Pacific Plywood Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 767)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2006

The Board of Directors (the "Directors") of Pacific Plywood Holdings Limited (the "Company") hereby announce the consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31st December, 2006 and the comparative figures as follows:–

CONSOLIDATED INCOME STATEMENT

	Note	**2006** *US$'000*	2005 *US$'000*
Sales	3	**153,101**	136,144
Cost of sales	4	**(125,690)**	(116,054)
Gross profit		**27,411**	20,090
Other gain-net		**233**	477
Distribution costs	4	**(14,063)**	(13,817)
Administrative expenses	4	**(10,204)**	(10,793)
Loss on disposal of subsidiaries		**(1,766)**	–
Write-back of impairment losses on property, plant and equipment		**3,990**	–
Operating profit/(loss)		**5,601**	(4,043)
Finance costs		**(5,143)**	(4,100)
Profit/(Loss) before income tax		**458**	(8,143)
Income tax	5	**–**	239
Profit/(Loss) for the year		**458**	(7,904)
Attributable to:			
Shareholders of the Company		**458**	(7,904)
Minority interests		**–**	–
		458	(7,904)
Earnings/(Loss) per share – basic	6	**US0.06 cents**	US(1.42) cents
Earnings/(Loss) per share – diluted	6	**N/A**	N/A
Dividends		**–**	–

CONSOLIDATED BALANCE SHEET

	Note	**31st December, 2006 US$'000**	31st December, 2005 US$'000
Non-current assets			
Property, plant and equipment		**74,371**	81,005
Leasehold land and land use rights		**2,989**	3,020
Deferred income tax assets	*7*	**4,716**	4,402
Total non-current assets		**82,076**	88,427
Current assets			
Inventories		**18,542**	18,266
Trade receivables	*8*	**15,095**	14,737
Prepayments and other receivables		**2,369**	3,799
Cash and cash equivalents		**3,235**	2,642
Total current assets		**39,241**	39,444
Current liabilities			
Trade payables	*9*	**(16,631)**	(16,956)
Accruals and other payables		**(3,942)**	(8,084)
Current income tax liabilities		**(1,884)**	(1,884)
Borrowings		**(19,640)**	(20,474)
Total current liabilities		**(42,097)**	(47,398)
Net current liabilities		**(2,856)**	(7,954)
Total assets less current liabilities		**79,220**	80,473
Non-current liabilities			
Borrowings		**(53,096)**	(57,078)
Obligations under finance leases		**(69)**	(62)
Deferred income tax liabilities	*7*	**(15)**	(14)
Total non-current liabilities		**(53,180)**	(57,154)
NET ASSETS		**26,040**	23,319
Capital and reserves attributable to the Company's equity holders	*10*		
Share capital		**3,598**	18,037
Other reserves		**4,048**	94,773
Retained earnings/(Accumulated losses)		**17,394**	(90,491)
Minority interests		**1,000**	1,000
TOTAL EQUITY		**26,040**	23,319

Notes:

1. **Going Concern Basis of Accounting**

   As at 31st December, 2006, the Group had net current liabilities of US$2,856,000 (2005 – US$7,954,000) and outstanding bank loans of US$72,736,000 (2005 – US$77,552,000), of which approximately US$19,640,000 (2005 – US$20,474,000) 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.

   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 2007. 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, 2006. 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 following amendments to standards and interpretations are mandatory for financial year ended 31st December, 2006.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 1 & HKFRS 6 (Amendments)	First time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluating of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

The adoption of the above amendments to standards and interpretation did not have any significant changes to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. The directors anticipate that adoption of these standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Agreements

3. Segmental Information

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

	2006 Sales *US$'000*	2005 Sales *US$'000*	**2006 Results** *US$'000*	2005 Results *US$'000*
By geographical locations of operations:–				
– Malaysia	**97,859**	86,015	**7,349**	2,392
– People's Republic of China	**51,230**	45,003	**(4,415)**	(5,275)
– Singapore	**–**	–	**4,119**	(16)
– Hong Kong	**4,012**	5,126	**79**	136
	153,101	136,144	**7,132**	(2,763)
Unallocated corporate expenses			**(1,531)**	(1,280)
Operating profit/(loss)			**5,601**	(4,043)
By products:–				
– Moisture resistant plywood	**26,298**	26,996	**1,551**	724
– Structural	**22,548**	31,693	**283**	(813)
– Jamb and mouldings	**23,208**	16,499	**574**	(673)
– Weather and boil proof plywood	**60,482**	32,976	**4,542**	917
– Flooring	**15,952**	24,053	**1,159**	642
– Veneer	**1,364**	2,566	**27**	68
– Others	**3,249**	1,361	**80**	(58)
	153,101	136,144	**8,216**	807
Unallocated corporate expenses			**(2,615)**	(4,850)
Operating profit/(loss)			**5,601**	(4,043)

4. Expenses by Nature

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

	2006	2005
	US$'000	*US$'000*
Changes in inventories of finished goods and work in progress	**919**	341
Raw materials and consumables used	**82,461**	77,796
Reversal of inventories to net realisable value, net	**(829)**	(152)
Freight and other related charges	**14,063**	13,817
(Reversal)/Provision for impairment of receivables, net	**(205)**	587
Staff costs (excluding directors' emoluments)		
– Wages and salaries	**2,959**	2,880
– Pension costs	**346**	346
Staff secondment service fee	**1,800**	1,800
Directors' emoluments	**913**	919
Depreciation of property, plant and equipment		
– owned assets	**9,369**	9,344
– assets held under finance leases	**10**	20
Amortization of leasehold land	**31**	31
Operating lease expenses on land, buildings and machinery	**543**	406
Loss / (Gain) on disposals of property, plant and equipment	**31**	(32)
Auditors' remuneration	**324**	279

5. Income Tax

(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"), because it had unutilised tax allowances to offset its estimated assessable profit for the year ended 31st December, 2006. The applicable income tax rate of Manuply is 28% (2005 – 28%).

(iv) *The PRC*

The Group's joint venture enterprise established in the PRC is 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", the PRC joint venture enterprise 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 first profitable year after offsetting all tax losses brought forward from the previous five years. The applicable EIT rate of Dalian Global is 15% (15% preferential state income tax and 0% local income tax).

No taxation has been provided for as the joint venture enterprise 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 to the consolidated income statement represents:

	2006	2005
	US$'000	*US$'000*
Current income tax		
– Overseas taxation	**–**	–
Deferred income tax relating to the origination and reversal of temporary differences	**–**	(239)
	–	(239)

6. Earnings/(Loss) per Share

The calculation of basic earnings/(loss) per share is based on the Group's consolidated profit attributable to shareholders of approximately US$458,000 (2005 – loss of US$7,904,000) and on the weighted average number of 744,119,632 shares, (2005 – 558,089,724 shares) in issue during the year.

There was no dilutive effect on earnings/(loss) per share for the years ended 31st December, 2006 and 2005 since all outstanding share options were 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.

	2006	2005
	US$'000	*US$'000*
Deferred income tax assets	**4,716**	4,402
Deferred income tax liabilities	**(15)**	(14)
	4,701	4,388

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

	2006	2005
	US$'000	*US$'000*
Deferred income tax assets	**15,718**	14,670
Deferred income tax liabilities	**(11,002)**	(10,268)
	4,716	4,402

The deferred income tax assets recognized in the consolidated balance sheet as at 31st December, 2006 related to Manuply which was profitable for both the years ended 31st December, 2005 and 2006. The directors are of the view that Manuply will generate sufficient taxable profit in future to fully utilize the deferred income tax assets.

8. Trade Receivables

The aging analysis of the trade receivables is as follows:

	2006	2005
	US$'000	*US$'000*
0–30 days	**9,678**	9,692
31–60 days	**2,050**	3,219
61–90 days	**2,538**	1,011
91–180 days	**401**	98
181–360 days	**26**	415
Over 360 days	**3,383**	4,073
	18,076	18,508
Less: Provision for impairment of receivables	**(2,981)**	(3,771)
	15,095	14,737

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, 2006, trade receivables amounting to approximately US$3,915,000 (2005 – US$4,660,000) were subject to floating charges as collateral for certain banking facilities of the Group.

As at 31st December, 2006, certain subsidiaries of the Group transferred receivable balances amounting to approximately US$1,009,000 (2005-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$91,000 (2005 – US$592,000) for the impairment of its trade receivables during the year ended 31st December, 2006. The loss has been included in administrative expenses in the consolidated income statement.

9. Trade Payables

The aging analysis of the trade payables is as follows:

	2006	2005
	US$'000	*US$'000*
0–30 days	**7,284**	7,362
31–60 days	**3,748**	3,129
61–90 days	**2,240**	1,633
91–180 days	**3,257**	2,916
181–360 days	**91**	910
Over 360 days	**11**	1,006
	16,631	16,956

10. **Capital and reserves attributable to the Company's equity holders**

	Share capital	Share premium	Contributed surplus	Translation	(Accumulated losses)/ Retained Earnings	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1st January, 2005	18,037	90,652	7,814	(3,756)	(82,587)	30,160
Loss for the year	–	–	–	–	(7,904)	(7,904)
Currency translation differences	–	–	–	63	–	63
Balance at 31st December, 2005	18,037	90,652	7,814	(3,693)	(90,491)	22,319
Balance at 1st January, 2006	18,037	90,652	7,814	(3,693)	(90,491)	22,319
Capital reduction	(16,234)	–	16,234	–	–	–
Share premium cancellation	–	(90,652)	90,652	–	–	–
Issue of new shares	1,795	–	–	–	–	1,795
Adjustment of accumulated losses	–	–	(107,427)	–	107,427	–
Profit for the year	–	–	–	–	458	458
Disposal of subsidiaries	–	–	(23)	–	–	(23)
Currency translation differences	–	–	–	491	–	491
Balance at 31st December, 2006	3,598	–	7,250	(3,202)	17,394	25,040

POTENTIAL MODIFICATION TO THE AUDITOR'S REPORT

The report of the auditors on the Group's consolidated financial statements is likely to be modified to include the disclosures of a material uncertainty. The auditor, without qualifying their opinion, will draw attention to the "Going Concern Basis of Accounting" concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As explained in the "Going Concern Basis of Accounting", the consolidated financial statements 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 consolidated financial statements 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, log and lumber prices went up by an average of over 15%, with types in strong demand in fast growing economies like the PRC and India surging more than 30%. The higher prices pushed up the Group's direct costs, and the hike in crude oil prices increased its freight, distribution, utility and glue costs. Despite having to face cost pressures, the Group managed to reduce operating costs by applying a series of stringent cost control measures.

Logging restrictions and green-labelling practices continue to affect the global demand-supply situation and hence the Group's production costs. In combat, the Group has been relentless in increasing recovery rates through process re-engineering and ensuring the cost effectiveness of operations. Furthermore, with certified sources of raw material and supply covered by controlled concessions subject to periodical inspections by relevant authorities, and enjoying strong relationships with logs/lumber suppliers, the Group is assured of consistent material supply.

To effectively counter increasing material costs, the Group strives to maintain a diverse product mix and monitor closely the revenue contribution of different products. During the year under review, among all products, WBP plywood continued to contribute to the bulk of the Group's revenue. Other traditional products, like Veneer, Mouldings, Structural and Laminated Veneer Lumber together also brought in strong and stable revenue. Apart from modifying its production processes and enhancing product quality to meet customers' demand, the Group also continued research and development of new products and ways to expand into new markets.

During the year under review, the Group maintained its production output. The Group's overall production capacity is only about 8% less after it disposed of the production plant in Changchun, the PRC. Its production plants in Dalian, the PRC and Manuply, Malaysia ran smoothly with the latter boasting the highest production volumes at over 85% of its production capacity. It produced and sold the most profitable and well-received products to the Group's major markets in Japan, the PRC, Europe and South-East Asia.

To control costs and improve productivity, the Group undertook a number of important initiatives including outsourcing certain upstream processes and semi-finished products. The Manuply plant used harder wood types and greater volume of smaller and lower grade logs to reduce material costs. And for the plant in China, the Group restructured the remuneration system for workers, shortened the production cycle by combining different processes, and streamlined production lines and plant layout.

During the year under review, the Group focused on strengthening strategic alliances with its partners. Its factory in Dalian, the PRC, commenced cooperation with a well-known purchasing house in US and another in Japan. The Group expects to maintain a stable market share riding on its strategic alliances and marketing initiatives such as increasing the sales of higher value-added products to avoid direct competition, and stepping up direct marketing to end-users to secure stable demand.

Market Overview

During the year under review, the Japanese market though softened, remained the Group's top market. It accounted for nearly 34% of the Group's total turnover. The market values the ability of the Group in supplying high quality plywood products that meet the stringent specifications of the country's building authority. By the end of the financial year, prices of the plywood-based flooring products for Japan was back on the up trend. The Group expects sales to the market to be stable in the coming year. While demand softened in Japan, sales picked up in Europe during the year. All taken into account, both the Japanese and the European markets had been relatively stable bolstered by sustained consumption sentiment and improving economies. The two markets together made up over 50% of the Group's turnover.

Sales to the US market increased last year despite the continued competition from South American producers. The Group managed to mitigate the pressure from competition by focusing on serving major regular customers in mainly the northern part of the US and Vancouver, Canada to avoid direct clash with South American producers targeting the Southern part of the US. The fact that the Group mainly markets softwood mouldings as opposed to hardwood mouldings supplied by the South American producers also helped. The Group sells moulding products in the US that are used mainly in homes. However, the sector was affected by a significant slowdown in housing demand and increasing mortgage rates in the last quarter of the financial year.

During the year under review, the PRC market contributed approximately 11% of the Group's total turnover. Prices for plywood-based flooring in the PRC market began to climb in 2006 from the record low in 2005. The Group expects demand to steadily increase as stocks built up in the past year are used up by customers. Demand from new markets, including the Middle East and South-East Asia was strong in 2006. Demand from these markets is expected to remain stable and start contributing profit to the Group in the near future. The Group has made inroads in the Philippines and India.

The Group is committed to understanding customer needs and market trends to help it develop new and enhanced products, including jumbo-size plywood, SASH window parts and thin layer floor-base. During the period under review, major efforts were made by the Group to introduce jumbo-size plywood into markets in Europe, Japan and Southeast Asia and to expand its shares in those markets. By developing new products and markets, the Group hopes seize opportunities in existing and emerging markets.

Prospects

In 2007, global demand for logs will continue to exceed supply as a result of stringent export regulations, increasing export duties and green labeling requirements of European, American and Japanese consumers and authorities. Generally, we expect prices and demand to remain stable and plan to closely monitor and improve production processes to cap cost escalation.

Furthermore, the Group will continue to focus on its traditional markets including Japan, the PRC, Europe and North America, which together consume the most wood products in the world. At the same time, we will continue to explore and grow recently secured markets such as Korea, the Philippines and the Middle East.

Going forward, we will continue to consolidate our capacities and resources and explore opportunities for growing our business. These opportunities include sourcing for timber concessions to enhance vertical integration, outsourcing of processes and/or upstream semi-finished products, re-engineering of processes to minimize redundant effort and cut processing time, crafting customer and market-focused strategies.

To maximize productivity and offer an optimized product mix, we will constantly review and modify different production processes to assure cost effectiveness and improve the quality of our products and customer service. We are dedicated to providing customers with quality services and maximizing returns to our shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

The Group turned a new page in its financial performance during the year 2006. The profit attributable to shareholders was US$0.5 million, while there was a loss of US$7.9 million in 2005. The earnings before interest, tax and depreciation for 2006 was US$15.0 million, which was substantially higher than that of US$5.3 million for 2005. The operating activities generated a positive cash inflow of US$5.8 million, as compared to an outflow of US$0.5 million for 2005. As at 31st December, 2006, net current liabilities was approximately US$2.9 million, compared to US$8.0 million as at 31st December, 2005, representing a decrease in net current liabilities of US$5.1 million. All in all, the Group's efforts to streamline its operation as well as adopt prudent financial management over the years finally bear fruits. The Group is confident that, bearing unforeseen unfavourable market conditions, this trend would continue in 2007.

Capital structure
During the year ended 31st December, 2006, the Company approved a capital reorganization, which included share consolidation, capital reduction, share premium cancellation and the elimination of the accumulated deficit. In August, 2006, the Company completed an open offer of 558,089,724 new shares to its existing shareholders and received a gross proceeds of approximately US$1.8 million. The effects of the capital reorganization and the open offer are summarized in the note of "Capital and reserves attributable to the Company's equity holders".

Significant investments, acquisitions and disposals
During the year ended 31st December, 2006, the Group disposed of two subsidiaries to an independent third party at a consideration of US$0.4 million, resulting in a consolidated loss of approximately US$1.8 million. Other than that, the Group has no significant investments and material acquisitions and disposal of subsidiaries and associates during the year ended 31st December, 2006.

Employees
As at 31st December, 2006, the Group had 4,174 staff, 3,271 of whom worked at the manufacturing plant in Bintulu, Sarawak, Malaysia and 863 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$71.5 million, floating charges on certain inventories of approximately US$11.6 million, trade receivables of approximately US$3.9 million, bank balances of approximately US$0.7 million, other assets of approximately US$1.3 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, 2006 was approximately US$26.0 million, compared to US$23.3 million as at 31st December, 2005. Total bank borrowings of the Group was approximately US$72.7 million and the gearing ratio (total bank borrowing to total net assets) was accordingly 280% comparing to 333% as at 31st December, 2005.

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. The Group has not used any forward contracts or currency borrowings to hedge its currency exposure.

Contingent liabilities
As at 31st December, 2006, 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, 2006 (2005 – 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, 2006, with deviations from code provisions A.2.1 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 the 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 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, Dr. Budiono Widodo did not attend the Company's 2006 annual general meeting. However, Dr. Budiono Widodo arranged Mr. Sardjono Widodo, Managing Director and Mr. Liao Yun Kuang, President of the Company attending the Company's 2006 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, 2006.

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.

During the year ended 31st December, 2006, the Audit Committee met to review the annual financial information for the year ended 31st December, 2005 and the interim financial statements for the six months ended 30th June, 2006.

The Audit Committee has discussed and reviewed with management the draft consolidated financial statement for the year ended 31st December, 2006. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December, 2006 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statement for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31st December, 2006, 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
Dr. 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, 16th April, 2007

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 Thursday, 21st June, 2007 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, 2006.
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, 16th April, 2007