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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)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF SUBSIDIARIES**

On 29 May 2009, the Vendor entered into the Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire all the issued shares in the capital of ACHL for a consideration of US\$50,000, payable in full by the Purchaser upon completion.

As the percentage ratios under Rule 14.06 of the Listing Rules applicable to the Disposal exceeded 5% but were below 25%, the Disposal constituted a discloseable transaction for the Company under the Listing Rules.

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.

### **THE SALE AND PURCHASE AGREEMENT**

**Date:**

29 May 2009

**Parties:**

Vendor : Pacific Plywood Holdings Limited

Purchaser : PT. Golden Pacific Gate

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 its connected persons (as defined in the Listing Rules).

\* *for identification purpose only*

**The assets to be disposed of:**

Pursuant to the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase 100 shares, being all the issued shares, of ACHL.

**Consideration**

US\$50,000.

The consideration was determined after arm's length negotiations between the parties on normal commercial terms.

**Terms of payment**

US\$5,000 was paid when the Agreement was signed and the balance of US\$45,000 would be paid by the Purchaser upon Completion.

**Conditions precedent**

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

Neither the Vendor 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 been fulfilled.

**Completion**

Completion is expected to take place on or before 15 June 2009.

**INFORMATION ON THE GROUP**

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

**INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated in Indonesia and its principal business is the exploration and sale of coal and other energy related products. The Purchaser is beneficially and wholly owned by Mr. Sudiyono and Mr. Indra Sutjipto, both of them are independent of the Company and its connected persons (as defined in the Listing Rules).

**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 consolidated financial results of ACHL for the year ended 31 December 2007 and 2008, 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 2007 and 2008:–

	<b>Financial year ended</b>	
	<b>31 December</b>	
	<b>2008</b>	<b>2007</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Net loss before taxation and extraordinary items	23,747	5,251
Net loss after taxation and extraordinary items	23,747	5,251

Based on the latest audited accounts of the Group as at 31 December 2008, ACHL Group recorded a negative net equity (excluding intercompany balances) of approximately US\$2.8 million.

### **REASONS FOR THE DISPOSAL**

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 the rapid economic development of the PRC and the drastic changes of the business environment and government policy in the PRC, the availability of resources, including lumber and labour, has become scarce and costs for manufacturing have been increasing. The Board considered that this trend would continue in the future and accordingly, the Group should cease its manufacturing base in the PRC. As a result of the recent worldwide financial turmoil, the operating environment of ACHL Group has become more difficult. After careful consideration and for the best interests of the Group, the Board decided on 4 November 2008 to discontinue the PRC business of ACHL Group.

Having taken into account the past performance and current financial position of ACHL Group, the Board was of the view that the Disposal was fair, reasonable and in the interests of the Company and its Shareholders as a whole.

### **FINANCIAL EFFECTS OF THE DISPOSAL**

Based on the latest audited accounts of the Group for the year ended 31 December 2008, the Group expected to recognize an unaudited gain of approximately US\$3.7 million, which was computed by reference to (a) the consideration receivable of US\$50,000; and (b) the total investment made by the Vendor in ACHL Group of approximately US\$41.1 million minus the post-acquisition loss attributable to ACHL Group up to 31 December 2008 of approximately US\$44.8 million. The exact amount of gain to be recognized by the Group is dependent on the actual results of ACHL Group for the period from 1 January 2009 up to the date of Completion.

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.

The Group would then concentrate its efforts in developing its manufacturing business in Malaysia. 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.

## **APPLICATION OF SALES PROCEEDS**

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

## **LISTING RULES IMPLICATIONS**

As the percentage ratios under Rule 14.06 of the Listing Rules applicable to the Disposal exceeded 5% but were below 25%, the Disposal constituted a discloseable transaction for the Company under the Listing Rules.

## **PUBLICATION OF THIS ANNOUNCEMENT**

This announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and of the Company at <http://www.irasia.com/listco/hk/pphl>.

## **DEFINITIONS**

The following words and phrases used in this announcement have the meanings as follows:–

“ACHL”	Ankan (China) Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
“ACHL Group”	ACHL and its subsidiaries;
“Agreement”	the agreement dated 29 May 2009 entered into between the Vendor and the Purchaser for the sale and purchase of 100 shares of ACHL;
“Board”	the board of Directors of the Company;
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda and the shares of which are 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 100 shares of ACHL to the Purchaser by the Vendor pursuant to the Agreement;

“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”	PT. Golden Pacific Gate;
“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;
“US\$”	United States dollars, the lawful currency of the United States of America.

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

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

Hong Kong, 29 May 2009