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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution 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 (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)

REFRESHMENT OF GENERAL MANDATE

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



BRIDGE PARTNERS CAPITAL LIMITED

A letter from the Board of Directors of the Company is set out from pages 3 to 6 of this circular. A letter from the Independent Board Committee of the Company is set out on page 7 of this circular. A letter from Bridge Partners Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out from pages 8 to 15 of this circular.

A notice convening the SGM of the Company to be held at Joint Professional Centre, Unit 1, G/F., The Centre, 99 Queen's Road Central, Hong Kong on 11 November 2010 at 10:30 a.m. is set out from pages 16 to 18 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 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 special general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM 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:

“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“Director(s)”	director(s) of the Company
“Existing Issue Mandate”	the general mandate to issue up to 318,663,889 new Shares granted by the Shareholders to the Directors at the annual general meeting of the Company held on 18 June 2010
“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 PRC
“Independent Board Committee”	comprises all the three independent non-executive Directors, namely Mr. Marzuki Usman, Mr. Wong Chun Hung and Mr. Chan Kin Sang, to advise the Independent Shareholders in respect of the Refreshment of General Mandate
“Independent Financial Adviser”	Bridge Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate

DEFINITIONS

“Independent Shareholders”	any Shareholders other than the controlling Shareholders and their associates or, if there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Issue Mandate”	the new mandate proposed to be sought at the SGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution(s) at the SGM
“Latest Practicable Date”	22 October 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Refreshment of General Mandate”	the proposed refreshment of the Existing Issue Mandate
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be held on 11 November 2010 for the purpose of considering and, if thought fit, approving the Refreshment of General Mandate
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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*)
Mr. Liao Yun Kuang (*President*)
Mr. Yu Chien Te
Ms. Jia Hui
Mr. Huang Chuan Fu
Mr. Jiang Yi Ren
Mr. Liang Jian Hua

Independent non-executive Directors:

Mr. Marzuki Usman
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

27 October 2010

To the Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

The purpose of this circular is to provide you with further information relating to (i) the Refreshment of General Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser setting out, among other things, its recommendation to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of SGM to be convened and held for the purpose of considering and, if thought fit, approving the resolution(s) to implement the proposal for the Refreshment of General Mandate.

* For identification purpose only

LETTER FROM THE BOARD

REFRESHMENT OF GENERAL MANDATE

Background of the Refreshment of General Mandate

At the annual general meeting of the Company held on 18 June 2010, Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing Issue Mandate to allot up to 318,663,889 Shares.

As at the Latest Practicable Date, the Existing Issue Mandate had been utilized as to approximately 98.07%. As set out in the announcement of the Company dated 24 September 2010 (the “**Announcement**”), 312,500,000 Shares were utilized under the Existing Issue Mandate as a result of the issue and allotment of 12,500,000 consideration Shares and 300,000,000 conversion Shares upon conversion of the convertible notes with a principal amount of HK\$48 million in full to settle part of the consideration of the acquisition of Head & Shoulders Finance Limited (the “**Acquisition**”). The Acquisition was completed on 19 October 2010. There has not been any refreshment of the Existing Issue Mandate since the annual general meeting of the Company held on 18 June 2010.

Reasons for the Refreshment of General Mandate

The Board considers that the Refreshment of General Mandate would provide flexibility for the Company to raise funds for its future business development and/or any investment opportunities to be identified by the Company. Given that equity financing (i) does not incur any interest paying obligations on the Company as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises, the Board proposes to refresh the Existing Issue Mandate for the Directors to allot, issue and deal with new Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM.

As at the Latest Practicable Date, a total of 1,605,819,448 Shares were in issue. Subject to the passing of the proposed resolution for the Refreshment of General Mandate and on the basis that no Share will be issued or repurchased by the Company prior to the SGM, the Company will be allowed under the Issue Mandate to issue a maximum of 321,163,889 new Shares.

The Independent Board Committee, comprising Mr. Marzuki Usman, Mr. Chan Kin Sang and Mr. Wong Chun Hung, all being the independent non-executive Directors, has been formed to consider the Refreshment of General Mandate. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution(s) regarding the Refreshment of General Mandate to be proposed at the SGM. As at the Latest

LETTER FROM THE BOARD

Practicable Date, Dr. Budiono Widodo, the chairman of the Company, is interested in 129,798,600 Shares, representing approximately 8.08% of the issued share capital of the Company. Among these 129,798,600 Shares, 104,971,000 Shares were indirectly held by Bank of East Asia (Trustee) Limited, being the trustee of the Peace Trust. According to the interim report of the Company dated 30 August 2010, Dr. Budiono Widodo (the chairman of the Company) and Mr. Sardjono Widodo (the managing director of the Company) are the named beneficiaries of Peace Trust. In this regard, Dr. Budiono Widodo, Mr. Sardjono Widodo and their respective associates shall abstain from voting in favour of the relevant resolution(s) regarding the Refreshment of General Mandate. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders in respect of the Refreshment of General Mandate at the SGM will be taken by way of poll. As at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates had indicated that they have no intention to vote against the resolution(s) regarding the Refreshment of General Mandate at the SGM.

Recommendation

Having considered the reasons set out herein, the Board hereby recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Refreshment of General Mandate.

Your attention is drawn to the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders as regards to the Refreshment of General Mandate. The text of the letter from the Independent Financial Adviser is set out from pages 8 to 15 of this circular.

SGM

A notice for convening the SGM to be held at Joint Professional Centre, Unit 1, G/F., The Centre, 99 Queen's Road Central, Hong Kong on 11 November 2010 at 10:30 a.m. is set out from pages 16 to 18 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 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.

PERIOD DURING WHICH THE ISSUE MANDATE WILL REMAIN EFFECTIVE

The Issue Mandate will, if granted, remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting is required to be held; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules on The Stock Exchange 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.

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)

27 October 2010

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company dated 27 October 2010 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the Refreshment of the General Mandate. Bridge Partners Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the Refreshment of the General Mandate, after taking into account the advice of Bridge Partners Capital Limited as set out from pages 8 to 15 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Refreshment of General Mandate.

Yours faithfully,

Independent Board Committee

Mr. Marzuki Usman

Mr. Wong Chun Hung

Mr. Chan Kin Sang

Independent non-Executive Directors

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Independent Financial Adviser relating to the Refreshment of General Mandate for the purpose of inclusion in this circular:

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BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Bridge Partners Capital Limited
Unit 605, 6/F, Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

27 October 2010

*To: The independent board committee and the independent shareholders
of Pacific Plywood Holdings Limited*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the refreshment of Existing Issue Mandate (“Refreshment of Existing Issue Mandate”), details of which are set out in the “Letter from the Board” contained in the circular dated 27 October 2010 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution(s) regarding the Refreshment of Existing Issue Mandate to be proposed at the SGM. As there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates will abstain from voting in favour of the relevant resolution(s) regarding the Refreshment of Existing Issue Mandate.

As at the Latest Practicable Date, Dr. Budiono Widodo, the chairman of the Company, is interested in 129,798,600 Shares, representing approximately 8.08% of the issued share capital of the Company. Among these 129,798,600 Shares, 104,971,000 Shares were indirectly held by Bank of East Asia (Trustee) Limited, being the trustee of Peace Trust. According to the interim report of the Company for the six months ended 30 June

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2010, Dr. Budiono Widodo (the chairman of the Company) and Mr. Sardjono Widodo (the managing director of the Company) are the named beneficiaries of Peace Trust. The remaining 24,827,600 Shares were held by Wealth Summit Holdings Limited, a company beneficially owned by Dr. Budiono Widodo. In this regard, Dr. Budiono Widodo, Mr. Sardjono Widodo and their respective associates shall abstain from voting in favour of the relevant resolution(s) regarding the Refreshment of Existing Issue Mandate. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders in respect of the Refreshment of Existing Issue Mandate at the SGM will be taken by way of poll. As at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates had indicated that they have no intention to vote against the resolution(s) regarding the Refreshment of Existing Issue Mandate at the SGM.

An Independent Board Committee comprising Mr. Marzuki Usman, Mr. Wong Chun Hung and Mr. Chan Kin Sang (all being independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the Refreshment of Existing Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company. We have assumed that all information and representations that have been provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations.

The Directors have collectively and individually accepted full responsibility, includes particulars given in compliance with the Listing Rules, for the purpose of giving information with regard to the Company. The Directors have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, the information contained in the 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 the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Refreshment of Existing Issue Mandate, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and advice on the Refreshment of Existing Issue Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of the Refreshment of Existing Issue Mandate

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products, money lending and provision of credit services.

At the annual general meeting of the Company held on 18 June 2010 (the "AGM"), the Directors are authorized to issue and allot up to 318,663,889 new Shares under the general mandate ("Existing Issue Mandate"), representing 20% of the issued share capital of the Company as at the date of the AGM. There has not been any refreshment of the Existing Issue Mandate since the AGM.

As set out in the announcement of the Company dated 24 September 2010 (the "Announcement"), the Company acquired 51% of the entire issued share capital of Head & Shoulders Finance Limited ("HSF") and 51% of the shareholders loan of HSF at the total consideration of HK\$52 million (the "Acquisition"). The consideration was satisfied by way of mixture of cash, issue of consideration shares and convertible notes. According to the Announcement, a total of 312,500,000 Shares were utilized under the Existing Issue Mandate as a result of (i) the issue and allotment of 12,500,000 Shares and (ii) 300,000,000 conversion shares upon conversion of the convertible notes with a principal amount of HK\$48 million in full to settle part of the consideration of the Acquisition. Accordingly, the Existing Issue Mandate has been utilized as to approximately 98.07% as at the Latest Practicable Date and only 6,163,889 Shares can be issued under the Issue Mandate.

Given that the Existing Issue Mandate has been largely utilised as a result of the Acquisition, the Board proposes to seek approval of the Independent Shareholders for the Refreshment of the Existing Issue Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution(s) at the SGM. As advised by the Directors, the next annual

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

general meeting will not be convened until around June 2011, which is around eight months away from the Latest Practicable Date. In the event that the Existing Issue Mandate (which was almost fully utilised) is not to be refreshed at the SGM, the Company will not have sufficient general mandate to issue shares to raise additional funds for the future business development, if so required, until the general mandate is approved in the next annual general meeting of the Company.

As at the Latest Practicable Date, the Company had 1,605,819,448 Shares in issue. On the basis that no new Share(s) would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the SGM, the Refreshment of Existing Issue Mandate would allow the Directors to issue a maximum of 321,163,889 new Shares, representing 20% of the aforesaid issued share capital of the Company.

(2) Flexibility in financing

As stated in the interim report of the Company for the six months ended 30 June 2010, the cash and bank balances of the Group was approximately US\$6.68 million (equivalent to approximately HK\$52.1 million) as at 30 June 2010 and the Group utilized HK\$2 million for settling part of the consideration of the Acquisition. Given the fact that the Company may identify suitable investment opportunities for future business development, we concur with the view of the Directors that the Refreshment of Existing Issue Mandate will provide the Company with flexibility to issue new Shares for financing such development in the future, in the event that the Group may not be able to secure bank loans or raise funds from the market. Given the financial flexibility available to the Company as discussed above, we are of the opinion that the Refreshment of Existing Issue Mandate is in the interests of the Company and the Shareholders as a whole.

(3) Reasons of the Refreshment of Existing Issue Mandate

The Directors consider that the Refreshment of Existing Issue Mandate would provide flexibility to the Company for raising funds for its future business development and/or any investment opportunities to be identified by the Company. The Directors also consider equity financing to be an important avenue of resources to the Group since it (i) does not incur any interest paying obligations on the Group as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises.

In view of all the above and in particular, the importance of financing flexibility for the Company to raise funds for its future business development, we are of the view that the Refreshment of Existing Issue Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(4) Equity fund raising activity in the past twelve months

Save as and except for the following fund raising activity, the Company has not conducted any equity fund raising activities during the past twelve months prior to the Latest Practicable Date:

Date of announcement	Description of the fund raising activity	Intended use of proceeds	Actual use of proceeds
2 March 2010	Placing of 265,540,000 Shares under general mandate	The net proceeds of approximately HK\$41.7 million will be used for the general working capital of the Group	Approximately HK\$1.8 million was applied as intended, HK\$2 million was utilized to satisfy the consideration of the Acquisition and the remaining has been deposited into the bank of the Group.

We note that the actual use of proceeds was used for the general working capital of the Group, satisfied part of the consideration of the Acquisition and deposited in the bank. As confirmed by the Directors, the Group has sufficient cash resources for daily operation. However, there is no guarantee that such cash resources available to the Group will be sufficient for its investment and/or business development in the future. In the event that the Company identifies a suitable investment opportunity but does not have sufficient financial resources on hand, or is unable to obtain loan financing on acceptable terms, or cannot find other alternatives to finance such investment opportunity in a timely manner, the Company may lose its chances to capture an otherwise favorable investment and/or a favorable opportunity to expand its business portfolio. Notwithstanding that there is no immediate funding need for the Group's current operation and that there is currently no concrete proposal for future investment, the Directors believe that the Refreshment of Existing Issue Mandate would offer the Group the ability to capture investment opportunities which may arise at any time and require prompt investment decision by the Group.

In view of the foregoing and the next annual general meeting will not be convened until around June 2011 (which is about eight months away from the Latest Practicable Date), we concur with the Directors' view that the Refreshment of Existing Issue Mandate is fair and reasonable to the Company and is in the interests of the Company and the Independent Shareholders as a whole.

(5) Other financing alternatives

As advised by the Directors, apart from equity financing, the Company would also consider viable financing methods including bank financing or debt financing, such as bank borrowings and issue of bonds, to be other possible fund raising sources available to the Company. However, the Directors are of the view that the ability of the Company to obtain bank borrowings usually depends on the Company's profitability, financial position and the then prevailing market condition. Furthermore, such alternative may be subject to lengthy due diligence and negotiations with the banks. Given also that debt financing will usually incur interest burden on the Company, the Directors consider debt financing to be relatively uncertain, impracticable and time-consuming as compared to equity financing, such as placing of new Shares, for the Company to obtain additional funding.

With respect to the other forms of pro-rata equity financing method such as rights issue and open offer, the Directors consider that such pro-rata equity financing would incur substantial costs in form of placing commission or underwriting commission. Although both rights issue and open offer may allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, such fund raising alternatives would be relatively time consuming as compared to the equity financing through issue of new Shares under the general mandate and there would be no certainty that the Company would be able to procure favorable terms in such commercial underwriting.

The Directors confirm that they would exercise due and careful consideration when choosing the best financing method available to the Company. Having this being the case, along with the fact that the Refreshment of Existing Issue Mandate will provide the Company with an alternative fund raising method for its future business development, we are of the view that the Refreshment of Existing Issue Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(6) Potential dilution to shareholding of the public Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the Issue Mandate (assuming no Shares are issued or repurchased by the Company prior to the SGM):

Shareholder	Shareholding structure as at the Latest Practicable Date (Note 1)		Shareholding structure after full utilization of the Issue Mandate (subject to the passing of the proposed resolution for the Refreshment of Existing Issue Mandate and assuming that no Shares are issued or repurchased by the Company prior to the SGM)	
	Number of Shares	%	Number of Shares	%
Mr. Ma Hongyi	276,119,300	17.20	276,119,300	14.32
Dr. Budiono Widodo and Mr. Sardjono Widodo (both are the executive Directors) (Note 2)	129,798,600	8.08	129,798,600	6.74
Public Shareholders	1,199,901,548	74.72	1,199,901,548	62.27
Shares to be issued under Issue Mandate	–	–	321,163,889	16.67
	<u>1,605,819,448</u>	<u>100.00</u>	<u>1,926,983,337</u>	<u>100.00</u>

Note:

1. The above shareholding information is based on the disclosure of interests posted on the website of the Stock Exchange.
2. These 129,798,600 Shares were held in the following manners:–
 - (i) Bank of East Asia (Trustee) Limited, being the trustee of the Peace Trust, held indirectly 104,971,000 Shares. Dr. Budiono Widodo and Mr. Sardjono Widodo are named beneficiaries of the Peace Trust.
 - (ii) Wealth Summit Holdings Limited held 24,827,600 Shares and is wholly owned by Dr. Budiono Widodo.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table above illustrates that the shareholding of the existing public Shareholders would decrease from approximately 74.72% as at the Latest Practicable Date to approximately 62.27% upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company). Such potential dilution to the shareholding of the public Shareholders represents a dilution of approximately 12.32%.

Taken into consideration that the benefits of the Refreshment of Existing Issue Mandate as discussed above and the fact that the shareholdings of all Shareholders will be diluted to the same extent, we consider that the potential dilution effect to shareholding of the existing Independent Shareholders upon full utilisation of the Issue Mandate is acceptable.

RECOMMENDATION

Having taken into consideration the facts and reasons as stated above, we are of the opinion that the Refreshment of Existing Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Refreshment of Existing Issue Mandate.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

NOTICE OF SPECIAL GENERAL MEETING



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 IS HEREBY GIVEN that a special general meeting (the “SGM”) of Pacific Plywood Holdings Limited (the “Company”) will be held at Joint Professional Centre, Unit 1, G/F., The Centre, 99 Queen’s Road Central, Hong Kong on 11 November 2010 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorization given to the Directors and shall authorise the Directors during the Relevant Period (to be defined in paragraph (d) below) to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (to be defined in paragraph (d) below), or (ii) any share option schemes of the Company approved by The Stock Exchange of Hong Kong Limited, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Company’s articles of association to be held; or
- (iii) the date upon which the authority set out in this resolution revoked or varied by way of ordinary resolution of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange, in any territory outside Hong Kong).”

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

Hong Kong, 27 October 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

NOTICE OF SPECIAL GENERAL MEETING

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.