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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)

ANNOUNCEMENT

TERMINATION OF THE VERY SUBSTANTIAL DISPOSAL & MAJOR TRANSACTION AND PROFIT WARNING

Due to a significant and adverse change in the financial position of the ACHL Group, the Purchaser and the Company agreed to terminate the Agreement on 23 July 2008 (after trading hours). The Purchaser and the Company agreed to release each of them from all liabilities and obligations in relation to the Agreement following the termination of the Agreement.

Pursuant to Rule 13.09 of the Listing Rules, the Board also wishes to inform the shareholders of the Company and potential investors that the Group is expected to record a substantial loss for the six months ended 30 June 2008.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

Reference is made to the announcement of the Company dated 12 June 2008 (the “**Announcement**”) regarding the Disposal and Financial Assistance and the subsequent announcement dated 3 July 2008 in respect of delay in dispatch of the circular. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

On 16 July 2008, the Purchaser served a written notice to the Company, advising that they were aware of the potential non-recovery of an amount due from a major customer of ACHL Group (the “**Customer**”), which would result in a significant and adverse change to the financial position of ACHL Group. The Purchaser alleged that such a change constituted a breach of warranty and they would like to terminate the Agreement.

* *For identification purpose only*

It was considered that the amount due might not be recoverable because the Customer notified a subsidiary of ACHL (the “**PRC Subsidiary**”) that they would be unable to repay in full and proposed a 20% payment of the outstanding amount as a full and final settlement. As at 30 June 2008, the balance due from the Customer amounted to approximately US\$6 million. The PRC Subsidiary rejected the proposal of the Customer, who thereafter served another notice to the PRC Subsidiary that they would be unable to pay and would proceed with deregistration of their company. A PRC lawyer has been engaged to issue a recovery letter to the Customer and further legal actions will be taken, if necessary.

The Company negotiated with the Purchaser and reached an agreement to terminate the Agreement on 23 July 2008 (after trading hours). It was agreed between the Purchaser and the Company that the amount of US\$500,000 paid by the Purchaser to the Company on 6 June 2008 would be refunded to the Purchaser within one month from 23 July 2008 and the Purchaser and the Company would be released from all liabilities and obligations in relation to the Agreement following the termination of the Agreement.

Except for the reduction in cash balance of US\$500,000 as a result of returning the same to the Purchaser, the termination of the Agreement would have no material financial effect on the Company.

Based on the preliminary review on the management accounts of the Group for the six months ended 30 June 2008 together with the potential loss of the amount due from the Customer, the Board wishes to inform the shareholders of the Company and the potential investors that the Group is expected to record a substantial loss for the six months ended 30 June 2008. Based on the information currently available, such loss is mainly due to the operating loss suffered by ACHL Group and the potential impairment loss on the amount due from the Customer.

As the Company is still in the process of finalizing the results for the six months ended 30 June 2008, the information contained in this announcement is only based on the preliminary assessment according to the management accounts of the Group, which is yet to be reviewed by the Company’s auditors or audit committee.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

By order of the Board
Sardjono Widodo
Managing Director

Hong Kong, 23 July 2008

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

Executive Directors

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

Non-executive Directors

Mr. Sudjono Halim
Mr. Pipin Kusnadi

Independent Non-executive Directors

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