

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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, 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 and the accompanying form of proxy to the purchaser or the transferee or 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



## PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 767)

### CONNECTED TRANSACTION

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



GUANGDONG SECURITIES LIMITED

A letter from the Board is set out from pages 3 to 7 of this circular. A letter from the Independent Board Committee and a letter from Guangdong Securities Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on page 8 and pages 9 to 15 of this circular respectively.

A notice convening the SGM to be held at 11:00 a.m. on Tuesday, 14 December 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 20 to 21 of this circular. A proxy form for use in the SGM is enclosed with 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 in accordance with the instructions printed thereon 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, Wanchai, 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.

# CONTENTS

	Page
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Letter from the Independent Board Committee</b> .....	8
<b>Letter from Guangdong Securities</b> .....	9
<b>Appendix – General information</b> .....	16
<b>Notice of SGM</b> .....	20

## DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

- “associate(s)” : has the meaning ascribed to it under the Listing Rules
- “Board” : the board of Directors
- “Borrower” : Head & Shoulders Finance Limited, a non-wholly owned subsidiary of the Company
- “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 Hong Kong at any time between 9:00 am and 12:00 noon and is not lowered at or before 12:00 noon.
- “Company” or “Lender” : Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability with its Shares listed on the Stock Exchange
- “connected person(s)” : has the meaning ascribed to it under the Listing Rules
- “Director(s)” : the director(s) of the Company
- “First Facility” : the facility with the principal amount of HK\$12,000,000 granted to the Borrower on 27 October 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 People’s Republic of China
- “Independent Board Committee” : the independent board committee of the Company
- “Guangdong Securities” or “Independent Financial Adviser” : Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, has been appointed as an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the granting of the Second Facility

## DEFINITIONS

- “Independent Shareholders” : Shareholders other than Ms. Tin Yuen Sin Carol and her associates
- “Latest Practicable Date” : 25 November 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
- “Listing Rules” : the Rules Governing the Listing of Securities on the Stock Exchange
- “Second Facility” : a principal amount of HK\$138,000,000, as prescribed in the Second Facility Letter
- “Second Facility Letter” : the facility letter dated 10 November 2010 granted to the Borrower by the Company subject to Independent Shareholders’ approval
- “SFO” : Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
- “SGM” : the special general meeting of the Company to be held on 14 December 2010 for the purpose of considering and, if thought fit, approving the granting of the Second Facility
- “Share(s)” : ordinary share(s) of HK\$0.025 each in the share capital of the Company
- “Shareholder(s)” : holder(s) of the Share(s)
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “US\$” : United States dollars, the lawful currency of the United States of America
- “%” : per cent.

LETTER FROM THE BOARD



**PACIFIC PLYWOOD HOLDINGS LIMITED**

**太平洋實業控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 767)**

*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. Chan Kin Sang  
Mr. Wong Chun Hung  
Mr. Cheng Po Yuen

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton, HM 12  
Bermuda

*Principal place of business:*

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

29 November 2010

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 10 November 2010 in relation to the granting of the Second Facility to the Borrower, a non-wholly owned subsidiary of the Company.

On 27 October 2010, the Company granted the First Facility of HK\$12,000,000 to the Borrower, a non-wholly owned subsidiary of the Company, which was drawdown by the Borrower on 3 November 2010.

In order to meet the business expansion of the Borrower, the Board announced on 10 November that the Company proposed to grant the Second Facility to the Borrower with a principal amount of HK\$138,000,000 on 10 November 2010.

The purpose of this circular is to provide you, among other things, (i) further details of the Second Facility; (ii) a letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders regarding the granting of the Second Facility; (iii) the recommendations of the Independent Board Committee regarding the granting of the Second Facility; and (iv) a notice of the SGM.

\* *For identification purpose only*

## LETTER FROM THE BOARD

### DETAILS OF THE SECOND FACILITY LETTER

#### Date

10 November 2010

#### Parties

Lender: The Company

Borrower: Head & Shoulders Finance Limited, a non-wholly owned subsidiary of the Company

#### Amount of the Second Facility

HK\$138,000,000

#### Term

The Second Facility shall have a term of one (1) year from the date of the Second Facility Letter, subject to possible extension between the parties thereto and the Company shall comply with all the relevant requirements under Chapter 14A for such possible extension.

#### Interest rates

5.25% per annum, which is determined with reference to the prime rate of Hong Kong's banks.

#### Drawdown

Subject to the terms and conditions of the Second Facility Letter, the Second Facility shall be available for drawdown up to HK\$138,000,000 in total during the term of the Second Facility upon approval of the Shareholder(s) by the Lender. Both the First Facility and the Second Facility are one-off term loans in nature and the Company shall comply with all the relevant requirements under Chapter 14A of the Listing Rules for any additional loan amounts.

#### Absolute rights

The Lender shall have the absolute rights to accept or reject the drawdown of the Second Facility by the Borrower.

#### Repayment

The Borrower shall repay the principal amount outstanding under the Second Facility together with the accrued interest thereon within 3 months from the date of drawdown. The repayment date can be extended for a further period of up to 9 months subject to the mutual agreement between the Company and the Borrower.

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF GRANTING OF THE SECOND FACILITY

The Company is an investment holding company and its subsidiaries are 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.

The Borrower, a non-wholly owned subsidiary of the Company, is principally engaged in the business of the money lending and provision of credits. As at the Latest Practicable Date, the Borrower is owned by the Company, Favor Way Investments Limited (which is wholly-owned by Ms. Tim Yuen Sin Carol), Do Better Limited, Mr. Chan Koon Wa and Best Fortune Assets Limited as to 51%, 25%, 15%, 5% and 4% respectively.

As stated in the announcement of the Company dated 8 November 2010, the Group will focus and reallocate its resources on its existing money lending and provision of credits business. In order to meet the business expansion of the Borrower and the business strategy of the Group, the Board proposes to grant the Second Facility to the Borrower.

In the event that the Second Facility is drawdown by the Borrower, it will be used as (i) general working capital of the Borrower and (ii) the capital for the money lending and provision of credits by the Borrower. The Board is optimistic about the future prospect of the money lending business and is confident that such business will remain strong and profitable in long term. The Second Facility will be financed by the internal resources of the Group and/or through other fund raising activities of the Company (including equity financing and/or debt financing) in the future to meet the business needs of the Borrower.

The Directors (including the independent non-executive Directors) consider that the Company is an investment holding company and thus, the granting of the Second Facility is not in the ordinary and usual course of business of the Company but is on the normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Company holds 51% equity interest in the Borrower, which is a non-wholly owned subsidiary of the Company and Ms. Tin Yuen Sin Carol is a director and the substantial shareholder of the Borrower and is deemed to be interested in the convertible notes issued by the Company with principal amount of HK\$48 million through Favor Way Investments Limited, exercisable into 300,000,000 Shares, representing approximately 18.68% of the issued share capital of the Company. Therefore, both the Borrower and Ms. Tin Yuen Sin Carol are connected persons of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, Ms. Tin Yuen Sin Carol, save for the said convertible notes, did not interest in any Shares of the Company.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the granting of the Second Facility are more than 5%, the granting of the Second Facility (when aggregated with the granting of the First Facility) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to approval by the Independent Shareholders by way of poll at the SGM.

## LETTER FROM THE BOARD

Accordingly, Ms. Tin Yuen Sin Carol and her associates (in the event that the said convertible notes is converted into Shares prior to the date of the SGM and is deemed to be held by Ms. Tin Yuen Sin Carol) are required to abstain from voting on the relevant resolution(s) to approve the granting of the Second Facility at the SGM. Save as disclosed above, none of the Shareholders and Directors has material interest in the granting of the Second Facility and shall be required to abstain from voting on the relevant resolution(s) to approve the granting of the Second Facility.

The Independent Board Committee (both independent non-executive Directors, namely Mr. Chan Kin Sang and Mr. Wong Chun Hung, excluding Mr. Cheng Po Yuen who has been appointed as independent non-executive Director after the date of the Second Facility Letter) has been established to advise the Independent Shareholders in relation to the granting of the Second Facility. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the granting of the Second Facility.

### SGM

A notice convening the SGM to be held at 11:00 a.m. on Tuesday, 14 December 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 20 to 21 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, Wanchai, 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.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Second Facility Letter are fair and reasonable so far as the Independent Shareholders are concerned and the granting of the Second Facility is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend that the Independent Shareholders vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the granting of the Second Facility.

Your attention is drawn to the letter from the Independent Board Committee set out on page 8 of this circular which contains its recommendation to the Independent Shareholders in relation to the granting of the Second Facility.

Your attention is also drawn to the letter of advice from Guangdong Securities set out from pages 9 to 15 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the granting of the Second Facility.



**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

Your attention is drawn to the information set out in the appendix in this circular.

Yours faithfully,  
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)**

29 November 2010

*To the Independent Shareholders of the Company*

Dear Sir or Madam,

**CONNECTED TRANSACTION**

We refer to the circular dated 29 November 2010 issued by the Company, of which this letter forms part (“**Circular**”). Terms used in this letter shall have the same meanings defined elsewhere in the Circular unless the context requires otherwise.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in relation to the granting of the Second Facility, details of which are set out in the “Letter from the Board” in the Circular.

Having taken into account the advice of Guangdong Securities as set out from page 9 to 15 to the Circular, we consider that the terms of the Second Facility Letter are fair and reasonable so far as the Independent Shareholders are concerned and the granting of the Second Facility is in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the granting of the Second Facility.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Mr. Wong Chun Hung**  
*Independent non-executive Director*

**Mr. Chan Kin Sang**  
*Independent non-executive Director*

\* *For identification purpose only*

## LETTER FROM GUANGDONG SECURITIES

*Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the granting of the Second Facility for the purpose of inclusion in this circular.*



Units 2505-06, 25/F.  
Low Block of Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

29 November 2010

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

Dear Sirs,

### CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the granting of the Second Facility, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 29 November 2010 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27 October 2010, the Company granted to the Borrower the First Facility of HK\$12 million which was drawn down by the Borrower on 3 November 2010. In order to meet the business expansion of the Borrower, the Company subsequently entered into the Second Facility Letter on 10 November 2010 to grant the Second Facility to the Borrower with a principal amount of HK\$138 million.

As referred to the Board Letter, the granting of the Second Facility constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to the approval by the Independent Shareholders by way of poll at the SGM. Ms. Tin Yuen Sin Carol and her associates (in the event that they have any shareholdings in the Company on the date of the SGM) are required to abstain from voting of the resolution to approve the granting of the Second Facility at the SGM.

An Independent Board Committee comprising Mr. Wong Chun Hung and Mr. Chan Kin Sang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Second Facility Letter are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the granting of the Second Facility is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Second Facility Letter

## LETTER FROM GUANGDONG SECURITIES

and the transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion 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. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate 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 enquiry and careful consideration. 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 taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Ms. Tin Yuen Sin Carol, Favor Way Investments Limited and the Borrower or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the granting of the Second Facility. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

# LETTER FROM GUANGDONG SECURITIES

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the granting of the Second Facility, we have taken into consideration the following principal factors and reasons:

### (1) Background of the granting of the Second Facility

#### *Information on the Group*

As referred to in the Board Letter, the Company is an investment holding company and its subsidiaries are 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.

Set out below are the financial results of the Group for the six months ended 30 June 2010 and the two years ended 31 December 2009 as extracted from the Company's interim report for the six months ended 30 June 2010 (the "2010 Interim Report") and its annual report for the year ended 31 December 2009 respectively:

	<b>For the six months ended 30 June 2010 (unaudited) US\$'000</b>	<b>For the year ended 31 December 2009 (audited) US\$'000</b>	<b>For the year ended 31 December 2008 (audited) US\$'000</b>
Revenue	23,725	50,448	94,706
Gross profit/(loss)	1,366	(1,775)	9,012
Loss for the period/year attributable to equity holders of the Company	(5,377)	(9,794)	(36,452)
	<b>As at 30 June 2010 (unaudited) US\$'000</b>	<b>As at 31 December 2009 (audited) US\$'000</b>	<b>As at 31 December 2008 (audited) US\$'000</b>
Cash & cash equivalents	6,678	1,040	1,673
Total assets	72,596	68,660	91,339
Net assets/(liabilities)	(12,310)	(12,309)	8

From the above table, we noted that the Group's revenue for the year ended 31 December 2009 had decreased by approximately 46.73% as compared to the prior year. The Group also recognised persistent loss attributable to equity holders of the Company for the six months ended 30 June 2010 and the two years ended 31 December 2009. As advised by the Directors, the Group's persistent loss making

## LETTER FROM GUANGDONG SECURITIES

position was primarily attributable to the limited supply of logs and increase in raw material prices and other related costs for its plywood related businesses. The Directors confirmed that the Company is actively in search of solutions with an objective to turnaround the overall financial performance of the Group, including seeking other business opportunities to be identified by the Company. The Company is also in the process of disposing its plywood related businesses while sourcing business opportunities in relation to the upstream plywood business, being the forestry business.

### *Information on the Borrower*

As extracted from the Board Letter, the Borrower, being a non-wholly owned subsidiary of the Company, is principally engaged in the business of the money lending and provision of credits. The Borrower holds a Money Lenders License under the Money Lenders Ordinance.

### **(2) Reasons for the granting of the Second Facility**

As aforementioned, the Directors confirmed that the Company is actively in search of solutions with an objective to turnaround the overall financial performance of the Group, including seeking other business opportunities to be identified by the Company. The recent acquisition of the Borrower and the proposed disposal of the plywood related businesses as announced by the Company on 24 September 2010 and 8 November 2010 respectively represent a new start of the Company which enables the Company to diversify its existing businesses into the business of money lending and provision of credits. In this regard, given that the expected development in Hong Kong and the Asian region as a whole in the forthcoming years is expected to drive investment and consumption, and accordingly will generate possible funding needs, the Directors consider the future prospect of the money lending business to be promising. Since the Directors consider that there will be ongoing growing demand for money lending and credits provision, the Group will focus and reallocate its resources to its existing money lending and provision of credits business and shall consider expansion in the future should opportunities arise. The Group also intends to introduce more new clients to the Borrower in the future.

With reference to the Board Letter and as presented above, the Group will focus and reallocate its resources to its existing money lending and provision of credits business. In order to meet the potential business expansion of the Borrower so as to accomplish the business strategy of the Group, the Board proposes to grant the Second Facility to the Borrower for (i) general working capital of the Borrower; and (ii) money lending and provision of credits by the Borrower.

As stated in the Board Letter, the Group will finance the Second Facility by its internal resources and/or through other fund raising activities of the Company (including equity financing and/or debt financing).

Having considered the aforesaid reasons for the granting of the Second Facility, we are of the view that the rationale for the granting of the Second Facility is commercially justifiable.

## LETTER FROM GUANGDONG SECURITIES

### (3) Principal terms of the Second Facility Letter

On 27 October 2010, the Company granted to the Borrower the First Facility of HK\$12 million which was drawn down by the Borrower on 3 November 2010. In order to meet the business expansion of the Borrower, the Company subsequently entered into the Second Facility Letter on 10 November 2010 to grant the Second Facility to the Borrower with a principal amount of HK\$138 million.

Set out below are the major terms of the Second Facility Letter:

<b>Date:</b>	10 November 2010
<b>Parties:</b>	Lender: The Company  Borrower: Head & Shoulders Finance Limited, a non-wholly owned subsidiary of the Company
<b>Amount of the Second Facility:</b>	HK\$138,000,000
<b>Term:</b>	The Second Facility shall have a term of one year from the date of the Second Facility Letter, subject to possible extension between the parties thereto and the Company shall comply with all the relevant requirements under Chapter 14A for such possible extension.
<b>Interest rate:</b>	5.25% per annum, which is determined with reference to the prime rate of Hong Kong's banks.
<b>Drawdown:</b>	Subject to the terms and conditions of the Second Facility Letter, the Second Facility shall be available for drawdown up to HK\$138,000,000 in total during the term of the Second Facility upon approval of the Shareholder(s) by the Lender. Both the First Facility and the Second Facility are one-off term loans in nature and the Company shall comply with all the relevant requirements under Chapter 14A of the Listing Rules for any additional loan amounts.
<b>Absolute rights:</b>	The Lender shall have the absolute rights to accept or reject the drawdown of the Second Facility by the Borrower.

## LETTER FROM GUANGDONG SECURITIES

**Repayment:** The Borrower shall repay the principal amount outstanding under the Second Facility together with the accrued interest thereon within three months from the date of drawdown. The repayment date can be extended for a further period of up to nine months subject to the mutual agreement between the Company and the Borrower.

The Directors consider that the Company is an investment holding company and thus the granting of the Second Facility is not in the ordinary and usual course of business of the Company but is on the normal commercial terms and are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Upon our enquiries, the Directors confirmed that the Group had approximately US\$6,000,000 of cash as bank deposits as at 31 October 2010 and the Group receives interest ranges from 0.01% to 0.15% per annum for its Hong Kong dollar saving accounts in banks. As such, the Directors consider that it is in the commercial interest of the Company to advance the idle cash of the Group in banks to the Borrower to generate a higher return from the 5.25% interest receivable instead of keeping such idle cash as bank deposits.

We have further enquired into the Directors regarding the future possible financing need of the Group in the short to medium run. In this respect, the Directors advised us that the Group is also considering other investment opportunities should and when they arise, including the possible investment in an oilfield project in the Republic of Kazakhstan pursuant to the memorandum of understanding entered into by the Company on 6 July 2010. Nevertheless, as the Company shall have the absolute rights to accept or reject the possible drawdown of the Second Facility by the Borrower under the Second Facility Letter and the Borrower upon receiving the drawn down loan could apply the same on possible profitable business, the Directors expect that the Group would be able to enjoy the flexibility while utilising its financial resources in areas which the Board considers to be beneficial to the financial performance and business development of the Group (including the Borrower) as a whole.

Pursuant to the Second Facility Letter, the Borrower shall repay the principal amount outstanding under the Second Facility together with the accrued interest thereon within three months from the date of the relevant drawdown. Thus, we have also discussed with the Directors regarding the possible credit risks under the Second Facility Letter and were advised by the Directors that the Borrower has adopted appropriate risk assessment procedures to evaluate the credibility of each of its customers before lending out money and to ensure that follow-up action will be taken promptly to recover its loan receivables should they fall due. When the credibility of customers is doubted, pledge of assets by customer is required. In light of the risk assessment procedures and the prompt follow-up action of the Borrower, the Directors are satisfied with the repayment ability of the Borrower.



## LETTER FROM GUANGDONG SECURITIES

Given all of the foregoing, we concur with the Directors that the granting of the Second Facility is in the interests of the Company and the Shareholders as a whole. In addition, we also consider the major terms of the Second Facility Letter to be on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

#### **(4) Possible financial effects of the granting of the Second Facility**

##### *Effect on net asset value and earnings*

As confirmed by the Directors, the granting of the Second Facility is expected to promote the net assets and future earnings of the Group by the relevant interest income in the event that any amount is drawn down by the Borrower from the Second Facility. Moreover, the Group may also be benefited from the earnings of the Borrower being generated by leading out money to customers at a rate higher than 5.25% per annum.

##### *Effect on working capital and gearing*

According to the Interim Report, the Group's gearing level (being calculated as net debt over total capital) was approximately 126% as at 30 June 2010. Since the Second Facility will be financed by the internal resources of the Group and/or through other fund raising activities of the Company (including equity financing and/or debt financing) and that the concrete plan is yet to be finalised, the Group's future working capital and gearing position will be affected depending on the method(s) the Group uses to finance the Second Facility.

It should be noted that the aforementioned analyses are for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon the granting of the Second Facility.

### **RECOMMENDATION**

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Second Facility Letter are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the granting of the Second Facility 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 relevant resolution to be proposed at the SGM to approve the Second Facility Letter and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Guangdong Securities Limited**  
**Graham Lam**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interest and short positions in the securities of the company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Director	Personal interest	Trust interest (Note)	Total shareholding	% of total
Dr. Budiono Widodo	8,641,000	104,971,000	113,612,000	7.08%
Mr. Sardjono Widodo	–	104,971,000	104,971,000	6.54%

*Note:* Bank of East Asia (Trustee) Limited, being the trustee of the Peace Trust, held indirectly 104,971,000 Shares of the Company. Dr. Budiono Widodo and Mr. Sardjono Widodo are named beneficiaries of the Peace Trust.

As at the Latest Practicable Date, save as disclosed above, none of the Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO and none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares (within the meaning of Part XV of the SFO) or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Division 7 and 8 of

Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

**(b) Directors' interest in service contracts**

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any member of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

**(c) Interest in assets and contracts**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2009 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

**3. COMPETING INTERESTS**

As at the Latest Practicable Date, Dr. Budiono Widodo, a Commissioner of P.T. Sumatra Timber Utama Damai (the "P.T. STUD") and the Chairman of the Company, and Mr. Sardjono Widodo, a Commissioner of P.T. STUD and the Managing Director of the Company, have personal and corporate interests of approximately 2.82% and 3.31% in P.T. STUD respectively.

P.T. STUD is a prominent manufacturer in the container flooring segment and its management team comprises professionals, associates and family members of Dr. Budiono Widodo.

During the year ended 31st December, 2009, P.T. STUD recorded sales of approximately US\$888,000, which was analyzed by product range as follows:

	<b>For the year ended 31 December 2009</b> <i>(US\$'thousand)</i>
Plywood	769
Film Face	119
Total	888

The core business of P.T. STUD is manufacture and sales of industrial plywood and other secondary plywood products. The principal business of the Group is manufacture and distribution of plywood, veneer and consumer-related wood products. Therefore, the business of P.T. STUD does not and will not compete with that of the Group. In addition, Dr. Budiono Widodo and Mr. Sardjono Widodo are not involved in the daily operations of the business of P.T. STUD. Furthermore, P.T. STUD has given an undertaking in favour of the Group that it will not compete with the Group by manufacturing those plywood products which are currently produced or are likely to be produced in the future by the Group, but excluding products which are currently produced by P.T. STUD. Dr. Budiono Widodo has also undertaken to use his best efforts to procure P.T. STUD to comply with its undertaking, as long as he is the controlling shareholder (as defined under the Listing Rules) of both the Company and P.T. STUD.

Save as disclosed herein, to the best knowledge of the Directors, none of the Directors and their respective associates (as defined in the Listing Rules) are considered to have any interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

#### 4. EXPERT'S QUALIFICATION AND CONSENT

The qualification of the expert who has provided advices contained in this circular as follows:

<b>Name</b>	<b>Qualification</b>
Guangdong Securities Limited	Licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Guangdong Securities did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Guangdong Securities did not have any direct or indirect interests in any assets which have been, since 31 December 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2009, the date to which the latest audited financial statements of the Group were made up.

#### **6. GENERAL**

The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Limited, at 17 M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

#### **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours in any weekday (Saturdays and public holidays excepted) at from the date of this circular up to and including date of the SGM:

- (a) the bye-laws of the Company;
- (b) the letter from Independent Board Committee, the text of which is set out on page 8 of this circular;
- (c) the letter from Guangdong Securities, the text of which is set out on pages 9 to 15 of this circular;
- (d) the written consent given by Guangdong Securities as referred to in the paragraph headed "Expert's qualification and consent" in this appendix; and
- (e) any contracts as referred to in this circular.

NOTICE OF SGM



**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 the special general meeting (the “**SGM**”) of Pacific Plywood Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on Tuesday, 14 December 2010 at Joint Professional Centre, Unit 1, G/F., The Centre, 99 Queen’s Road Central, Hong Kong for the purposes of considering and, if thought fit, passing the following resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the granting of the second facility under the facility letter (the “**Second Facility Letter**”) dated 10 November 2010 by the Company to Head & Shoulders Finance Limited, which is a non-wholly owned subsidiary of the Company be and is hereby confirmed, approved and ratified; and
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to take such actions and execute such documents to effect the Second Facility Letter and transactions contemplated under the Second Facility Letter and to sign or execute such other documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they may consider necessary or desirable for the purposes of giving effect to the Second Facility Letter.”

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

Hong Kong, 29 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

\* *For identification purpose only*

## NOTICE OF SGM

*Notes:*

1. Any shareholder of the Company (the “**Shareholders**”) 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) 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 17 M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, 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.