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## **PACIFIC PLYWOOD HOLDINGS LIMITED**

**太平洋實業控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock code: 767)**

### **VERY SUBSTANTIAL DISPOSAL, MAJOR TRANSACTION AND RESUMPTION OF TRADING**

On 6 June 2008 the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire all the issued shares in the capital of ACHL together with the amount due by ACHL Group to the Group at a total consideration of approximately US\$16.4 million. The consideration will be paid over a term of 6 years from the completion date.

Upon completion of the Disposal, the Company would have no interest in ACHL Group and ACHL and its subsidiaries would no longer be subsidiaries of the Company.

Based on the latest management accounts of ACHL Group for the 3 months ended 31 March 2008, the Group would realise a book loss of approximately US\$1.5 million. The actual book gain or loss derived from the Disposal would depend on the profit or loss of ACHL Group up to the completion date.

The Disposal constitutes a very substantial disposal and the Financial Assistance constitutes a Major Transaction of the Company under Chapter 14 of the Listing Rules. The Disposal and the Financial Assistance are therefore subject to approval by the Shareholders at the EGM under Rule 14.49 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the approval of the Disposal at the EGM.

**A circular containing, among others, further details of the Agreement together with the EGM notice will be despatched to the Shareholders within 21 days from the publication of this announcement. The EGM will be convened as soon as practicable at which the relevant resolution will be proposed to approve the Agreement and the transactions contemplated thereunder.**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 10 June 2008 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on Friday, 13 June 2008.

\* For identification purpose only

## **THE SALE AND PURCHASE AGREEMENT**

On 6 June 2008 the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire all the issued shares in the capital of ACHL together with the amount due by ACHL Group to the Group at a total consideration of approximately US\$16.4 million.

### **Date:**

6 June 2008

### **Parties:**

Vendor: Pacific Plywood Holdings Limited

Purchaser: Mr. Zainal Abidin

Having made all reasonable enquiries and to the best knowledge, information and belief of the Directors, the Purchaser is a third party independent of the Company and connected persons of the Company.

### **The assets to be disposed of**

1. 100 shares, being all the issued shares, of ACHL; and
2. The amount due by ACHL Group to the Group in the amount of approximately US\$19.2 million.

### **Consideration**

The total consideration of approximately US\$16.4 million, comprising the consideration for the disposal of (i) 100 shares in the capital of ACHL; and (ii) the amount due from ACHL Group to the Group (other than companies under ACHL Group) of approximately US\$19.2 million. The consideration was determined after arm's length negotiations between the parties, primarily by reference to the net book value of ACHL Group of approximately US\$0.8 million as at 31 March 2008, the expected continuing loss suffered by ACHL Group and the amount due of US\$19.2 million.

### **Terms of payment**

The consideration shall be paid by the Purchaser in the following manner:

- (a) US\$500,000: upon signing of this Agreement, which was received on 6 June 2008.
- (b) US\$600,000: upon completion of this Agreement on the completion date
- (c) US\$600,000: 2 months after the completion date
- (d) US\$650,340: 4 months after the completion date

- (e) US\$2,350,340: 1 year from the completion date
- (f) US\$2,350,340: 2 years from the completion date
- (g) US\$2,350,340: 3 years from the completion date
- (h) US\$2,350,340: 4 years from the completion date
- (i) US\$2,350,340: 5 years from the completion date
- (j) US\$2,350,344: 6 years from the completion date

If the condition set out under the paragraph headed “Condition precedent” below is not fulfilled by 30 November 2008, the Agreement shall be automatically terminated and all liabilities of the parties to the Agreement shall cease and determine and no party shall have any claim against the others.

Having taken into account the magnitude of losses reported in the past, the likelihood of continuing losses suffered in the future and the pace of cashflow, if not negative, generated by ACHL Group, the Directors considered that the above payment terms were fair and reasonable.

Upon completion of the Disposal, the Purchaser will owe to the Company an amount of approximately US\$15.4 million, being balance of the consideration payable. This amount constitutes an advance to an entity under paragraph 13.13 of the Listing Rules and a financial assistance under paragraph 14.04(e) of the Listing Rules (“Financial Assistance”).

This amount was unsecured, interest free and shall be repayable according to the above payment terms.

### **Condition precedent**

According to the Agreement, completion of this transaction shall be conditional upon the Vendor complying with the governing rules and regulations of the Stock Exchange and approvals, if any, are obtained from the Stock Exchange and the Shareholders in relation to the sale and purchase as contemplated under the Agreement

Neither the Company nor the Purchaser has the right to waive the condition as mentioned above.

As of the date of this announcement, the condition mentioned above has not been fulfilled.

If the conditions are not fulfilled by 30 November 2008, the Agreement shall be automatically terminated and all liabilities of the parties to the Agreement shall cease and determine and no party shall have any claim against the others.

### **Completion**

It is provided in the Agreement that upon fulfillment of the conditions under the Agreement, the Vendor shall fix the completion date and shall forthwith give the Purchaser not less than five (5) days written notice to proceed with the completion.

## **REASONS FOR THE DISPOSAL AND FINANCIAL ASSISTANCE**

The Group invested in the PRC based on the expectation of a few favourable factors, namely lower manufacturing costs, including labour and rental, and availability of raw material resources.

However, due to rapid economic development of the PRC and the drastic changes of the PRC's business environment/government policy, the availability of resources, including lumbers and labour, has become scarce and costs for manufacturing have been increasing. The Directors considered that this trend would continue in the future and accordingly, the Group should cease its manufacturing base in the PRC.

Having taken into account the past performance of ACHL Group, the reduction in financial commitments and the expected improvement of the liquidity of the Group, the Directors were of the view that the Disposal was fair, reasonable and in the interests of the Company and the Shareholders as a whole.

Having taken into account the magnitude of losses reported in the past, the likelihood of continuing losses suffered in the future and the pace of cashflow, if not negative, generated by ACHL Group, the Directors considered that the agreed payment terms were fair and reasonable.

## **APPLICATION OF SALES PROCEEDS**

It was intended that the sales proceeds would be used as general working capital of the Group.

## **EFFECTS OF THE DISPOSAL**

Based on the latest management accounts of ACHL Group for the 3 months ended 31 March 2008, the Group would realise a book loss of approximately US\$1.5 million. The book loss of US\$1.5 million was computed by reference to (a) the consideration receivable of US\$16.4 million; and (b) the total investment (including the amount due of approximately US\$19.2 million) made by the Vendor in ACHL Group of approximately US\$ 41.1 million and the post-acquisition loss attributable to ACHL Group up to 31 March 2008 of approximately US\$23.2 million. The actual book gain or loss derived from the Disposal would depend on the profit or loss of ACHL Group up to the completion date.

In year 2007, approximately 33.5% of the Group's turnover came from ACHL Group but its contribution in term of net profit was a negative of around US\$5.3 million. Its production volume was approximately 51,000m<sup>3</sup>, representing 18.2% of the Group's total production in 2007.

After the completion of the Disposal, the Company would have no interest in ACHL Group and ACHL and its subsidiaries would no longer be subsidiaries of the Company. The Group's operation would be affected approximately by the above scale accordingly.

After the Disposal, the Group would concentrate its effort in developing its manufacturing business in Malaysia, which contributed around 63.9% of the Group's turnover in 2007. The Group would also give particular attention to develop its newly acquired business of logs harvesting in Malaysia. Reference of the logs harvesting business could be made to the Company's announcement dated 22 August 2007 and 18 April 2008.

Based on the scale of production and operation of the remaining companies under the Group, the Directors confirmed that, after the Disposal, the Group had sufficient level of operation to warrant the continued listing of the Company's securities on the Stock Exchange under paragraph 13.24 of the Listing Rules.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products.

## **INFORMATION ON ACHL**

ACHL is an investment holding company. Its subsidiaries are principally engaged in the manufacture, distribution and sale of jamb and moulding, structural and other wood related products.

The following table sets out the unaudited financial results of ACHL Group for the year ended 31 December 2006 and 2007, which were prepared based on accounting policies consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2006 and 2007:–

	<b>Financial year ended</b>	
	<b>31 December</b>	
	<b>2006</b>	<b>2007</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Net loss before taxation and extraordinary items	2,595	5,251
Net loss after taxation and extraordinary items	2,595	5,251

Based on the latest management accounts of ACHL Group as at 31 March 2008, its net book value shall be approximately US\$0.8 million.

## **GENERAL**

The Disposal constitutes a very substantial disposal and the Financial Assistance constitutes a Major Transaction under Chapter 14 of the Listing Rules. The Disposal and the Financial Assistance are therefore subject to approval by the Shareholders at the EGM under Rule 14.49 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the approval of the Disposal at the EGM.

A circular containing, among others, further details of the Agreement together with the EGM notice will be despatched to the Shareholders within 21 days from the publication of this announcement. The EGM will be convened as soon as practicable at which the relevant resolution will be proposed to approve the Agreement and the transactions contemplated thereunder.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 10 June 2008 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on Friday, 13 June 2008.

## **PUBLICATION OF THIS ANNOUNCEMENT**

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Latest Listed Companies Information” and at the website of the Company at <http://www.irasia.com/listco/hk/pphl/index.htm> under “Announcements & Notices”.

## **DEFINITIONS**

The following words and phrases used in this announcement have the following meaning:

“ACHL”	Ankan (China) Holdings Limited, a company incorporated in British Virgin Islands with limited liability
“ACHL Group”	ACHL and its subsidiaries
“Agreement”	the agreement dated 6 June 2008 entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Shares and the Loan
“Board”	the board of Directors
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability with its Shares listed on the Stock Exchange
“Completion”	Completion of the transaction contemplated under the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	disposal of the Sale Shares and the Loan to the Purchaser by the Vendor pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to approve, amongst other things, the Agreement, and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Purchaser”	Mr. Zainal Abidin
“Share(s)”	Share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

By order of the Board  
**Sardjono Widodo**  
*Managing Director*

Hong Kong, 12 June 2008

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 Director*

Mr. Sudjono Halim  
Mr. Pipin Kusnadi

*Independent Non-executive Director*

Mr. Marzuki Usman  
Mr. Kusnadi Widjaja  
Mr. Siah Chong Huat