PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 767)

INTERIM RESULTS

The Directors of Pacific Plywood Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2008, together with the comparative figures for the corresponding period in 2007 as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

		For the six months ended 30th June,	
	Note	**2008** *US$'000* **(Unaudited)**	2007 *US$'000* (Unaudited)
Revenue	*3*	**58,982**	73,178
Cost of sales		**(53,064)**	(56,189)
Gross profit		**5,918**	16,989
Other gain/(loss) – net		**350**	(48)
Distribution costs		**(6,328)**	(6,075)
Administrative expenses		**(5,358)**	(4,757)
Provision for doubtful receivables	*4*	**(6,239)**	–
Provision for write-down of inventories to net realizable value	*4*	**(4,888)**	–
Impairment loss on property, plant and equipment	*4*	**(5,814)**	–
Operating (loss)/profit		**(22,359)**	6,109
Share of loss of an associated company		**(80)**	–
Finance costs		**(1,876)**	(2,483)
(Loss)/Profit before income tax	*5*	**(24,315)**	3,626
Income tax credit	*6*	**–**	15
(Loss)/Profit for the period		**(24,315)**	3,641
Attributable to:			
Equity holders of the Company		**(24,315)**	3,641
Minority interests		**–**	–
		(24,315)	3,641
(Loss)/Earnings per share – Basic and diluted	*7*	**US(1.83) cents**	US0.32 cents
Dividends		**–**	–

* *for identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

	Note	**30th June, 2008** ***US$'000*** **(Unaudited)**	31st December, 2007 *US$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**67,808**	73,852
Leasehold land		**2,943**	2,958
Interests in an associated company		**685**	–
Deferred income tax assets		**5,021**	5,021
Deposit for acquisition of an investment	*8*	**1,000**	1,500
Total non-current assets		**77,457**	83,331
Current assets			
Inventories		**17,027**	21,106
Trade and other receivables	*10*	**8,222**	18,995
Cash and cash equivalents		**2,628**	5,744
Total current assets		**27,877**	45,845
Total assets		**105,334**	129,176
EQUITY			
Capital and reserves attributable to the Company's equity holders	*9*		
Ordinary shares		**4,278**	4,278
Share premium		**7,652**	7,652
Other reserves		**5,063**	4,928
(Accumulated losses)/Retained earnings		**(5,653)**	18,662
		11,340	35,520
Minority interest in equity		**1,000**	1,000
Total equity		**12,340**	36,520
LIABILITIES			
Non-current liabilities			
Borrowings		**45,997**	48,197
Obligations under finance leases		**251**	222
Total non-current liabilities		**46,248**	48,419
Current liabilities			
Trade and other payables	*11*	**24,423**	23,543
Current income tax liabilities		**98**	98
Borrowings		**22,225**	20,596
Total current liabilities		**46,746**	44,237
Total liabilities		**92,994**	92,656
Total equity and liabilities		**105,334**	129,176
Net current (liabilities)/assets		**(18,869)**	1,608
Total assets less current liabilities		**58,588**	84,939

1. ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual accounts for the year ended 31st December, 2007, except that the following interpretations are mandatory for financial year ending 31st December, 2008.

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above interpretations did not have any significant financial impact to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for this interim period and have not been early adopted.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment) and HKAS 1 (Revised)	Puttable Finance Instrument and Obligation Arising on Liquidation
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investments in a Foreign Operation

The effect that the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1st January, 2010. The directors anticipate that the adoption of other new standards, amendments to standards and interpretations in future periods will have no significant financial impact to the Group.

2. GOING CONCERN BASIS OF ACCOUNTING

For the six months ended 30th June, 2008, the Group reported a loss attributable to equity holders of US$24,315,000 (a profit of US$3,641,000 for the six months ended 30th June, 2007). As at 30th June, 2008, the Group had net current liabilities of US$18,869,000 (net current assets of US$1,608,000 as at 31st December, 2007) and outstanding bank loans of approximately US$68,222,000 (US$68,793,000 as at 31st December, 2007) of which approximately US$22,225,000 (US$20,596,000 as at 31st December, 2007) is 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.

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. 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 the balance sheet date. 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.

3. SEGMENTAL INFORMATION – UNAUDITED

Primary segment by geographical locations of operations:

The segment results and other information for the six months ended 30th June, 2008 are as follows:

	For the six months ended 30th June, 2008					
	The PRC *US$'000* (Unaudited)	**Hong Kong** *US$'000* (Unaudited)	**Singapore** *US$'000* (Unaudited)	**Malaysia** *US$'000* (Unaudited)	**Elimination** *US$'000* (Unaudited)	**Consolidated** *US$'000* (Unaudited)
Reveune						
External	**10,254**	**1,030**	**–**	**47,698**	**–**	**58,982**
Inter-segment	**–**	**–**	**–**	**598**	**(598)**	**–**
Total revenue	**10,254**	**1,030**	**–**	**48,296**	**(598)**	**58,982**
Result						
Segment result	**(20,221)**	**74**	**(459)**	**495**		**(20,111)**
Unallocated corporate expenses						**(2,248)**
Operating loss						**(22,359)**
Share of loss of an associated company						**(80)**
Finance costs						**(1,876)**
Income tax						**–**
Loss for the period						**(24,315)**
Other information						
Capital expenditures	**6**	**–**	**2**	**2,581**		**2,589**
Unallocated capital expenditures						**–**
						2,589
Depreciation	**984**	**–**	**242**	**3,209**		**4,435**
Amortization charge	**–**	**–**	**–**	**15**		**15**
Unallocated depreciation/amortization						**15**
						4,465

The segment assets and liabilities as at 30th June, 2008 are as follows:

	The PRC	Hong Kong	Singapore	Malaysia	Elimination	Consolidated
Assets						
Segment assets	**9,634**	**656**	**16,832**	**70,718**		**97,840**
Unallocated corporate assets						**7,494**
						105,334
Liabilities						
Segment liabilities	**4,796**	**12**	**1,224**	**18,159**		**24,191**
Unallocated corporate liabilities						**68,803**
						92,994

The segment results and other information for the six months ended 30th June, 2007 are as follows:

	For the six months ended 30th June, 2007					
	The PRC *US$'000* (Unaudited)	Hong Kong *US$'000* (Unaudited)	Singapore *US$'000* (Unaudited)	Malaysia *US$'000* (Unaudited)	Elimination *US$'000* (Unaudited)	Consolidated *US$'000* (Unaudited)
Revenue						
External	19,022	1,396	–	52,760	–	73,178
Inter-segment	–	–	–	54	(54)	–
Total revenue	19,022	1,396	–	52,814	(54)	73,178
Result						
Segment result	(2,579)	28	99	9,235		6,783
Unallocated corporate expenses						(674)
Operating profit						6,109
Finance costs						(2,483)
Income tax credit						15
Profit for the period						3,641
Other information						
Capital expenditures	725	–	4	1,485		2,214
Unallocated capital expenditures						–
						2,214
Depreciation	714	1	142	3,431		4,288
Amortization charge	–	–	–	15		15
Unallocated depreciation/amortization						–
						4,303

The segment assets and liabilities as at 31st December, 2007 are as follows:

	The PRC	Hong Kong	Singapore	Malaysia	Elimination	Consolidated
Assets						
Segment assets	31,458	600	16,627	72,652		121,337
Unallocated corporate assets						7,839
						129,176
Liabilities						
Segment liabilities	5,662	53	72	16,931		22,718
Unallocated corporate liabilities						69,938
						92,656

Secondary segment by products:

	For the six months ended 30th June,						As at	
	2008			2007			**30th June, 2008**	31st December, 2007
	Revenue	**Operating Profit/ (Loss)**	**Capital Expenditures**	Reveune	Operating Profit/ (Loss)	Capital Expenditures	**Assets**	Assets
	US$'000	***US$'000***	***US$'000***	*US$'000*	*US$'000*	*US$'000*	***US$'000***	*US$'000*
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Unaudited)	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Weather and boil proof plywood	**23,385**	**252**	**1,365**	28,377	4,967	787	**36,927**	36,526
Flooring	**15,679**	**(974)**	**582**	12,812	2,192	233	**15,743**	11,636
Moisture resistant plywood	**10,240**	**173**	**416**	12,994	2,088	322	**11,257**	15,064
Jamb and mouldings	**4,895**	**(9,653)**	**4**	8,245	(465)	283	**5,888**	15,243
Structural	**2,565**	**(5,059)**	**1**	9,091	(512)	327	**2,291**	14,469
Others	**2,218**	**(4,373)**	**219**	1,659	(79)	257	**7,357**	11,172
Unallocated	**–**	**(2,725)**	**2**	–	(2,082)	5	**25,871**	25,066
Total	**58,982**	**(22,359)**	**2,589**	73,178	6,109	2,214	**105,334**	129,176

4. PROVISIONS FOR THE CHINA DIVISION OF THE GROUP – UNAUDITED

A major customer of the China division of the Group notified that it would be unable to repay in full the amount due to the Group. As at 30th June, 2008, the amount due from this customer was approximately US$6,239,000. Recovery actions have been taken against this customer. Due to the uncertainty involved and on a prudent basis, full provision has been made in respect of the balance due from this customer.

Due to the adverse business and market conditions faced by the China division of the Group together with the impact of the potential non-recovery mentioned above, the China division was expected to experience great difficulties in its manufacturing operation and the sale of its inventory. Provisions of approximately US$4,860,000 and US$5,814,000 were accordingly made to write down the inventories to net realizable value and fixed assets to recoverable amount respectively.

5. EXPENSES BY NATURE – UNAUDITED

(Loss)/Profit before income tax was determined after charging the following:

	For the six months ended 30th June,	
	2008	2007
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**4,450**	4,288
Amortization charge of leasehold land	**15**	15
Provision for doubtful receivables	**6,239**	–
Provision for write-down of inventories to net realizable value	**4,888**	–
Impairment loss on property, plant and equipment	**5,814**	–
Staff secondment and consulting fees	**810**	810
Interest expense on		
– Bank overdrafts and loans	**1,616**	2,131
– Finance lease	**15**	9
– Others	**245**	343
Staff costs		
– Wages and salaries	**1,599**	1,443
– Pension costs	**149**	144

6. INCOME TAX – UNAUDITED

(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 for as the Group had no assessable profit arising in or derived from Hong Kong.

(iii) Malaysia

No taxation has been provided by a subsidiary in Malaysia because it had unutilized tax allowances to offset its estimated assessable profit for the six months ended 30th June, 2008. The applicable income tax rate of this subsidiary is 26% (2007 – 27%).

(iv) The PRC

The Group's joint venture enterprise ("JV") established in Dalian, the PRC is subject to PRC enterprise income tax ("EIT") on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The applicable EIT rate of the JV is 18% (2007 – 15%), which is the preferential state income tax rate.

As approved by the tax authorities, the JV is 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 2008 tax year.

No taxation has been provided for as the JV had no estimated assessable profit for the current period and the 2008 tax year is also the first year of the two exemption years (2007 – Nil).

(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 to the consolidated income statement represents:

	For the six months ended 30th June,	
	2008	2007
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Deferred taxation relating to the reversal of temporary differences	**–**	15

7. (LOSS)/EARNINGS PER SHARE – UNAUDITED

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30th June,	
	2008	2007
(Loss)/Profit attributable to equity holders of the Company (United States Dollar)	**(24,315,000)**	3,641,000
Weighted average number of ordinary shares in issue	**1,327,779,448**	1,153,379,448
Basic (loss)/earnings per share (United States Cent per share)	**(1.83)**	0.32

There was no dilutive effect on (loss)/earnings per share for the six months ended 30th June, 2008 and 2007 since all outstanding share options were anti-dilutive.

8. DEPOSIT FOR ACQUISITION OF AN INVESTMENT – UNAUDITED

In August 2007, the Group entered into a conditional agreement with an independent third party in connection with the acquisition of 49% interest in certain 40,000 acres logging concession in Malaysia.

Total consideration for the above-mentioned acquisition was US$2,000,000. Upon execution of the agreement, the Group paid a refundable deposit of US$1,500,000 and the balance of US$500,000 should be paid upon completion.

In April 2008, the Group entered into a supplemental agreement with the independent third party and completed the acquisition of 100% of the share capital of Sevier Pacific Limited ("SPL"), a company holding 49% interest in a limited company incorporated in Malaysia, which has certain interest in 10,000 acres logging concession in Malaysia. According to the supplemental agreement, the completion of the acquisition of 49% interest in the remaining 30,000 acres logging concession in Malaysia shall be completed within 12 months from the date of the supplemental agreement.

On a pro-rata basis, US$500,000 of the refundable deposit paid was utilized and was accounted for as cost of investment in subsidiaries. Since the refundable deposit of US$1,000,000 was paid for the proposed acquisition of an investment, which was intended to be held for long-term, the deposit was accordingly classified as non-current assets.

9. CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS – UNAUDITED

	Attributable to equity holders of the Company						
	Ordinary Shares US$'000 (Unaudited)	Share Premium US$'000 (Unaudited)	Other Reserves US$'000 (Unaudited)	Retained Earnings / (Accumulated losses) US$'000 (Unaudited)	Total US$'000 (Unaudited)	Minority Interest US$'000 (Unaudited)	Total Equity US$'000 (Unaudited)
Balance at 1st January, 2008	**4,278**	**7,652**	**4,928**	**18,662**	**35,520**	**1,000**	**36,520**
Loss for the period	**–**	**–**	**–**	**(24,315)**	**(24,315)**	**–**	**(24,315)**
Currency translation differences	**–**	**–**	**135**	**–**	**135**	**–**	**135**
Balance at 30th June, 2008	**4,278**	**7,652**	**5,063**	**(5,653)**	**11,340**	**1,000**	**12,340**
Balance at 1st January, 2007	3,598	–	4,048	17,394	25,040	1,000	26,040
Issuance of new shares (*)	357	3,888	–	–	4,245	–	4,245
Profit for the period	–	–	–	3,641	3,641	–	3,641
Currency translation differences	–	–	206	–	206	–	206
Balance at 30th June, 2007	3,955	3,888	4,254	21,035	33,132	1,000	34,132

(*) In May 2007, the Company completed a placement of 111,600,000 new shares to independent third parties and received gross proceeds of HK$33,480,000. This amount was used as general working capital of the Group.

10. TRADE AND OTHER RECEIVABLES – UNAUDITED

	30th June, 2008 ***US$'000*** **(Unaudited)**	31st December, 2007 *US$'000* (Audited)
Trade receivables	**10,937**	13,957
Less : Provision for doubtful receivables	**(7,064)**	(660)
Trade receivables – net	**3,873**	13,297
Bill receivables	**942**	2,727
Other receivables	**3,407**	2,971
Total trade and other receivables	**8,222**	18,995

The carrying amounts of trade and other receivables approximate their fair values due to short maturity.

The aging analysis of the trade receivables are as follows:

	30th June, 2008	31st December, 2007
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0-30 days	**3,980**	8,867
31-60 days	**2,257**	2,033
61-90 days	**1,789**	1,257
91-180 days	**1,706**	762
181-360 days	**530**	17
Over 360 days	**675**	1,021
	10,937	13,957

The Group normally grants credit terms of not more than 180 days to existing customers without collaterals. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors.

Certain subsidiaries of the Group negotiated bill receivables on a with recourse basis with banks for cash during the six months ended 30th June, 2008 and the outstanding amount as at 30th June, 2008 was US$924,000 (US$2,635,000 as at 31st December, 2007). The transactions have been accounted for as collateralized borrowings.

As at 30th June, 2008, trade receivables and other receivables amounting to approximately US$464,000 and US$2,087,000 (US$4,649,000 and US$1,500,000 as at 31st December, 2007) respectively were subject to floating charges as collateral for certain banking facilities of the Group.

As of 30th June, 2008, trade receivables of US$7,064,000 (US$660,000 as at 31st December, 2007) were impaired and provided for. The individually impaired receivables mainly relate to customers, which are in unexpected difficult financial situations.

11. TRADE AND OTHER PAYABLES – UNAUDITED

	30th June, 2008	31st December, 2007
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade payables	**19,304**	18,509
Other payables	**5,119**	5,034
	24,423	23,543

The carrying amounts of trade and other payables approximate their fair values due to short maturity.

The aging analysis of the trade payables are as follows:

	30th June, 2008	31st December, 2007
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0-30 days	**5,782**	8,204
31-60 days	**4,432**	4,542
61-90 days	**2,561**	3,858
91-180 days	**3,508**	1,642
181-360 days	**3,003**	244
Over 360 days	**18**	19
	19,304	18,509

BUSINESS REVIEW

The first half of the year 2008 was a difficult period for the Group. Our markets were affected by problems continuing from the second half of last year. Our China division kept deteriorating and the Malaysian operation experienced an unusually long rainy season up till June and affected log supply.

The Group made turnover of approximately US$58,982,000 for the first half year, about 19% lower when compared with the same period last year. Overall average price of its products had declined by about 5%.

The USA market continued to be slow with the sub-prime mortgage crisis unresolved, causing pressure on the construction and renovation markets. Sales from our China division was only about 16,000 M3 compared to about 32,000 M3 for the same period last year. The rising costs of raw materials, glue, labour and freight were the principal concerns of the Group battling to bring the China division back to health.

The prices of raw materials from Russia are expected to climb with export duty for Russian logs to increase starting 2009. That plus the lowering of export rebate are expected to make it difficult for wood manufacturing in China to be profitable in the near future.

Heeding the difficult operating environment for the China division, the Group announced in June the conditional sale of the division. However, due to unforeseen circumstances, the deal was called off. While continuing to run the division at its best, the management of the Group is also actively looking into alternatives in relation to the division and with the best interest of shareholders in mind.

As for our Malaysian factory, it had to cope with a prolonged rainy season that ended only around the end of June. The lower supply of logs and slow transport affected logs delivery. With production affected, sales volume of our plywood mill were down by about 5%. Log prices increased by about 22% and fuel and electricity had gone up by close to 30%.

Japan market was still stagnant as it continued to focus on lowering stock from purchases made last year instead of buying new supply. However, we believe this market will pick up by the end of the third quarter. Although prices are increasing for some plywood, manufacturing cost of the Company has also increased.

We have increased production and sales of our flooring products. Compared with the first half of 2007, sales of the flooring products had increased by about 22%. Most of these products were sold in the PRC market. The Group will continue to expand this business and into new markets like Korea, Thailand and the Philippines. Traditional markets like Japan and Europe will remain as an important part in the Group's overall growth strategy.

During the six months under review, the Group continued to modify and improve production processes so as to keep enhancing the quality of its products and production efficiency. The Group will also continue to explore new markets like India and those in Eastern Europe and other regions.

OUTLOOK

The Group expects demand for plywood to remain stable, if not increase, by end of third quarter 2008. With reconstruction after the Sichuan earthquakes in China under way and stocks in Japan lowering, we expect the prices of plywood to increase. The increase in export duty of Russian softwood logs will hit plywood factories in Japan and push up the prices of softwood plywood hence making our traditional product, hardwood plywood, more competitive.

The logging operations of our associated company are expected to start sometime in the fourth quarter. It will contribute to our profitability. Going forward, the Group will continue to consolidate its resources and explore ways to boost cost effectiveness and growth of its business. Related measures include sourcing for timber concessions, outsourcing of processes and/or production of upstream semi-finished products, re-engineering processes to cut down duplication and production time, and formulating new customer and market-focused strategies.

Geographically, the Group will continue to focus on traditional markets including Japan, Europe and the PRC, which are the largest wood consumers in the world. At the same time, it will keep exploring and developing new markets.

As for our China division, it is unfortunate that we were not able to sell it as planned. The Group sees difficulty in maintaining the division which is incurring severe losses. Steps have been taken by the management to boost production efficiency and lower cost, however, we have also to battle challenging market conditions. We expect the adverse operating environment for the China division to continue and drastic measures may have to be made to prevent further losses.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30th June, 2008, the Group recorded a net current liability of approximately US$18.9 million, compared to a net current asset of around US$1.6 million as at 31st December, 2007. The substantial reduction in current assets could be attributable to the deteriorating performance of the China division and the provision made in respect of a major customer of the China division.

Capital structure

During the period ended 30th June, 2008, there was no material change to the Group's capital structure.

Significant investments, acquisitions and disposals

In April 2008, the Group completed approximately one-fourth of its acquisition of 49% interest in a 40,000 acres logging concession in Malayisa. It is expected that the acquisition of the remaining three-fourth will be completed in the first quarter 2009.

In June 2008, the Group entered into an agreement with an independent third party for the sale of the China division (ACHL Group) but the agreement was terminated in July 2008.

Employees

As at 30th June, 2008, the Group had 3,858 staff, 3,386 of whom worked at the manufacturing plant in Bintulu, Sarawak, Malaysia and 431 at facilities in Dalian, 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$65.9 million, floating charges on certain inventories of approximately US$16.2 million, trade receivables of approximately US$1.4 million, bank balances of approximately US$0.3 million, other assets of approximately US$2.1 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

Except for the completion of the acquisition of 49% interest in certain 30,000 acres concessions, the Group has no plan for material investment in the near future.

Gearing ratio

The gearing ratios of the Group as at 30th June, 2008 and 31st December, 2007 were as follows:–

	30th June, 2008 US$'000 (Unaudited)	31st December, 2007 US$'000 (Audited)
Total borrowings	**68,222**	68,793
Less : Cash and cash equivalents	**(2,628)**	(5,744)
Net debt	**65,594**	63,049
Total equity	**12,340**	36,520
Total capital	**77,934**	99,569
Gearing ratio (net debt to total capital)	**84%**	63%

The increase in the gearing ratio during the six months ended 30th June, 2008 resulted primarily from the significant loss suffered by the Group.

Foreign exchange exposures

The Group has operations in the PRC and Malaysia with significant number of transactions conducted in Chinese Renminbi and Malaysian Ringgit. While the functional and presentation currency of the Company is United States dollars, the Group is exposed to foreign exchange risk primarily from these currencies. The Group has not used forward contracts to hedge such exchange risk because it is considered as not cost-effective.

Contingent liabilities

As at 30th June, 2008, the Group had no contingent liabilities.

DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30th June, 2008 (2007 – 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 six months ended 30th June, 2008, with deviations from code provision A.2.1, A.3 and E.1.2.

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.

Dr. 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 Chairman of the Company, Dr. 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 Dr. Budiono Widodo in plywood industry does contribute materially to the Group's operation.

Code provision A.3

Under code provision A.3, the Board should include a balance composition of executive and non-executive directors (including independent non-executive directors) and under rule 3.10, the Board must include at least three (3) independent non-executive directors.

Due to the resignation of Mr. Ngai Kwok Chuen as an independent non-executive director of the Company on 29th November, 2007, the Board only had two independent non-executive directors since then until Mr. Siah Chong Huat was appointed as an independent non-executive director of the Company to fill this vacancy on 18th January, 2008.

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 Chairman, Dr. Budiono Widodo did not attend the Company's 2008 annual general meeting. However, Dr. Budiono Widodo arranged Mr. Sardjono Widodo and Mr. Liao Yun Kuang, Managing Director and President of the Company respectively, to attend the Company's 2008 annual general meeting to answer questions raised by shareholders.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Marzuki Usman (chairman), Mr. Kusnadi Widjaja and Mr. Siah Chong Huat (appointed on 18th January, 2008 to fill the causal vacancy arising from the resignation of Mr. Ngai Kwok Chuen on 29th November, 2007).

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

The unaudited condensed consolidated financial information for the six months ended 30th June, 2008 has been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

PUBLICATION OF THIS ANNOUNCEMENT

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at http://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".

By Order of the Board
Budiono Widodo
Chairman

Hong Kong, 18th September, 2008

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

Executive Directors	*Non-executive Directors*	*Independent Non-executive* Directors
Dr. Budiono Widodo *(Chairman)*	Mr. Sudjono Halim	Mr. Marzuki Usman
Mr. Sardjono Widodo *(Managing Director)*	Mr. Pipin Kusnadi	Mr. Kusnadi Widjaja
Mr. Liao Yun Kuang *(President)*		Mr. Siah Chong Huat
Mr. Yu Chien Te		