IMPORTANT

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PACIFIC PLYWOOD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:–
Budiono Widodo *(Chairman)*
Liao Yun Kuang
Peng Chiu Ching

Non-executive Directors:–
Marzuki Usman
Sidhesh Kaul
Chen Chung I
Sardjono Widodo
Kusnadi Pipin
Ngai Kwok Chuen

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Principal place of business:–
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Hong Kong

15th April, 2003

To the shareholders of the Company

Dear Sir or Madam,

PROPOSALS
FOR
GENERAL MANDATE FOR ISSUE OF SECURITIES
AND
GENERAL MANDATE FOR THE REPURCHASE BY THE COMPANY
OF ITS OWN SHARES

INTRODUCTION

The purpose of this circular is to provide you with details in respect of general mandates proposed to be granted to the directors of the Company (the "Directors") for the issue of securities and the repurchase by the Company of its own shares. The latest general mandates given to the Directors was approved in an Annual General Meeting held on 21st June, 2002.

PROPOSED MANDATE FOR ISSUE OF SECURITIES

At the forthcoming Annual General Meeting to be held on 27th June, 2003, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all powers of the Company to issue and otherwise deal with securities of the Company up to a limit equal to 20 per cent. of the issued share capital of the Company as at the date of the passing of such resolution. Another ordinary resolution will be proposed to increase the limit of this 20 per cent. by the amount of any shares of the Company repurchased by the Company up to a maximum of 10 per cent. of the issued share capital of the Company at the date of the passing of the relevant resolution.

GENERAL MANDATE FOR THE REPURCHASE BY THE COMPANY OF ITS OWN SHARES

At the forthcoming Annual General Meeting, an ordinary resolution will also be proposed that the Directors be given a general and unconditional mandate to exercise all powers of the Company to repurchase shares of the Company subject to the criteria set out in this circular. In particular, shareholders should note that the maximum number of shares that the Company may repurchase pursuant to the mandate will be such number of shares as represented 10 per cent. of the share capital of the Company in issue as at the date of passing the relevant resolution. Shareholders should also note that the authority relates only to repurchase made on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and otherwise in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the repurchase mandate will continue in force until the conclusion of the next annual general meeting following the forthcoming Annual General Meeting of the Company or any earlier date as referred to in paragraph (b) and (c) of resolution no. 4(B)(iii) set out in the notice of the forthcoming Annual General Meeting.

An explanatory statement giving the particulars under the Listing Rules in respect of the aforesaid mandate is set out in the Appendix of this circular.

RECOMMENDATION

Your Directors believe that the general mandate for issue of securities and the repurchase mandate are in the interests of the Company and its shareholders and, accordingly, recommend you to vote in favour of all the relevant resolutions to be proposed at the forthcoming Annual General Meeting.

Yours faithfully,
For and on behalf of the Board
Budiono Widodo
Chairman

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration in relation to the repurchase mandate as set out in resolution no. 4(B) of the notice of the forthcoming Annual General Meeting.

1. LISTING RULES

The Listing Rules permit companies with their primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which is:–

Sources of funds

Repurchase must be funded entirely from the Company's available cash flow or working capital facilities, which will be funds legally available for the purpose and in accordance with the memorandum of association and bye-laws of the company concerned and The Companies Act 1981 of Bermuda (as amended).

2. SHARE CAPITAL

As at 15th April, 2003, being the latest practicable time prior to the printing of this circular, the Company has issued 5,580,897,243 shares of HK$0.025 each.

Subject to the passing of resolution no. 4(B) set out in the notice of the forthcoming Annual General Meeting and on the basis that no further shares of the Company are issued prior to the forthcoming Annual General Meeting, the Company would be allowed under the repurchase mandate to purchase a maximum of 558,089,724 shares.

3. REASONS FOR REPURCHASE

The Directors believe that the granting of repurchase mandate is in the best interests of the Company and its shareholders. The exercise of the repurchase mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets of the Company and/or earnings per share and will only be made when the Directors believe that such a purchase will benefit the Company and its shareholders.

4. FUNDING OF REPURCHASES

In repurchasing shares, the Company may only apply funds entirely from the Company's available cash flow or working capital facilities, which will be funds legally available for such purpose in accordance with its memorandum of association and bye-laws and The Companies Act 1981 of Bermuda (as amended). The Directors propose that repurchases of shares be financed by the Company's distributable profits or proceeds from a fresh issue of shares.

There might be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31st December, 2002) in the event that repurchase mandate is carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise their power under the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the shares of the Company have traded on the Stock Exchange in each of the previous months were as follows:–

	Shares	
	Highest	**Lowest**
	HK$	*HK$*
2002		
April	0.041	0.032
May	0.039	0.031
June	0.032	0.022
July	0.029	0.013
August	0.019	0.013
September	0.015	0.010
October	0.012	0.010
November	0.010	0.010
December	0.010	0.010
2003		
January	0.010	0.010
February	0.010	0.010
March	0.017	0.010
April*	0.011	0.010

* *Up to 15th April, 2003, being the latest practicable date prior to the printing of this circular.*

6. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable they will exercise the powers of the Company to make repurchases under the repurchase mandate in accordance with the Listing Rules and the applicable laws of Hong Kong and The Companies Act 1981 of Bermuda (as amended).

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any securities of the Company to the Company or its subsidiaries under the repurchase mandate if such is approved by the shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell shares of the Company to the Company or have undertaken not to do so, in the event that the repurchase mandate is approved by the shareholders.

As at 15th April, 2003, being the latest practicable date prior to the printing of this circular, SMI International Limited ("SIL") had registered 1,974,720,000 shares of HK$0.025 each in the capital of the Company, representing approximately 35.38% of all the issued shares of the Company. If the repurchase mandate is exercised in full, SIL's interest in the Company will be increased to 39.32%.

If on the exercise of the power to repurchase shares of the Company pursuant to the repurchase mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 8 of the Hong Kong Code on Share Repurchases. As a result, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code").

Save as disclosed above, the Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any purchase of shares of the Company made under the repurchase mandate.

7. SECURITIES REPURCHASES MADE BY THE COMPANY

The Company had not purchased any of its securities (whether on the Stock Exchange or otherwise) during the 6-month period prior to the date of this circular.