

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt about this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Pacific Plywood Holdings Limited**, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or to the transferee.

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PACIFIC PLYWOOD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 767)

CIRCULAR ON AMENDMENTS TO THE BYE-LAWS AND NOTICE OF SPECIAL GENERAL MEETING

The notice convening the special general meeting (the "Special General Meeting") of PACIFIC PLYWOOD HOLDINGS LIMITED (the "Company") to be held at Taishan Room, Island Shangri-la Hotel, Level 5, Pacific Place, Supreme Court Road, Hong Kong on Wednesday, 19 July 2006 at 10:00 a.m. is set out in Appendix II to this circular. A form of proxy for use by the shareholders is enclosed together with this circular.

Whether or not you propose to attend the meeting, you are advised to read the notice and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the Principal Place of Business of the Company in Hong Kong at Room 1802, 88 Gloucester Road, Wanchai, Hong Kong. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

23 June 2006

LETTER FROM THE BOARD



PACIFIC PLYWOOD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 767)

Executive Directors:

Budiono Widodo (*Chairman*)

Sardjono Widodo

Liao Yun Kuang

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Non-executive Directors:

Chen Chung I

Kusnadi Pipin

Sudjono Halim

Principal Place of Business:

Room 1802

88 Gloucester Road

Wanchai

Hong Kong

Independent Non-executive Directors:

Marzuki Usman

Kusnadi Widjaja

Ngai Kwok Chuen

23 June 2006

To the shareholders of Pacific Plywood Holdings Limited

Dear Sir or Madam,

PROPOSALS FOR AMENDMENTS TO BYE-LAWS

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has amended the Listing Rules by replacing the Code of Best Practice in Appendix 14 with the Code on Corporate Governance Practices (the "Code"). A new Appendix 23 was also added to the Listing Rules requiring a corporate governance report to be included in annual reports of listed issuers. Subject to certain transitional arrangements, these amendments took effect on 1 January 2005. The Code sets out the principles of good corporate governance, which were categorized as either code provisions or recommended best practices. All companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from upon giving considered reasons, the code provisions under the Code.

In order to comply with such requirements and enhance the efficiency of the proceedings of Directors, the Directors propose some amendments to the Bye-laws and seek your approval by passing a special resolution. Details of the proposed amendments to the Bye-laws, which include certain minor housekeeping amendments, are set out in

LETTER FROM THE BOARD

the notice to the Special General Meeting. Notice of the Special General Meeting is set out in Appendix II to this circular. Summary of the major changes to the existing Bye-laws includes the following:-

- (a) To comply with Section 8, Appendix 3 of the Listing Rules as regards redeemable shares;
- (b) To comply with Section 1(1), Appendix 3 of the Listing Rules as regards the maximum fees prescribed by the Stock Exchange;
- (c) To comply with Section 11(1), Appendix 3 of the Listing Rules as regards proxies;
- (d) To change the requirement as regards the removal of a director;
- (e) To comply with code provision A.4.2 under the Code as regards the retirement by rotation at least once every three years; and
- (f) To make provisions as regards the establishment of the Executive Committee and defining its powers and authority.

The Directors believe that the proposed amendments to Bye-laws are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend that the shareholders of the Company should vote in favour of the special resolution to be proposed at the Special General Meeting.

By Order of the Board
Sardjono Widodo
Managing Director

Pursuant to Bye-law 70 to Bye-law 74 of the Company's Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the rules of the relevant board of the stock exchange in the Relevant Territory or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:–

- (i) the chairman of the meeting; or
- (ii) at least three shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) any shareholder or shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (iv) any shareholder or shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so required or so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

If a poll is required or demanded as aforesaid, it shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was so required or demanded as the chairman directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was required or demanded. The demand for a poll (but not the requirement for a poll under the rules of the relevant board of the stock exchange of the Relevant Territory) may be withdrawn, with the consent of the chairman, at any time before the close of the meeting at which the poll was demanded or the taking of the poll, whichever is the earlier.

Any poll duly demanded on the election of a chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote. In case of any dispute as to the admission or rejection of any vote the chairman shall determine the same, and such determination shall be final and conclusive.

The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

**PACIFIC PLYWOOD HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

(Stock Code: 767)

Notice is hereby given that the Special General Meeting of the Company will be held at Taishan Room, Island Shangri-la Hotel, Level 5, Pacific Place, Supreme Court Road, Hong Kong on Wednesday, 19 July 2006 at 10:00 a.m. for the following purposes:-

SPECIAL RESOLUTIONS

To consider and approve the following by way of a special resolution:

“THAT the existing Bye-laws of the Company be and are hereby amended as follows:-

- (I) by the insertion of the following before the definition of “Head Office” in existing Bye-law 1(A):

“the Executive Committee” shall mean the executive committee established pursuant to Bye-law 123;”;

- (II) by the deletions of the word “that” after the words “general meeting of which not less” and “being a majority together holding not less” in existing Bye-law 1(C) and substitutions therefor the word “than”;

- (III) by the insertion of the following at the end of Bye-law 3:

“Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all shareholders alike.”;

- (IV) by the deletion of the existing Bye-law 40(i) in its entirety and substitution therefor the following as new Bye-law 40(i):

“a fee of such maximum sum as the Clearing House may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;”;

- (V) by the deletion of the existing Bye-law 84 in its entirety and substitution therefor the following as new Bye-law 84:

“Instruments of proxy shall be in any common form or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, as it thinks fit, send out with the notice of any general meeting forms of instrument of proxy for use at such general meeting.”;

- (VI) by the deletion of the words “or suspends payment or compounds with his creditors generally” in the existing Bye-law 97(A)(i) and the deletion of the word “a Special” in the existing Bye-law 97(A)(vi) and substitution therefor the word “an Ordinary”;

- (VII) by the deletion of the words “save any Director holding office as Chairman or Managing Director” in the first sentence of the existing Bye-law 99;

- (VIII) by the deletions of the word “Special” after the words “The Company may by” in existing Bye-law 104 and after the words “Power to remove Directors by” in the existing margin note to Bye-law 104 and substitution therefor the word “Ordinary” and by the insertion of the following at the end of the existing Bye-law 104:

“Notwithstanding any other provision in these Bye-laws, the Board shall have the power to remove a Director at any time before the expiration of his period of office and such power may be delegated to the Executive Committee established under Bye-law 123”;

- (IX) by the insertion of the phrase “Executive Committee” at the end of the existing margin note to Bye-law 123 and the insertions of the phrase “(A)” at the beginning of the existing Bye-law 123 and the following at the end thereof:

“(B) Unless otherwise determined by all the Directors, the Board shall establish an Executive Committee which shall have responsibility for the management and administration of the business of the Company and any matters which are within the ordinary course of the Company’s business under the control and supervision of the Board and in accordance with the provisions of these Bye-laws.

(C) The members of the Executive Committee shall be the executive Directors, unless otherwise removed pursuant to these Bye-laws. No change shall be made to the composition of the Executive Committee except with the approval, by way of an ordinary resolution, of the Board. The Chairman of the Board shall be the Chairman of the Executive Committee. A list of the members of the Executive Committee from time to time shall be maintained by the Secretary on behalf of the Company. Removal of any member from the Executive Committee shall be approved by the Board.

- (D) The Company shall not carry out, conduct or engage in, or enter into any agreement in respect of, any of the activities or transactions described below, without the approval in writing of three-fourths of the members of the Executive Committee:
- (i) (a) any incurrence of indebtedness, making of loan or advance of money to any person (other than a subsidiary of the Company) or the giving of any guarantee in respect of the indebtedness of any person (other than a subsidiary of the Company) or the entering into any contract or arrangement to effect any of the foregoing;
 - (b) any incurrence of indebtedness, making of loan or advance of money to a subsidiary of the Company or the giving of any guarantee in respect of, in each case, the indebtedness of any subsidiary of the Company, in each case, in an amount in excess of HK\$1,000,000 or the entering into any contract or arrangement to effect any of the foregoing;
 - (ii) any purchase or acquisition of any business or assets or any shares or interests in any company or carry out any transaction of an investment nature, in each case, having a value in excess of HK\$1,000,000 or the entering into any contract or arrangement to effect any of the foregoing;
 - (iii) the creation or any attempt to create or having outstanding any encumbrances on or over any of the assets of the Company or the entering into any contract or arrangement to effect any of the foregoing;
 - (iv) (a) any disposal of any interest in any subsidiary or associated company of the Company or the entering into any contract or arrangement to effect the foregoing or entering into any onerous or material contracts of or incur any obligations of a material nature or which may result in any material change in the nature or scope or operation of the Company;
 - (b) subject to paragraph (a) above, any disposal of any part of any of the other assets of the Company having a value in excess of HK\$1,000,000 or the entering into any contract or arrangement to effect the foregoing.

- (v) any issuance or allotment of shares and/or other securities of the Company to any person save pursuant to the exercise of the option(s) granted under the share option scheme(s) adopted by the Company or granting any new options to acquire shares of the Company save under the share option scheme(s) adopted by the Company or any purchase or redemption or reduction of or increase in the issued or paid up capital of the Company; and
 - (vi) the appointment or removal of any member of the senior management of the Company and/or its subsidiary.
- (E) The Executive Committee shall have the right to remove any Director of the Company with the approval in writing of three-fourths of the members of the Executive Committee.
- (F) Any Executive Committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board.
- (G) All acts done by the Executive Committee in conformity with such regulations, and in fulfillment of the purposes for which it was appointed, but not otherwise, shall have like force and effect as if done by the Board and the Board shall have power, with the consent of the Company in general meeting, to remunerate the members of the Executive Committee, and charge such remuneration to the current expenses of the Company.
- (H) Unless otherwise provided in this Bye-law, the meetings and proceedings of the Executive Committee shall be governed by the provisions contained in these Bye-laws for regulating the meetings and proceedings of the Directors (*mutatis mutandis*) so far as the same are applicable.”

By Order of the Board
Sardjono Widodo
Managing Director

Hong Kong, 23 June 2006