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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

**GRANT OF CALL OPTION TO DISPOSE OF UP TO
HK\$60 MILLION OF THE CONVERTIBLE NOTES ISSUED BY
CHINA ENVIRONMENTAL ENERGY INVESTMENT LIMITED**

The Subscription by the Company of the Convertible Notes issued by China Environmental was completed on 12 October 2012 and the Company has become the holder of the Convertible Notes in the principal amount of HK\$95 million. Subject to the terms and conditions of the Convertible Notes, the Company is allowed to freely transfer the Convertible Notes in whole or in part.

In order for the Company to enjoy more flexibility in capturing the possible capital gains from being a holder of the Convertible Notes, the Board resolves to enter into the Call Option Deed with the Optionholder, pursuant to which the Company has agreed to grant and the Optionholder has agreed to obtain the Call Option at the Premium of HK\$4.8 million.

During the Call Option Period, the Optionholder or the Transferee(s) can purchase from the Company the Option Convertible Notes (in whole or in Tranches) at the price equivalent to 120% of the principal amount of the Convertible Notes. If all the Option Convertible Notes are disposed of, it is expected that the Company will make a gain of HK\$12 million from the net of the aggregate exercise price for the Possible Disposal and the value of the Option Convertible Notes.

* For identification purposes only

As the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the grant of Call Option and the Possible Disposal exceed 5% but less than 25%, the grant of Call Option and the Possible Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are subject to the announcement requirement but exempt from Shareholders' approval requirement under the Listing Rules.

INTRODUCTION

Reference is made to the circular of the Company dated 14 September 2012 in respect of the Subscription (the "**Circular**"). The Subscription was completed on 12 October 2012 and the Company has become the holder of the Convertible Notes in the principal amount of HK\$95 million issued by China Environmental. Subject to the terms and conditions of the Convertible Notes, the Company is allowed to freely transfer the Convertible Notes in whole or in part.

Details of the Subscription have been disclosed in the Circular.

CALL OPTION

In order for the Company to enjoy more flexibility in capturing the possible capital gains from being a holder of the Convertible Notes, the Board resolves to enter into the Call Option Deed with the Optionholder, pursuant to which the Company has agreed to grant and the Optionholder has agreed to obtain the Call Option at the Premium of HK\$4.8 million.

Principal terms of the Call Option Deed are summarized as follows:

Date: 12 October 2012

Parties: (i) the Company (as issuer); and
(ii) the Optionholder (as subscriber)

The Optionholder is a third party independent of and not connected with the Company and its connected persons.

Premium: HK\$4.8 million

The Premium of the Call Option was arrived at after arms' length negotiation between the Company and the Optionholder with reference to, *inter alia*, the interests under the Option Convertible Notes, out of which HK\$800,000 shall be paid upon execution of the Call Option Deed and the remaining HK\$4 million shall be paid on (i) the date of Completion of the last Tranche of the Option Convertible Notes; or (ii) the date when the Call Option lapses, whichever is the earlier.

Call Option Period:	From the date of the Call Option Deed up to the Business Day fall on three (3) Business Days immediately before the maturity date of the Convertible Notes.
Amounts of Convertible Notes subject to the Call Option:	Up to HK\$60 million (to be divided into Tranches).
Exercise Price:	During the Call Option Period, the Optionholder or the Transfee(s) can purchase from the Company the Option Convertible Notes (in whole or in Tranches) at the price equivalent to 120% of the principal amounts of the Convertible Notes.
Restriction:	The Transferee(s) shall be third party(ies) independent of and not connected with each of the (i) Company and its connected persons; and (ii) China Environmental and its connected persons.
Transferability:	The Call Option is transferrable upon notice to and subject to the consent of the Company. No transfer shall be made to any connected persons of the Company unless compliance of the Listing Rules has been made.

POSSIBLE FINANCIAL EFFECT OF THE POSSIBLE DISPOSAL

Upon the entering into of the Call Option Deed, the Premium shall be recognized as a gain in the income statement of the Group and the net assets of the Group shall increase accordingly.

Upon disposal of the Option Convertible Notes, the difference between the applicable selling price and the then book value of the Option Convertible Notes is expected to be recognized as a gain on disposal in the income statement of the Group. The total and net assets of the Group are expected to be increased upon completion of the Possible Disposal as a result of the possible capital gain arising from the said disposal. If all the Option Convertible Notes are disposed of, it is expected that the Company will make a gain of HK\$12 million from the net of the aggregate exercise price for the Possible Disposal and the value of the Option Convertible Notes.

The actual amounts of the proceeds of the Possible Disposal and the effects on the assets, liabilities and earnings position of the Group in relation to the Possible Disposal could only be finalized when the Possible Disposal actually takes place.

INFORMATION ON THE CHINA ENVIRONMENTAL GROUP

The China Environmental Group is principally engaged in the trading and manufacturing of printed circuit board and investment in electric vehicle battery business and the waste paper recycling business.

Set out below is a summary of the audited consolidated financial information of the China Environmental Group for the two years ended 31 March 2011 and 2012 (as extracted from the relevant annual reports of China Environmental):

	For the year ended 31 March	
	2012	2011
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(audited)</i>	<i>(audited)</i>
Turnover	178,822	53,455
Gross profit	26,347	11,249
Net profit/(loss) before taxation from the continuing operation	9,221	25,837
Net profit/(loss) after taxation from the continuing operation	8,891	21,825

According to the annual report of China Environmental for the year ended 31 March 2012, the net assets of the China Environmental Group amounted to approximately HK\$521.09 million as at 31 March 2012.

INFORMATION ON THE GROUP

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

REASONS FOR AND BENEFITS OF THE GRANT OF CALL OPTION AND THE POSSIBLE DISPOSAL AND INTENDED USE OF PROCEEDS

After the entering into of the Call Option Deed with the Optionholder, the Company could dispose of the Option Convertible Notes at the pre-agreed selling price with a reasonable profit margin as compared to the interest income of 8% per annum from the Option Convertible Notes. In addition, the Company can receive the Premium of HK\$4.8 million from the grant of Call Option to the Optionholder. In the event that the Group is unable to dispose of the Option Convertible Notes with principal amount of up to HK\$60 million under the Call Option in full, the Group will remain as a holder of the Option Convertible Notes not disposed of up to the maturity and receive interest income thereunder and the consideration of HK\$4.8 million from the grant of Call Option.

It is expected that the proceeds from the Possible Disposal will be utilized for the future development of the businesses of the Group.

In view of all the above, the Directors consider the grant of Call Option and the Possible Disposal fair and reasonable and in the interest of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the grant of Call Option and the Possible Disposal exceed 5% but less than 25%, the grant of Call Option and the Possible Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are subject to the announcement requirement but exempt from Shareholders' approval requirement under the Listing Rules.

GENERAL

In the event that the Possible Disposal is completed, the Company will publish an announcement to inform the Shareholders on the amount of capital gains as soon as practicable.

DEFINITIONS

The following expressions have the following meanings in the announcement unless the content requires otherwise:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday and a public holiday) on which the licensed banks in Hong Kong are generally open for business in Hong Kong
“Call Option”	the option granted by the Company in favour of the Optionholder to purchase from the Company the Option Convertible Notes (in whole or in part) at the price equivalent to 120% of the principal amount of the Convertible Notes pursuant to the terms and conditions of the Call Option Deed
“Call Option Deed”	the call option deed dated 12 October 2012 entered between the Company and the Optionholder
“Call Option Period”	the period from the date of the Call Option Deed up to the Business Day falling on three (3) Business Days immediately before the maturity date of the Convertible Notes
“China Environmental”	China Environmental Energy Investment Limited (中國環保能源投資有限公司*), 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: 986)
“China Environmental Group”	China Environmental and its subsidiaries

“Company”	Pacific Plywood Holdings Limited (太平洋實業控股有限公司*), 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: 767)
“Completion”	completion of the sale and purchase of the Option Convertible Notes (in whole or in Tranche(s), as the case may be) following the exercise of the Call Option (in whole or in Tranche(s), as the case may be) in accordance with the Call Option Deed
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Notes”	the 18 months to maturity, 8% coupon convertible notes in the aggregate principal amount of HK\$95 million issued by China Environmental to the Company
“Directors”	directors of 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
“Option Convertible Notes”	the Convertible Notes with principal amount of up to HK\$60 million subject to the Call Option, which are divided into Tranches
“Optionholder”	Mr. Jiang Jianhui
“Possible Disposal”	the possible disposal of the Option Convertible Notes under the Call Option
“Premium”	the premium of HK\$4.8 million payable by the Optionholder to the Company for the grant of the Call Option
“Share(s)”	the ordinary share(s) of HK\$0.08 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription of the Convertible Notes by the Company pursuant to the subscription agreement dated 26 June 2012 (as supplemented by a supplemental subscription agreement dated 4 September 2012) entered into between the Company and China Environmental
“Tranche(s)”	tranche(s) of the Option Convertible Notes in principal amount of HK\$1 million each
“Transferee(s)”	nominee(s) designated by the Optionholder to take up, or transferee(s) procured by the Optionholder to purchase, the Option Convertible Notes, subject to the terms and conditions of the Call Option Deed
“%”	per cent.

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

Hong Kong, 12 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 inconsistency, the English text of this announcement shall prevail over the Chinese text.

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