Pacific Plywood Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 767)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2005

The Board of Directors (the "Directors") of Pacific Plywood Holdings Limited (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31st December, 2005 and the comparative figures as follows:–

CONSOLIDATED INCOME STATEMENT

	Note	**2005** *US$'000*	2004 *US$'000*
Sales	*3*	**136,144**	149,522
Cost of sales	*4*	**(116,054)**	(123,108)
Gross profit		**20,090**	26,414
Other gain-net		**477**	451
Distribution costs	*4*	**(13,817)**	(16,693)
Administrative expenses	*4*	**(10,793)**	(10,313)
Impairment of property, plant and equipment		**–**	(3,894)
Operating loss		**(4,043)**	(4,035)
Finance costs		**(4,100)**	(3,393)
Loss before income tax		**(8,143)**	(7,428)
Income tax expense	*5*	**239**	2,929
Loss for the year		**(7,904)**	(4,499)
Attributable to:			
Shareholders of the Company		**(7,904)**	(4,499)
Minority interests		**–**	–
		(7,904)	(4,499)
Loss per share – Basic	*6*	**US(0.14) cents**	US(0.08) cents
Loss per share – Diluted	*6*	**N/A**	N/A
Dividends		**–**	–

CONSOLIDATED BALANCE SHEET

	Note	**31st December, 2005** **US$'000**	31st December, 2004 US$'000 (Restated)
Non-current assets			
Property, plant and equipment		**81,005**	88,391
Leasehold land and land use rights		**3,020**	3,051
Deferred income tax assets	*7*	**4,402**	14,610
Total non-current assets		**88,427**	106,052
Current assets			
Inventories		**18,266**	19,395
Trade receivables	*8*	**14,737**	13,714
Prepayments and other receivables		**3,799**	4,450
Cash and bank balances		**2,642**	2,785
Total current assets		**39,444**	40,344
Current liabilities			
Trade payables	*9*	**(16,956)**	(17,377)
Accruals and other payables		**(8,084)**	(10,212)
Current income tax liabilities		**(1,884)**	(1,884)
Borrowings		**(20,474)**	(14,342)
Total current liabilities		**(47,398)**	(43,815)
Net current liabilities		**(7,954)**	(3,471)
Total assets less current liabilities		**80,473**	102,581
Non-current liabilities			
Borrowings		**(57,078)**	(60,870)
Obligations under finance leases		**(62)**	(64)
Deferred income tax liabilities	*7*	**(14)**	(10,487)
Total non-current liabilities		**(57,154)**	(71,421)
NET ASSETS		**23,319**	31,160
CAPITAL AND RESERVES			
Share capital		**18,037**	18,037
Other reserves	*10*	**94,773**	94,710
Accumulated losses		**(90,491)**	(82,587)
Minority interests		**1,000**	1,000
Total equity		**23,319**	31,160

Notes:

1. **Going Concern Basis of Accounting**

For the year ended 31st December, 2005, the Group had reported losses attributable to shareholders of approximately US$7,904,000 (2004 – US$4,499,000). As at 31st December, 2005, the Group had net current liabilities of approximately US$7,954,000 (2004 – US$3,471,000) and outstanding bank loans approximately of US$77,552,000 (2004 – US$75,212,000), of which approximately US$20,474,000 (2004 – US$14,342,000) was due for repayment and renewal within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Subsequent to 31st December, 2005, the Group has successfully renewed some of its banking facilities of approximately US$9,085,000 and obtained additional facilities of approximately US$4,970,000 from its banks.

The Group will maintain its strong business relationship with its bankers to gain their continuing support and is actively discussing with its bankers for the renewal of short term banking facilities when they fall due in 2006. The Directors are confident that the short term banking facilities will be renewed. With the ongoing support from its bankers and major customers, the Group should be able to generate sufficient cashflows from future operations to cover its operating costs and to meet its financing commitments. Therefore the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the twelve months from 31st December, 2005. The Directors are confident that the Group will continue to obtain the ongoing support from its bankers, and accordingly, the Directors are of the opinion that it is appropriate to prepare the accounts on a going concern basis. The accounts do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. Basis of Preparation and Accounting Policies

These consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

– HKAS 1	Presentation of Financial Statements
– HKAS 2	Inventories
– HKAS 7	Cash Flow Statements
– HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
– HKAS 10	Events after the Balance Sheet Date
– HKAS 16	Property, Plant and Equipment
– HKAS 17	Leases
– HKAS 21	The Effects of Changes in Foreign Exchange Rates
– HKAS 23	Borrowing Costs
– HKAS 24	Related Party Disclosures
– HKAS 27	Consolidated and Separate Financial Statements
– HKAS 32	Financial Instruments: Disclosures and Presentation
– HKAS 33	Earnings per Share
– HKAS 36	Impairment of Assets
– HKAS 38	Intangible Assets
– HKAS 39	Financial Instruments: Recognition and Measurement
– HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
– HKAS-Int 12 Amendment	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
– HKAS-Int 15	Operating Leases – Incentives
– HKFRS 2	Share–based Payments

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 33, 36, 38, and HKAS-Ints 12 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 24, 27, 33, 36, 38, and HKAS-Ints 12 and 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the consolidated income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in the change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. The Group's discounted bills with recourse, which were previously treated as contingent liabilities, have been accounted for as collateralised bank advances prospectively on or after 1st January, 2005, as the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 39 does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis; and

– HKFRS 2 only retrospective application for all equity instruments granted after 7th November, 2002 and not vested at 1st January, 2005.

The adoption of revised HKAS 17 resulted in:

	2005	2004
	US$'000	*US$'000*
Decrease in property, plant and equipment	**(3,020)**	(3,051)
Increase in leasehold land and land use rights	**3,020**	3,051

As the share options issued under the share option scheme adopted by the Company were all granted before 7th November, 2002, HKFRS 2 is not applicable to the share options outstanding as at 31st December, 2005 according to the transitional provisions of HKFRS 2.

Standards, interpretations and amendments to published standards that are not yet effective.

Certain new standards, amendments and interpretations to existing standards (collectively "New Standards") have been published by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2006 or later periods. The Group was not required to adopt these New Standards in the accounts for the year ended 31st December, 2005. The Group has already commenced an assessment of the impact of these New Standards but is not yet in a position to state whether these New Standards would have a significant impact on its results of operations and financial position.

– HKAS 19 (Amendment)	Employee Benefit[2]
– HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
– HKAS 39 (Amendment)	The Fair Value Option[2]
– HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts[2]
– HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
– HKFRS 7	Financial Instruments: Disclosures[1]
– A complementary Amendment to HKAS 1	Presentation of Financial Statements – Capital disclosure[1]
– HKFRS-Int 4	Determining whether an Arrangement contains a Lease[2]

[1] Effective from 1st January, 2007
[2] Effective from 1st January, 2006

3. Segmental Information

An analysis of turnover and contribution to the Group's results by geographical locations of operations and products is set out below:–

	2005 Sales *US$'000*	2004 Sales *US$'000*	**2005 Results** *US$'000*	2004 Results *US$'000*
By geographical locations of operations:–				
– Malaysia	**86,015**	97,063	**2,392**	3,031
– People's Republic of China	**45,003**	50,103	**(5,275)**	(2,051)
– Singapore	**–**	–	**(16)**	47
– Hong Kong	**5,126**	2,356	**136**	(66)
	136,144	149,522	**(2,763)**	961
Impairment of property, plant and equipment			**–**	(3,894)
Unallocated corporate expenses			**(1,280)**	(1,102)
Operating loss			**(4,043)**	(4,035)
By products:–				
– Moisture resistant plywood	**26,996**	31,139	**724**	(118)
– Structural	**31,693**	33,115	**(813)**	790
– Jamb and mouldings	**16,499**	21,295	**(673)**	425
– Weather and boil proof plywood	**32,976**	25,649	**917**	(29)
– Flooring	**24,053**	36,945	**642**	(742)
– Veneer	**2,566**	772	**68**	(22)
– Others	**1,361**	607	**(58)**	27
	136,144	149,522	**807**	331
Unallocated corporate expenses			**(4,850)**	(4,366)
Operating loss			**(4,043)**	(4,035)

4. Expenses by Nature

Expenses included in cost of sales, distribution costs and administrative expenses are analyzed as follows:

	2005 *US$'000*	2004 *US$'000*
Changes in inventories of finished goods and work in progress	**341**	(713)
Raw materials and consumables used	**77,796**	86,288
(Reversal)/Write-down of inventories to net realisable value	**(152)**	707
Freight and other related charges	**13,817**	16,693
Provision for impairment of receivables	**587**	20
Staff costs (exclude directors' emoluments)		
– Wages and salaries	**2,880**	2,826
– Pension costs	**346**	370
Directors' emoluments	**919**	813
Depreciation of property, plant and equipment		
– owned assets	**9,344**	9,650
– assets held under finance leases	**20**	76
Amortization of leasehold land	**31**	32
Operating lease expenses on land, buildings and machinery	**406**	117
(Gain)/Loss on disposals of property, plant and equipment	**(32)**	96
Auditors' remuneration	**279**	250

5. Income Tax Expense

(i) Bermuda

The Company is exempt from taxation in Bermuda until 28th March, 2016.

(ii) Hong Kong

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong.

(iii) Malaysia

No taxation has been provided by Manuply Wood Industries (S) Sdn.Bhd. ("Manuply"), the Group's wholly-owned Malaysian subsidiary, because it had unutilised tax allowances to offset its estimated assessable profit for the year ended 31st December, 2005. The applicable income tax rate of Manuply is 28% (2004 – 28%).

(iv) The PRC

The Group's joint venture enterprises established in the PRC are subject to PRC enterprise income tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Furthermore, in accordance with the PRC "Law of Enterprise Income Tax for Enterprise with Foreign Investment", these PRC joint venture enterprises are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses brought forward from the previous five years. The applicable EIT rate of Dalian Global Wood Products Co., Ltd is 33% (30% state unified income tax and 3% local income tax) and that of Changchun Winpro Wood Industries Co., Ltd is 24% (24% state unified income tax and 0% local income tax).

No taxation has been provided for as these joint venture enterprises had no estimated assessable profit for the current year.

(v) Others

Other overseas taxation has been calculated at the rates of taxation applicable in the countries in which the relevant subsidiaries operate.

The amount of taxation (credited)/charged to the consolidated income statement represents:

	2005	2004
	US$'000	*US$'000*
Current taxation		
– Overseas taxation	**–**	16
Deferred taxation relating to the origination and reversal of temporary differences	**(239)**	(2,945)
	(239)	(2,929)

6. Loss per Share

The calculation of basic loss per share is based on the Group's consolidated loss attributable to shareholders of approximately US$7,904,000 (2004 – US$4,499,000) and 5,580,897,243 shares (2004 – 5,580,897,243 shares) in issue throughout the year.

No diluted loss per share for the year ended 31st December, 2005 and 2004 are presented as the potential dilutive ordinary shares are anti-dilutive.

7. Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2005	2004
	US$'000	*US$'000*
Deferred income tax assets	**4,402**	14,610
Deferred income tax liabilities	**(14)**	(10,487)
	4,388	4,123

As at 31st December, 2004, Manuply recognized deferred income tax assets and deferred income tax liabilities of approximately US$14.6 million and US$10.5 million respectively. These amounts had been included in the consolidated balance sheet of the Group as separate components without offset because the right to set off current tax liabilities upon reversal of the temporary differences in connection with the relevant deferred income tax assets of the subsidiary might not be enforceable until certain deferred income tax liabilities were fully reversed. During the current year, it is considered that the relevant deferred income tax liabilities are expected to be fully reversed in the foreseeable future and it is certain that the set off of the deferred income tax assets and liabilities is enforceable. Accordingly, these deferred income tax assets and liabilities have been presented on a net basis on the consolidated balance sheet.

Deferred income tax assets and liabilities of Manuply, prior to offsetting of balances within the same taxation jurisdiction are as follows:

	2005
	US$'000
Deferred income tax assets	**14,670**
Deferred income tax liabilities	**(10,268)**
	4,402

The net deferred income tax assets recognized in the consolidated balance sheet as at 31st December, 2005 related to Manuply which was profitable for both the years ended 31st December, 2004 and 2005. The directors are of the view that Manuply will generate sufficient taxable profit in future to fully utilize the net deferred income tax assets.

8. Trade Receivables

The ageing analysis of trade receivables is as follows:

	2005	2004
	US$'000	*US$'000*
0-30 days	**9,692**	7,183
31-60 days	**3,219**	2,823
61-90 days	**1,011**	1,026
91-180 days	**98**	1,371
181-360 days	**415**	169
Over 360 days	**4,073**	4,312
	18,508	16,884
Less: Provision for impairment of receivables	**(3,771)**	(3,170)
	14,737	13,714

The Group offers credit terms ranging from 30 to 180 days to its customers. Management of the Group performs ongoing credit and collectibility evaluations of each customer and makes provision for credit loss.

As at 31st December, 2005, trade receivables amounting to approximately US$4,660,000 (2004 – US$1,651,000) were subject to floating charges as collateral for certain banking facilities of the Group.

As at 31st December, 2005, certain subsidiaries of the Group transferred receivable balances amounting to approximately US$2,004,000 to banks in exchange for cash. The transactions have been accounted for as collateralized borrowings.

The Group has recognised a loss of US$592,000 (2004 – US$6,000) for the impairment of its trade receivables during the year ended 31st December, 2005. The loss has been included in administrative expenses in the consolidated income statement.

9. Trade Payables

The ageing analysis of trade payables is as follows:

	2005	2004
	US$'000	*US$'000*
0-30 days	**7,362**	8,260
31-60 days	**3,129**	4,301
61-90 days	**1,633**	3,117
91-180 days	**2,916**	598
181-360 days	**910**	141
Over 360 days	**1,006**	960
	16,956	17,377

10. Other Reserves

	Share premium	**Contributed surplus**	**Cumulative translation adjustments**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Balance at 1st January, 2004	90,652	7,814	(3,823)	94,643
Translation adjustments	–	–	67	67
Balance at 31st December, 2004	90,652	7,814	(3,756)	94,710
Balance at 1st January, 2005	90,652	7,814	(3,756)	94,710
Translation adjustments	–	–	63	63
Balance at 31st December, 2005	90,652	7,814	(3,693)	94,773

SUMMARY OF THE AUDITORS' REPORT

The report of the auditors on the Group's accounts has been modified to include the disclosures of a material uncertainty. The auditors, without qualifying their opinion, have drawn attention to the "Going Concern Basis of Accounting" concerning the adoption of the going concern basis on which the accounts have been prepared. As explained in the "Going Concern Basis of Accounting", the accounts have been prepared on a going concern basis, the validity of which depends upon the ongoing support from the Group's bankers and the ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. The accounts do not include any adjustments that would result from the failure of such measures. Details of the circumstances relating to this material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern are described in "Going Concern Basis of Accounting" above.

BUSINESS REVIEW

Manufacturing Business

During the year under review, the escalating costs of log, lumber and crude oil related services and materials are out of skew with market pricing. This is further compounded by the inventory built-up in the later part of 2004 by buyers in anticipation of price escalation. Log and lumber pricing were especially volatile. Their prices surged over 10% fueled largely by the tightening of harvesting restrictions by supplier countries, which affected global supply, and stronger demands from the PRC and India to support infrastructure development. The importing countries adopting and stepping up "green labeling" practices also continued to affect and compound the global demand-supply condition.

Furthermore, though log prices stabilized at the end of 2005, it is expected to rise again as the seasonal monsoon period set in posing restriction on log harvests and thus its supply. In the face of all these pressures, our efforts to apply better technical know-how and enhance our production processes paid off. These efforts included cutting log waste and hence improving log recovery rates which helped to lower direct material costs and optimize our product and capacity mix. Our optimized recovery rate was over 50% exceeding the industry norm.

By maintaining a diverse product mix and flexible capacity mix, the Group can effectively counter increasing material costs and pricing pressures. Among all products, flooring products that saw a drop in revenue last year but had been contributing to the bulk of the Group's revenue in past years, still delivered the highest margin. Other traditional products, like Veneer, Mouldings, Structural and Laminated Veneer Lumber also together provided a strong and stable revenue base. During the year, apart from continuing to modify our production processes and enhance product quality to meet customers' demand, we also continued to undertake research and development initiatives to exploit new products and markets.

Our production plants are in Dalian and Changchun in China and Manuply in Malaysia. The Manuply plant maintained the highest production volumes, running at over 85% of its production capacity. It produced and sold the most profitable and well-received products to its major markets in Japan, the PRC, Europe and South-East Asia.

Market Overview

During the year under review, Japan remained our largest market, contributing almost 42% of the Group's total turnover. Though the continued improvement of the Japanese economy benefited the plywood market, demand softened moderately in 2005 with Japanese yen persistently weak and the lingering soft consumption sentiment viz-a-viz higher pricing. The Group's ability to supply high quality plywood products in demand by Japanese customers and meet the stringent specifications of the building authority of the country is its clear edge in the market. During the year under review, the Group also expanded and enhanced the quality of its plywood-based flooring for the Japanese market, which enabled it to secure higher margins.

The PRC market has been our focus in the past few years, and contributed albeit almost 19% of the Group's total turnover in 2005. Sales of plywood-based flooring in the PRC slowed down as compared with last year since buyers were drawing from inventory beginning from late 2004. Sales to the European market remained stable during the year, while sales to the US market dropped slightly due to the impact of competitive pricing from producers in South America. The Group also expanded its business into the Middle East and South-East Asia.

During the year under review, the Group had developed a few new products, including specialty plywood, for customers in Europe and the Philippines. The Group will step up product and market development to facilitate seizing of opportunities in existing and emerging markets.

Prospects

Going forward, we expect market conditions to further consolidate in the first half of 2006, and inventories to deplete and cost versus pricing to rationalize in major markets such as the PRC and Japan in the second half of the year. These will lift demand and pricing for timber products.

With GDP growing at 8% to 10% over the past few years and projected to grow at similar rates in the future, the PRC is expected to remain as the market with the highest growth potential for the Group. We will continue to expand our product mix to ensure we have a diverse range of products to meet the needs of our customers. Japan has been our traditional market where we have excellent relationship with customers who are willing to pay premium prices for our quality products that meet their existing and new stringent standards. In the US, re-building needs as a result of destruction caused by natural disasters such as hurricanes Katrina, Rita and Wilma have bred opportunities in this market. In new markets, such as the Middle East and the South-East Asia that have yet to bring in significant turnover and profit, we will continue to develop and enhance our position and relationship with customers.

We will also focus on consolidating our existing capacities and resources, and at the same time, we will keep exploiting and capitalizing on any opportunities to expand our business in new and emerging markets.

To maximize our productivity and offer an optimized product mix, we will continuously improve product quality, cost effectiveness and customer service. We are determined to further enhance our performance and returns to our shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31st December, 2005, net current liabilities was approximately US$8.0 million, compared to US$3.5 million as at 31st December, 2004, representing an increase in net current liabilities of US$4.5 million.

Capital structure

During the year ended 31st December, 2005, there was no material change in the Group's capital structure.

Significant investments, acquisitions and disposals

The Group has no significant investments and material acquisitions and disposal of subsidiaries and associates during the year ended 31st December, 2005.

Employees

As at 31st December, 2005, the Group had 5,246 staff, 3,658 of whom worked at the manufacturing plant in Bintulu, Sarawak, Malaysia and 1,545 at facilities in Dalian and Changchun, the PRC. In-house training programmes were provided for staff to enhance skills and job knowledge. Management will continue to foster close co-operation with the staff.

Details of charges on assets

Bank loans and other banking facilities of the Group were secured by pledges of certain property, plant and equipment and leasehold land with a net book value of approximately US$73.8 million, floating charges on certain inventories of approximately US$9.3 million, trade receivables of approximately US$4.7 million, bank balances of approximately US$0.5 million, other assets of approximately US$0.9 million, corporate guarantees given by the Company and personal guarantees given by a director of the Company.

Future plans for material investment or capital assets

The Group will continue to streamline its business and minimize capital expenditures and has no plan for material investment in the near future.

Gearing ratio

The net assets of the Group as at 31st December, 2005 was approximately US$23.3 million, compared to US$31.2 million as at 31st December, 2004. Total bank borrowings of the Group was approximately US$77.6 million and the gearing ratio (total bank borrowing to total net assets) was accordingly 333% comparing to 241% as at 31st December, 2004.

Foreign exchange exposures

Major currencies of the Group include United States Dollars, Singapore Dollars, Malaysian Ringgits and Renminbi. Due to the delink of Malaysian Ringgits and Renminbi with United States Dollars, the Group is expected to face with greater foreign currency exposure. Management will arrange the necessary hedging where costs and benefits are justified.

Contingent liabilities

As at 31st December, 2005, the Group had no material contingent liabilities.

FINAL DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31st December, 2005 (2004 – Nil).

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2005, with deviations from code provisions A.1.3, A.2.1 and E.1.2.

Code provision A.1.3

Under this code provision, notice of at least 14 days should be given for a regular board meeting to give all directors an opportunity to attend. During the year ended 31st December, 2005, four regular board meetings were held but one of which was convened by a notice of less than 14 days. Nevertheless, presence of all directors of the Company was secured for this meeting.

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Budiono Widodo and Mr. Sardjono Widodo are father and son who act as the Chairman and Managing Director of the Company respectively. In addition to his duties as the Chairman of the Company, Mr. Budiono Widodo is also responsible for the strategic planning and overseeing certain aspects of the Group's operation. Such duties overlap with those of the chief executive officer, namely Mr. Sardjono Widodo. Nevertheless, the Board considers that this will not impair the balance of power and authority. In addition, the rich experience of Mr. Budiono Widodo in plywood industry does contribute materially to the Group's operation.

Code provision E.1.2

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Due to certain urgent matters to be attended by the Chairman, Mr. Budiono Widodo did not attend the Company's 2005 annual general meeting. However, Mr. Budiono Widodo arranged Mr. Sardjono Widodo, Managing Director and Mr. Liao Yun Kuang, President of the Company attending the Company's 2005 annual general meeting to answer questions raised by shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All existing Directors, upon specific enquiry, confirmed that they had complied with the required standard as set out in the Model Code during the year ended 31st December, 2005.

AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive directors, Mr. Marzuki Usman (chairman), Mr. Kusnadi Widjaja and Mr. Ngai Kwok Chuen.

The Audit Committee has adopted terms of reference, which are in line with the Code.

The Audit Committee met to review the interim financial information for the six months ended 30th June, 2005 and the annual financial statements for the year ended 31st December, 2005. The Audit Committee also met once at the end of the year to review and adopt an internal audit charter, which establishes the framework and defines the functions, authorities and responsibilities of the internal audit of the Company. The internal audit charter was subsequently submitted to and finally adopted by the Board.

The audited financial statements for the year ended 31st December, 2005 has been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31st December, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

As at the date of this announcement, the Directors of the Company are:–

Executive Directors
Mr. Budiono Widodo *(Chairman)*
Mr. Sardjono Widodo *(Managing Director)*
Mr. Liao Yun Kuang *(President)*
Mr. Yu Chien Te

Non-executive Directors
Mr. Chen Chung I
Mr. Pipin Kusnadi
Mr. Sudjono Halim

Independent Non-executive Directors
Mr. Marzuki Usman
Mr. Kusnadi Widjaja
Mr. Ngai Kwok Chuen

By order of the Board
Budiono Widodo
Chairman

Hong Kong, 7th April, 2006

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of members of Pacific Plywood Holdings Limited (the "Company") will be held at Aberdeen, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Friday, 16th June, 2006 at 10:00 a.m. for the following purposes:–

ORDINARY BUSINESS

1. To receive and consider the audited accounts and the Directors' report and auditors' report for the year ended 31st December, 2005.
2. To re-elect Directors and to fix their remuneration and to dispose of vacant office(s).
3. To appoint auditors and to authorize the board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, pass the following resolution as ordinary resolution:–

(A) **"THAT**:–

(i) subject to sub-paragraph (ii) of this resolution, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements, warrants and options which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;

(ii) 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 of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to a Rights Issue or the exercise of subscription or conversion rights under any warrants of the Company or any securities which are convertible into shares of the Company or any share option scheme, shall not exceed twenty per cent of the nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and

(iii) for the purposes of this resolution:–

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares 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 restriction or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(B) **"THAT**:–

(i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase issued shares in the capital of the Company, subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of the share capital which the Company is authorized to repurchase pursuant to the approval in paragraph (i) above shall not exceed ten per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

(iii) for the purposes of this resolution:–

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting."

(C) **“THAT** conditional upon resolution no. 4(B) above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution no. 4(B) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no. 4(A) above.”

By order of the Board
Budiono Widodo
Chairman

Hong Kong, 7th April, 2006