

**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 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 and the accompanied form of proxy 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.

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)**

### **REFRESHMENT OF GENERAL MANDATE**

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

**BRIDGE PARTNERS**

**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 16 of this circular.

A notice convening the special general meeting of the Company to be held at 11:00 a.m. on Friday, 7 January 2011 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 17 to 19 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 Shops 1712-1716, 17 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.

<b>CONTENTS</b>
-----------------

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Letter from the Independent Board Committee</b> .....	7
<b>Letter from the Independent Financial Adviser</b> .....	8
<b>Notice of Special General Meeting</b> .....	17

## 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 321,163,889 new Shares granted by the Shareholders to the Directors at the special general meeting of the Company held on 11 November 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”	comprises all the three independent non-executive Directors, namely Mr. Chan Kin Sang, Mr. Cheng Po Yuen and Mr. Wong Chun Hung, 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
“Independent Shareholder(s)”	any Shareholder(s) 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

## DEFINITIONS

“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”	17 December 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
“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 7 January 2011 for the purpose of considering and, if thought fit, approving the Refreshment of General Mandate
“Share(s)”	ordinary share(s) of HK\$0.001 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.*

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)**

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

*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

21 December 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE**

**INTRODUCTION**

The purpose of this circular is to provide you with 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 Special General Meeting 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.

**REFRESHMENT OF GENERAL MANDATE**

**Background of the Refreshment of General Mandate**

At the special general meeting of the Company held on 11 November 2010, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing Issue Mandate to allot up to 321,163,889 Shares.

\* *For identification purpose only*

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Existing Issue Mandate had been utilized as to approximately 99.95%. As set out in the announcement of the Company dated 30 November 2010 (the “**Announcement**”), 321,000,000 Shares were utilized under the Existing Issue Mandate as a result of the placing of new Shares with a net proceeds of approximately HK\$32.61 million (the “**Placing**”) for the general corporate and working capital of the Group or/and the future development of the finance businesses of the Company. The said placing was completed on 9 December 2010. There has not been any refreshment of the Existing Issue Mandate since the special general meeting of the Company held on 11 November 2010. As at the Latest Practicable Date, save for (i) the memorandum of understanding dated 18 October 2010 regarding the possible investment in an oilfield (the detailed status on the said memorandum of understanding has been disclosed in the published announcements and circular of the Company); and (ii) the future development of the finance businesses of the Company (which detailed in the circular of the Company dated 29 November 2010), the Company has not identified any other investment opportunities and/or future business development plan with specific funding needs.

### **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 investment opportunities to be identified by the Company. Although the Company has just completed the Placing on 9 December 2010 and raised approximately HK\$32.61 million for the general corporate and working capital of the Group or/and the future development of the finance businesses of the Company, the Board considers that it is in the best interests for the Company to have additional options when considering fund raising activities in the future. Given that equity financing (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, 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. The Company would exercise due and careful consideration when choosing the best financing method available to the Group.

As at the Latest Practicable Date, a total of 1,926,819,448 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 385,363,889 new Shares.

As at the Latest Practicable Date, the Board shall consider to consolidate the existing Shares on the basis that every 25 issued and unissued Shares of HK\$0.001 each will be consolidated into 1 consolidated Share of HK\$0.025 each. In the event that such proposal is implemented, which is subject to the approval of the Shareholders, the maximum number of consolidated Shares to be issued under the Issue Mandate after taking into

## LETTER FROM THE BOARD

account the effect of the proposed share consolidation is 15,414,555 consolidated Shares. (Details of which has been set out in the announcement of the Company dated 20 December 2010 and the circular of the Company dated 21 December 2010).

The Independent Board Committee, comprising Mr. Chan Kin Sang, Mr. Cheng Po Yuen 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 Practicable Date, Dr. Budiono Widodo, the chairman of the Company, is interested in 113,612,000 Shares, representing approximately 5.90% of the issued share capital of the Company. Among these 113,612,000 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) were 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 16 of this circular.

### **SGM**

A notice for convening the SGM to be held at 11:00 a.m. on Friday, 7 January 2011 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 17 to 19 of this circular.

## 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 Shops 1712-1716, 17 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.

### **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)**

21 December 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE**

We refer to the circular of the Company dated 21 December 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 16 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. Cheng Po Yuen      Mr. Chan Kin Sang      Mr. Wong Chun Hung**

*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:*



### **BRIDGE PARTNERS CAPITAL LIMITED**

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

21 December 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 21 December 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 113,612,000 Shares, representing approximately 5.90% of the issued share capital of the Company. Among these 113,612,000 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) were the named beneficiaries of Peace Trust. In this regard, Dr. Budiono

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

An Independent Board Committee comprising Mr. Chan Kin Sang, Mr. Cheng Po Yuen and Mr. Wong Chun Hung (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.

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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 (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 credit services.

At the special general meeting of the Company held on 11 November 2010, the Independent Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing Issue Mandate to allot up to 321,163,889 Shares.

As set out in the announcement of the Company dated 30 November 2010, 321,000,000 Shares were utilized under the Existing Issue Mandate as a result of the placing of new Shares with the net proceeds of approximately HK\$32.61 million (the "Placing") which is intended to use for general corporate and working capital of the Group or/and the future development of the finance businesses of the Company. Accordingly, the Existing Issue Mandate has been utilized as to approximately 99.95% as at the Latest Practicable Date and only 163,889 new Shares can be issued under the Existing Issue Mandate.

In view of the above, the Board proposes to seek approval of the Independent Shareholders for the Refreshment of Existing Issue Mandate so that the Directors could be granted an 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 general meeting will not be convened until around June 2011, which is around six 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 new 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Company had 1,926,819,448 Shares in issue. Subject to the passing of the proposed resolution for the Refreshment of Existing Issue 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 to issue a maximum of 385,363,889 new Shares, representing 20% of the aforesaid issued share capital of the Company.

### **(2) Flexibility in financing**

Upon our enquiries, the Directors confirmed that the Group had approximately US\$4.41 million (equivalent to approximately HK\$34.40 million) of cash as bank deposits as at 30 November 2010. Coupled with the net proceeds of approximately HK\$32.61 million as a result of the Placing completed on 9 December 2010, the cash and bank balances of the Group would be approximately HK\$67.01 million. We concur with the view of the Directors that the Company may identify suitable investment opportunities for future business development, hence the Refreshment of Existing Issue Mandate will provide the Company with flexibility to issue new Shares to raise fund for future development, 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 for the Refreshment of Existing Issue Mandate**

With reference to the announcements of the Company dated 27 October 2010 and 10 November 2010 in relation to the granting of the facility with the principal amount of HK\$12,000,000 (the "First Facility") and HK\$138,000,000 respectively (the "Second Facility") to Head & Shoulders Finance Limited ("H&S"), a non-wholly owned subsidiary of the Company which is principally engaged in the business of the money lending and provision of credits and holding a Money Lenders License under the Money Lenders Ordinance. As stated from the circular of the Company dated 25 November 2010, H&S has 5 staffs and 67 loans accounts have been newly opened since April 2010. The interest rates charged on the loans range from 12% to 48% per annum, depending on the relevant terms of the loans and in general, the loan tenor of unsecured loans is less than 4 years, while that of the secured loans is 20 years or less. For the seven months ended 31 October 2010, H&S has recorded revenue and net profit after taxation of approximately HK\$9.41 million and HK\$3.24 million respectively. As advised by the Directors, the Company is actively searching investment opportunities with an objective to turnaround the overall financial performance of the Group. The acquisition of the H&S and the 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 and the Directors consider the future prospect of the money lending business to be promising.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 3 November 2010, the First Facility of HK\$12 million was completely drawn down by H&S. In the event that the Second Facility is drawn down by H&S, the Group will need to finance the Second Facility by its internal resources and/or through other fund raising activities such as equity financing and/or debt financing to meet the business needs of H&S. Having considered the business strategy of the Group to expand the business of H&S, we concur with the view of the Directors that it would be prudent and reasonable for the Company to maintain a strong capital base in order to finance the possible drawdown of Second Facility by H&S which may arise at anytime and require considerable capital endowment.

In addition, given that the Group has recorded unaudited consolidated net current liabilities of US\$19.81 million (equivalent to approximately HK\$154.55 million) and unaudited consolidated net liabilities of US\$12.31 million (equivalent to approximately HK\$96.02 million) as at 30 June 2010, we are of the view that equity financing is beneficial to the Group in a way that would strengthen the financial position of the Group. With the competitive strengths arising from the contribution of financial capital by investors, the Group will be able to continue with the development of its money lending business. In particular, should any opportunities arise, the Group will have financial capital to fund its potential investment and /or expand to other businesses.

As confirmed by the Company, the Second Placing (as defined below) was completed on 9 December 2010 and the Company raised the net proceeds of approximately HK\$32.61 million for the general corporate and working capital of the Group or/and the future development of the finance businesses of the Company. We believe that the Refreshment of Existing Issue Mandate would serve the additional options for the Company if when considering fund raising activities in the future. The Directors would exercise due and careful consideration when choosing the best financing methods available to the Group.

The Directors consider that the Refreshment of Existing Issue Mandate would provide flexibility to the Company to raise 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 payment obligations as compared with debt/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 activities, 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 ("First Placing")	The net proceeds of approximately HK\$41.7 million will be used for the general working capital of the Group	Approximately (i) HK\$3.0 million was applied as general working capital of the Group; (ii) HK\$2 million was utilized to satisfy the consideration of the acquisition of 51% equity interest in H&S; (iii) HK\$12 million was utilized for drawdown of the First Facility; and (iv) the remaining of HK\$24.7 million has been deposited into the bank account(s) of the Group
30 November 2010	Placing of 321,000,000 shares under the Existing Issue Mandate ("Second Placing")	The net proceeds of approximately HK\$32.6 million will be used for general corporate and working capital of the Group or/and the future development of the finance businesses of the Group	Not yet utilized

Despite the fact that the Company has raised the net proceeds of approximately HK\$41.7 million and HK\$32.6 million from the First Placing and the Second Placing respectively and large portion of the proceeds from the First Placing and the Second Placing are yet to be utilized, the Directors are of the view that 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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, the net current liabilities of the Group and the next annual general meeting will not being convened until around June 2011 (which is about six 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 has also considered various viable financing methods including bank borrowings and debt financing, such as issue of convertible bonds. However, 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, the approval of bank borrowing is subject to lengthy due diligence and negotiations with the banks. Given that the Group has recorded an accumulated loss of US\$32.96 million (equivalent to approximately HK\$257.09 million) and an unaudited consolidated net liabilities of US\$12.31 million (equivalent to approximately HK\$96.02 million) as at 30 June 2010 and debt financing will 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.

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 the form of placing and 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 commercial terms in the underwriting process.

The Directors confirm that they would exercise due and careful consideration when choosing the financing method for the Company. In view of the above, we consider 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 the 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 utilization of the refreshed Existing Issue Mandate (subject to the passing of the proposed resolution for the Refreshment of Existing Issue Mandate and assuming that no other Shares are issued or repurchased by the Company prior to the SGM):

Shareholder	As at the Latest Practicable Date (Note 1)		Upon full utilization of the refreshed Existing Issue Mandate (subject to the passing of the proposed resolution for the Refreshment of Existing Issue Mandate and assuming that no other Shares are issued or repurchased by the Company prior to the SGM)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Dr. Budiono Widodo and Mr. Sardjono Widodo (both are the executive Directors) (Note 2)	113,612,000	5.90	113,612,000	4.91
Public Shareholders	1,813,207,448	94.10	1,813,207,448	78.42
Shares to be issued	—	—	385,363,889	16.67
<b>Total</b>	<b><u>1,926,819,448</u></b>	<b><u>100.00</u></b>	<b><u>2,312,183,337</u></b>	<b><u>100.00</u></b>

Note:

1. The above shareholding information is based on the disclosure of interests posted on the website of the Stock Exchange.
2. These 113,612,000 Shares were held in the manner that 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.

The table above illustrates that the shareholding of the existing public Shareholders would decrease from approximately 94.10% as at the Latest Practicable Date to approximately 78.42% upon full utilisation of the refreshed Existing Issue Mandate (assuming that no other Shares are issued or repurchased by the Company prior to the SGM), which represents a dilution of approximately 15.68%.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 utilization of the Existing 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 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 11:00 a.m. on Friday, 7 January 2011 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 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, 21 December 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.

## NOTICE OF SPECIAL GENERAL MEETING

- (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 Shops 1712-1716, 17 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.