cease to be subsidiaries of the Company. Based on the latest management accounts of the Disposal Target for the six months ended 30 June 2010, the Group would realize a book gain of approximately US\$20,290,000 (equivalent to approximately HK\$157,248,000).

The Disposal constitutes a very substantial disposal under Chapter 14 of the Listing Rules and is therefore subject to approval by the Shareholders by way of poll at the SGM. As confirmed by the Purchaser, neither itself nor its associates are interested in any Shares. Accordingly, none of the Shareholders has an interest in the Agreement which is different from other Shareholders and thus none of the Shareholders is required to abstain from voting on the relevant resolution(s) in relation to the Disposal at the SGM.

A circular containing, among others, further details of the Agreement together with the notice of SGM will be despatched to the Shareholders on or before 29 November 2010.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 1 November 2010 pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 9 November 2010.

* For identification purposes only

INTRODUCTION

On 29 October 2010 (after trading hours), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire all the issued shares in the capital of the Disposal Target at the Consideration of HK\$5,000,000.

THE SALE AND PURCHASE AGREEMENT

Date:

29 October 2010 (after trading hours)

Parties:

Vendor:

Pacific Plywood Holdings Limited

Purchaser:

Global Axis Limited, a company incorporated under the laws of Labuan, Malaysia, and is wholly-owned by Mr. Ng Eng Ho and Mr. Erwin Wielando Ng.

Having made all reasonable enquiries and to the best knowledge, information and belief of the Directors, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

The assets to be disposed of

1. 45,000 shares, being all the issued ordinary shares, of AHL;
2. 251,000,000 shares, being all the issued ordinary shares, of GTL; and
3. 1,000 shares, being all the issued ordinary shares, of SGB

Consideration

The Consideration of HK\$5,000,000 was determined after arm's length negotiations between the parties to the Agreement with reference to, among other things, (i) the unaudited aggregated net losses of the Disposal Target of approximately US\$13,830,000 and US\$11,787,000 for the each of the two years ended 31 December 2009 and 31 December 2008 respectively; (ii) the unaudited aggregated net losses of the Disposal Target of approximately US\$5,280,000 for the six months ended 30 June 2010; and (iii) the unaudited aggregated net liabilities of the Disposal Target of approximately US\$16,304,000 as at 30 June 2010.

Terms of payment

The Consideration shall be paid by the Purchaser in the following manner:

- HK\$1,000,000 within 7 days after the signing of the Agreement; and
- HK\$4,000,000 at Completion.

Condition precedent

According to the Agreement, Completion shall be conditional upon the Vendor complying with the Listing Rules and approvals, if any, are obtained from the Stock Exchange and the Shareholders in relation to the Disposal and relevant transactions contemplated under the Agreement.

If the conditions are not fulfilled by 31 December 2010, the Agreement shall be terminated and all liabilities of the parties to the Agreement shall cease and determine and no party shall have any claim against the others.

Completion

It is provided in the Agreement that upon fulfillment of the conditions under the Agreement, the Vendor shall fix the Completion date and shall forthwith give the Purchaser not less than seven (7) days written notice to proceed with the Completion.

Upon Completion, the Disposal Target shall cease to be subsidiaries of the Company. However, the Group will continue with the plywood related business by sourcing business opportunities in relation to the upstream plywood business (i.e. the forestry business) after Completion as the Board is of the view that (i) the competition of the manufacturing and trading of plywood businesses shall remain keen in the future; and (ii) the prospect of the upstream of plywood business (i.e. the forestry business) is promising as a result of continuous strong demand on logs. Such switch of the focus on the plywood related business will be beneficial to the Group in the future in the event that the relevant business opportunities are identified.

REASONS FOR THE DISPOSAL

The Disposal Target has been incurring losses for more than two years and is in a net liability position. Even though the plywood market has recovered from its bottom, the operation of the Disposal Target remains difficult and the Disposal Target continued with net losses for the six months ended 30 June 2010 due to the limited supply of logs and increased in raw materials prices and other related costs. Recently, the cashflow of the Disposal Target remains tight and is required to serve the significant indebtedness of the Disposal Target, which might adversely affect the going concern of the Group. In view of the above, the Board considers that the continual of the businesses of the Disposal Target may not be in the interests of the Shareholders and the Company as a whole.

Accordingly, 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 recent acquisition of Head & Shoulders Finance Limited represents a new start of the Company, which enables the Company to diversify its existing plywood related businesses into the business of money lending and provision of credits; the Directors consider that there is a persistent growing demand on money lending and the provision of credits. Upon Completion, the Group will focus and reallocate its resources on its existing money lending and provision of credits business and shall consider expansion in the future should opportunities arise. On 27 October 2010, the Company has issued a facility letter to grant a facility with principal amount of HK\$12 million to Head & Shoulders Finance Limited in order to further expand the money lending and the provision of credits business. The Company may consider increasing such facility in the future through other fund raising activities of the Company (including both equity financing and/or debt financing), no concrete plan has yet to be finalized. Save as already disclosed, the Company has no agreement, arrangement, understanding, intention or negotiation about any disposal/ termination/ scaling down on the existing money lending business as at the date of this announcement.

Having considered (i) the potential gain from the Disposal as demonstrated in the paragraph headed “Potential financial effects of the Disposal” below; (ii) the continual losses recorded from the Disposal Target; (iii) the unaudited aggregated net liabilities of the Disposal Target as at 30 June 2010 of approximately US\$16,304,000, which may have an adverse impact on the cashflow position of the Group and created a going concern problem to the Group; and (iv) the existing business of the Group (i.e. money lending and the provision of credits business) has demonstrated a steady growth on its profit for the two years ended 31 March 2010, the Directors are of the view that the Disposal is fair, reasonable and is in the interests of the Company and the Shareholders as a whole.

The Company shall consider other investment opportunities should and when they arise (i.e. the memorandum of understanding entered into by the Company on 6 July 2010 and 18 October 2010 for the possible investment in an oilfield project in Kazakhstan) with an objective to further strengthen the assets position and to broaden the income sources of the Group in the future. Currently, the Company is waiting for the information regarding the oilfield from the vendor, in particular the relevant competent person report in compliance with Chapter 18 of the Listing Rules (the “**Competent Person Report**”). Under Chapter 18 of the Listing Rules, the Competent Person Report is considered to be an essential element of an acquisition of mineral resources company, the Board is unable to assess the possibility of an acquisition of oilfield without it and the category of the reserves of the oilfield would directly affect the relevant valuation and the respective risks involved. Upon receipt of the Competent Person Report by the Company, the Board shall have a meeting to discuss and assess the possibility of such acquisition again. Save for memorandum of understanding as just mentioned, the Company has no agreement, arrangement, understanding, intention or negotiation about acquiring any other new business as at the date of this announcement.

APPLICATION OF SALES PROCEEDS

The sales proceeds from the Disposal would be applied as general working capital of the Group.

POTENTIAL FINANCIAL EFFECTS OF THE DISPOSAL

Based on the latest management accounts of the Disposal Target for the six months ended 30 June 2010, the Group would realize a book gain of approximately US\$20,290,000. The book gain was computed by reference to (a) the Consideration of HK\$5,000,000 (approximately US\$645,000); and (b) the total investment made by the Vendor in the Disposal Target of approximately US\$30,529,000 and the post-acquisition losses attributable to the Disposal Target up to 30 June 2010 of approximately US\$50,174,000. The actual book gain or loss derived from the Disposal would depend on the profit or loss of the Disposal Target up to the date of Completion.

INFORMATION ON THE PURCHASER

The Purchaser, Global Axis Limited, incorporated in Labuan, Malaysia, is a newly established investment holding company. Its ultimate shareholders are Mr. Ng Eng Ho and Mr. Erwin Wielando Ng.

INFORMATION ON THE GROUP

The Group 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 the money lending and provision of credits. After Completion, Head & Shoulders Finance Limited would become the existing business of the Group.

Set out below is the information on Head & Shoulders Finance Limited:

Head & Shoulders Finance Limited is principally engaged in the business of the money lending and provision of credits. As at the date of this announcement, Head & Shoulders Finance Limited has 5 staffs and 67 loans accounts (which consisted of both individual and corporate clients) has been newly opened since April 2010. The interest rates charged on the loans to customers are ranged from 12% to 48% per annum, depending on the relevant terms of the loans. In general, the loan tenor of unsecured loan is less than 4 years, while the secured loan is 20 years or less. The latest financial information of Head & Shoulders Finance Limited is shown as follows:

	For the year ended 31 March 2009	For the year ended 31 March 2010	For the seven months ended 31 October 2010
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Income statement			
Revenue	9.80	8.74	9.41
Profits before taxation	2.50	1.31	3.89
Profits after taxation	2.15	1.10	3.24

	As at 31 March 2009 <i>(HK\$ million)</i> <i>(audited)</i>	As at 31 March 2010 <i>(HK\$ million)</i> <i>(audited)</i>	As at 31 October 2010 <i>(HK\$ million)</i> <i>(unaudited)</i>
Balance sheets			
Total assets	39.93	63.54	148.09
Total liabilities	37.13	59.65	140.95
Net assets	2.80	3.89	7.14

The major assets of Head & Shoulders Finance Limited were loan receivables from its customers, amounted to approximately HK\$38.94 million, HK\$63.09 million and HK\$144.36 million respectively as at 31 March 2009, 31 March 2010 and 31 October 2010. The said loan receivables have demonstrated the growth of the business scale of Head & Shoulders Finance Limited. The major liabilities as at 31 March 2009, 31 March 2010 and 31 October 2010 were shareholders' loans and other borrowings. After the date of the completion of the acquisition of Head & Shoulders Finance Limited on 19 October 2010, the unaudited revenue, profits before taxation and profits after taxation of Head & Shoulders Finance Limited for the period from 19 October 2010 to 31 October 2010 amounted to approximately HK\$0.80 million, HK\$0.41 million and HK\$0.34 million respectively.

INFORMATION ON THE DISPOSAL TARGET

The Disposal Target comprises AHL, GTL and SGB, which are direct wholly-owned subsidiaries of the Company. AHL is an investment holding company, subsidiaries of which are: (1) SMI Management & Co., Pte. Limited; (2) Manuply Wood Industries (S) Sdn Bhd; (3) Glowing Schemes Sendirian Berhad; (4) Daunting Services Limited; (5) Sevier Pacific Limited; and (6) Pacific Plywood Limited; and an associated company, Segereka Sendirian Berhad.

The principal business of AHL and its subsidiaries and associated company are manufacturing and trading of plywood and other wood products, while GTL and SGB are principally engaged in the business of trading in plywood and other wood products.

The following table sets out the unaudited financial results of the Disposal Target for the years ended 31 December 2008 and 2009, which were prepared based on accounting policies consistent with those adopted by the Group in its annual financial statements for the years ended 31 December 2008 and 2009: –

	Financial year ended 31 December	
	2008	2009
	<i>(US\$ thousand)</i> <i>(unaudited)</i>	<i>(US\$ thousand)</i> <i>(unaudited)</i>
Net loss before taxation and extraordinary items	11,787	13,830
Net loss after taxation and extraordinary items	11,787	13,830

Based on the latest management accounts of the Disposal Target as at 30 June 2010, its net liability was approximately US\$16,304,000.

GENERAL

The Disposal constitutes a very substantial disposal under Chapter 14 of the Listing Rules and is therefore subject to approval by the Shareholders by way of poll at the SGM. As confirmed by the Purchaser, neither itself nor its associates are interested in any Shares. Accordingly, none of the Shareholders has an interest in the Agreement which is different from other Shareholders and thus none of the Shareholders is required to abstain from voting on the relevant resolution(s) in relation to the Disposal at the SGM.

A circular containing, among other things, further details of the Agreement together with the SGM notice will be despatched to the Shareholders on or before 29 November 2010.

RESUMPTION OF TRADING

At the request by the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 1 November 2010 pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 9 November 2010.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

“AHL”	:	Ankan Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Agreement”	:	the sale and purchase agreement dated 29 October 2010 (after trading hours) entered into between the Vendor and the Purchaser for the sale and purchase of the 100% issued shares of AHL (including its subsidiaries and associated company), GTL and SGB
“Board”	:	the board of Directors
“Business Day”	:	a day on which banks in Hong Kong open for general business other than a Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hog Kong at any time between 9:00a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“Company”	:	Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability with its Shares listed on the main board of the Stock Exchange
“Completion”	:	the completion of the Disposal

“Consideration”	:	HK\$5,000,000
“Director(s)”	:	the director(s) of the Company
“Disposal”	:	proposed disposal of the Disposal Target to the Purchaser by the Vendor pursuant to the Agreement
“Disposal Target”	:	AHL, GTL and SGB
“Group”	:	the Company and its subsidiaries
“GTL”	:	Georich Trading Limited, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“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
“Purchaser”	:	Global Axis Limited, a company incorporated under the laws of Labuan, Malaysia
“Share(s)”	:	Share(s) of HK\$0.025 each in the share capital of the Company
“SGB”	:	SMI Global Corporation, a company incorporated in the United States of America with limited liability
“SGM”	:	the special general meeting of the Company to be convened to approve, amongst other things, the Agreement, and the transactions contemplated thereunder
“Shareholder(s)”	:	holder(s) of the Shares
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“US\$”	:	United States dollars, the lawful currency of the United States of America
“Vendor”	:	the Company

By order of the Board
Sardjono Widodo
Managing Director

Hong Kong, 8 November 2010

For the purpose of this announcement, all amounts denominated in US\$ have been translated (for information only) into HK\$ using the exchange rate of US\$1 = HK\$7.75. No representation is made that every amount in US\$ or HK\$ can be or could have been connected at the relevant dates at the above dates in any other rates at all.

As at the date of this announcement, the executive Directors are Dr. Budiono Widodo (Chairman), Mr. Sardjono Widodo (Managing Director), Ms. Jia Hui, Mr. Huang Chuan Fu, Mr. Jiang Yi Ren and Mr. Liang Jian Hua and the independent non-executive Directors are Mr. Wong Chun Hung and Mr. Chan Kin Sang.

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

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