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If you have sold or transferred all your shares in Pacific Plywood Holdings Limited (the "Company"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**PROPOSED CAPITAL REORGANIZATION  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

A letter from the Board of Directors of the Company is set out from pages 3 to 7 of this circular.

A notice convening the special general meeting of the Company to be held at 10:30 a.m. on 30 November 2010 at Joint Professional Centre, Unit 1, G/F., The Centre, 99 Queen's Road Central, Hong Kong or any adjournment is set out from pages 8 to 9 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17 M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the special general meeting of the Company should you so wish.

\* For identification purpose only

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## DEFINITIONS

*In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:*

“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are 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 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“Bye-Laws”	the bye-laws of the Company, as amend from time to time
“Capital Reduction”	the proposed reduction of the par value of each issued Share from HK\$0.025 to HK\$0.001 by cancelling paid up capital to the extent of HK\$0.024 on each issued Share
“Capital Reorganization”	the Capital Reduction and the Subdivision
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“Company”	Pacific Plywood Holdings Limited (stock code: 767), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“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
“Latest Practicable Date”	4 November 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“New Share(s)”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company upon the Capital Reorganization becoming effective
“SGM”	the special general meeting of the Company to be held on 30 November 2010 for the purpose of considering and, if thought fit, approving the Capital Reorganization
“Share(s)”	ordinary share(s) of HK\$0.025 each in the existing issued share capital of the Company, before the Capital Reorganization becoming effective
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the proposed subdivision of each authorized but unissued Share into 25 New Shares of HK\$0.001 each.

*In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.*



**PACIFIC PLYWOOD HOLDINGS LIMITED**

**太平洋實業控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 767)**

*Executive Directors:*

Dr. Budiono Widodo (*Chairman*)  
Mr. Sardjono Widodo (*Managing Director*)  
Ms. Jia Hui  
Mr. Huang Chuan Fu  
Mr. Jiang Yi Ren  
Mr. Liang Jian Hua

*Independent non-executive Directors:*

Mr. Wong Chun Hung  
Mr. Chan Kin Sang

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton, HM12  
Bermuda

*Head office and principal place  
of business:*

Room 1405, 14/F.  
Admiralty Center Tower 1  
18 Harcourt Road, Admiralty  
Hong Kong

8 November 2010

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED CAPITAL REORGANIZATION  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

On 20 October 2010, the Board announced that the Company proposed to put forward to the Shareholders for their approval of the Capital Reorganization.

The purpose of this circular is to provide you with further information relating to (i) the Capital Reorganization; and (ii) the notice of SGM to be convened and held for the purpose of considering and, if thought fit, approving the relevant resolution(s) to implement the proposal for the Capital Reorganization.

\* *for identification purpose only*

## LETTER FROM THE BOARD

### CAPITAL REORGANIZATION

The Board proposed to reorganize the capital of the Company in the following manner:

- (i) reduction in the par value of each issued Share from HK\$0.025 to HK\$0.001; and
- (ii) subdivision of each authorized but unissued Share into 25 New Shares of HK\$0.001 each.

The credit arising from the Capital Reduction of approximately HK\$38.54 million will be transferred to the contributed surplus account of the Company and used to offset accumulated losses of the Company partially. Any credit standing in the contributed surplus account of the Company will be used in any manner permitted by laws of Bermuda and the Bye-laws.

Immediately after completion of the Capital Reorganization, the authorized share capital of the Company will remain unchanged, being HK\$200,000,000 divided into 200,000,000,000 New Shares. At the same time, the board lot size of the Company will remain at 20,000 shares per lot and there will be no change on the board lot size of the Company upon the Capital Reorganization becomes effective.

### Effects of the Capital Reorganization

The effect of the Capital Reorganization is summarized below:

	<b>As at the Latest Practicable Date</b>	<b>Immediately following the Capital Reorganization becoming effective</b>
Nominal value of each share	HK\$0.025	HK\$0.001
Authorized share capital	HK\$200,000,000 divided into 8,000,000,000 Shares	HK\$200,000,000 divided into 200,000,000,000 New Shares
Number of share in issue	1,605,819,448	1,605,819,448
Issued and fully paid-up share capital	HK\$40,145,486.20	HK\$1,605,819.44

Implementation of the Capital Reorganization will not, of itself, alter the underlying assets, liabilities, business, operations, management and financial position of the share capital of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganization will not have any adverse effect on the financial position of the Company and the Board believes that on the effective date of the Capital Reorganization, there will be no

## LETTER FROM THE BOARD

reasonable grounds for believing that the Company is, or after the Capital Reorganization would be, unable to pay its liabilities as they become due. No capital of the Company will be lost as a result of the Capital Reorganization and, except for the expenses involved in relation to the Capital Reorganization, which are expected to be insignificant in the context of the net asset value of the Company; the net asset value of the Company will remain unchanged before and after the Capital Reorganization becoming effective. The Capital Reorganization does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

As at the Latest Practicable Date, the Company has an outstanding convertible notes with principal amount of HK\$48,000,000 at an initial conversion price of HK\$0.160 per conversion share (the “**Convertible Notes**”). The number of Shares to be issued upon conversion of the Convertible Notes in full is 300,000,000 Shares. Should the Convertible Notes be fully converted before the Capital Reorganization becomes effective, the credit arising hereof will be amounted to HK\$7.2 million being the number of shares issued upon the full conversion of the Convertible Notes times the difference of par value of each issued Shares before and after the Capital Reorganization, and will be transferred to the contributed surplus account of the Company and used to offset accumulated losses of the Company partially. The initial conversion price of the Convertible Notes shall remain unchanged upon the Capital Reorganization becomes effective. Save for the Convertible Notes, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

### **Conditions of the Capital Reorganization**

The Capital Reorganization is conditional on the following:

- (i) the passing of a special resolution by the Shareholders at the SGM by way of poll to approve the Capital Reorganization;
- (ii) the compliance with the relevant procedures and requirements under Bermuda law and the Listing Rules to effect the Capital Reorganization;
- (iii) the Stock Exchange granting of the listing of, and permission to deal in, the New Shares to be issued upon the Capital Reorganization becoming effective; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganization.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganization will become effective on the Business Day following the date of passing the relevant resolution(s), which is on 1 December 2010 to approve the Capital Reorganization. No court approval is required for the Capital Reorganization.

## LETTER FROM THE BOARD

### **Reasons for the Capital Reorganization**

The Board is of the opinion that the Capital Reorganization would enable the Company to offset accumulated losses partially and the reduced par value of the Shares will give the Company greater flexibility in pricing and future issue of shares. In view of the foregoing, the Board considers that the Capital Reorganization is in the interests of the Company and the Shareholders as a whole.

### **Listing application**

Application will be made to the Stock Exchange for granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganization. It is expected that the commencement date of dealing in the New Shares shall be 1 December 2010, being the date of which the Capital Reorganization becomes effective.

The New Shares will rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Exchange of share certificates**

Subject to the Capital Reorganization becoming effective, Shareholders may submit share certificates for existing Shares to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Service Limited, at 17 M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, between 1 December 2010 and 4 January 2011 (both dates inclusive) during the business hours, to exchange, at the expense of the Company, for certificates of the New Shares. Thereafter, certificates of Shares will remain effective as documents of title but will be accepted for exchange only on payment of a fee of HK\$2.5 (or such other amount as may from time to time be specified by the Stock Exchange) per certificate issued or cancelled, whichever is higher, payable by Shareholders. Nevertheless, certificates for the Shares will continue to be good evidence of legal title and will be valid for dealings, trading and settlement purpose after the Capital Reorganization has become effective and may be exchanged for certificates for the New Shares at any time in accordance with the foregoing. The existing share certificated are in green colour and the new share certificates will be in blue colour.

### **SGM**

A notice for convening the SGM to be held at 10:30 a.m. on 30 November 2010 at Joint Professional Centre, Unit 1, G/F., The Centre, 99 Queen's Road Central, Hong Kong or any adjournment is set out from pages 8 to 9 of this circular. The poll result of the SGM will be published on the same day, which is on 30 November 2010.



## LETTER FROM THE BOARD

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM should you so wish.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### RECOMMENDATION

The Directors believe that the Capital Reorganization is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommended the Shareholders to vote in favour of the relevant resolution at the SGM.

By order of the Board  
**Pacific Plywood Holdings Limited**  
**Huang Chuan Fu**  
*Executive Director*



**PACIFIC PLYWOOD HOLDINGS LIMITED**

**太平洋實業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 767)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Pacific Plywood Holdings Limited (the “**Company**”) will be held at 10:30 a.m. on 30 November 2010 at Joint Professional Centre, Unit 1, G/F., The Centre, 99 Queen’s Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution of the Company:

**SPECIAL RESOLUTION**

“**THAT** subject to and conditional upon (i) the compliance with the relevant procedures and requirements under Bermuda law and the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”); and (ii) the Stock Exchange granting the listing of, and permission to deal in, the New Shares (as defined below) with effect from 9:00 a.m. (Hong Kong time) on the business day (not being a Saturday) immediately after the date on which this resolution is passed:

- (i) each issued share of par value HK\$0.025 each in the share capital of the Company (the “**Share(s)**”) be reduced to HK\$0.001 by cancelling paid-up capital to the extent of HK\$0.024 on each issued Share (the “**Capital Reduction**”) and each of the authorized but unissued Share in the share capital of the Company be subdivided into 25 shares of HK\$0.001 each (the “**New Share(s)**”) where the authorized share capital of the Company shall remain unchanged;
- (ii) the credit arising from the Capital Reduction of approximately HK\$38.54 million will be transferred to the contributed surplus account of the Company and be used to offset accumulated losses of the Company. Any credit standing in the contributed surplus account of the Company will be used in any manner permitted by laws of Bermuda and the Bye-laws of the Company; and

\* *For identification purpose only*

## NOTICE OF SGM

- (iii) the Directors be and are hereby authorized to do all such acts, deeds and things and to effect all necessary actions as they may consider necessary or desirable in order to effect, implement and complete any and all of the foregoing.”

By order of the Board  
**Pacific Plywood Holdings Limited**  
**Huang Chuan Fu**  
*Executive Director*

Hong Kong, 8 November 2010

*Registered office:*  
Canon's Court  
22 Victoria Street  
Hamilton, HM12  
Bermuda

*Head office and principal place  
of business:*  
Room 1405, 14/F.,  
Admiralty Center Tower 1  
18 Harcourt Road, Admiralty  
Hong Kong

*Notes:*

- (1) Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.
- (2) The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (3) Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
- (4) Where there are joint Shareholders any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.
- (5) The form of proxy and (if required by the board of Directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.