PACIFIC PLYWOOD HOLDINGS LIMITED
太平洋實業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 767)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2008

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, 2008 and the comparative figures as follows:–

CONSOLIDATED INCOME STATEMENT

	Note	**2008** *US$'000*	2007 *US$'000*
Continuing operations:			
Revenue	*3*	**94,706**	108,986
Cost of sales	*4*	**(85,694)**	(86,423)
Gross profit		**9,012**	22,563
Distribution costs	*4*	**(11,255)**	(11,234)
Administrative expenses	*4*	**(8,915)**	(8,536)
Other gains – net		**1,795**	2,918
(Provision for)/Write-back of impairment losses on property, plant and equipment		**(430)**	3,362
Operating (loss)/profit		**(9,793)**	9,073
Finance costs		**(3,591)**	(4,439)
Share of loss of an associate		**(195)**	–
(Loss)/Profit before income tax		**(13,579)**	4,634
Income tax	*5*	**–**	1,801
(Loss)/Profit for the year from continuing operations		**(13,579)**	6,435
Discontinued operation:			
Loss for the year from discontinued operation		**(22,873)**	(5,167)
(Loss)/Profit for the year		**(36,452)**	1,268

* *for identification purpose only*

	Note	**2008**	2007
		US$'000	*US$'000*
Attributable to:			
Company's equity holders		**(36,452)**	1,268
(Loss)/Earnings per share for (loss)/profit from continuing operations and loss from discontinued operation attributable to the Company's equity holders during the year			
Basic (loss)/earnings per share			
From continuing operations	*6*	**US(1.02) cents**	US0.53 cents
From discontinued operation	*6*	**US(1.72) cents**	US(0.43) cents
		US(2.74) cents	US0.10 cents
Diluted (loss)/earnings per share			
From continuing operations	*6*	**US(1.02) cents**	US0.53 cents
From discontinued operation	*6*	**US(1.72) cents**	US(0.43) cents
		US(2.74) cents	US0.10 cents
Dividends		**–**	–

CONSOLIDATED BALANCE SHEETS

	Note	**31st December, 2008 US$'000**	31st December, 2007 US$'000
Non-current assets			
Leasehold land		**2,928**	2,958
Property, plant and equipment		**61,989**	73,852
Interests in an associate		**981**	–
Deferred income tax assets		**4,807**	5,021
Deposit for acquisition of an investment		**1,000**	1,500
Total non-current assets		**71,705**	83,331
Current assets			
Inventories		**13,309**	21,106
Trade and other receivables	*7*	**4,652**	18,995
Cash and cash equivalents		**1,673**	5,744
Total current assets		**19,634**	45,845
Non-current liabilities			
Borrowings		**(48,947)**	(48,419)
Total non-current liabilities		**(48,947)**	(48,419)
Current liabilities			
Trade and other payables	*8*	**(23,903)**	(23,342)
Current income tax liabilities		**(98)**	(98)
Bank overdrafts		**(2,521)**	–
Borrowings		**(15,862)**	(20,797)
Total current liabilities		**(42,384)**	(44,237)
Net current (liabilities)/assets		**(22,750)**	1,608
Total assets less current liabilities		**48,955**	84,939
NET ASSETS		**8**	36,520
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		**4,868**	4,928
(Accumulated losses)/Retained earnings		**(17,790)**	18,662
Minority interest in equity		**1,000**	1,000
TOTAL EQUITY		**8**	36,520

Notes:

1. GOING CONCERN BASIS OF ACCOUNTING

As at 31st December, 2008, the Group had net current liabilities of US$22,750,000 (2007 – net current assets of US$1,608,000) and outstanding borrowings and overdrafts amounted to approximately US$67,330,000 (2007 – US$69,216,000), out of which approximately US$18,383,000 (2007 – US$20,797,000) 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 intends to maintain its strong business relationship with its bankers to maintain their continuing support and is actively discussing with its bankers for the renewal of short term banking facilities when they fall due in 2009. The Directors are confident that the short term banking facilities will be renewed. In January 2009, the Group successfully obtained an approval from its principal bank for a moratorium period commencing from 31st December, 2008 to 31st December, 2009 on the repayment of principal and interest on a term loan of approximately US$43,816,000.

In November 2008, the Group discontinued the operation of its PRC subsidiary, Dalian Global Wood Products Company Limited ("Dalian Global"), which had been in a loss and cash outflow position for years. With the discontinuation of this operation, the implementation of other cost-cutting measures and the ongoing support from its bankers, the Directors believe 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, 2008.

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 financial statements on the going concern basis. The financial statements 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

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention.

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 Group's accounting policies.

(a) Adoption of new and revised standard, amendments and interpretations

(i) The following amendments to standards and interpretations are mandatory for financial year ended 31st December, 2008.

HKAS 39 & HKFRS 7	Reclassification of Financial Assets
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 amendments to standards and interpretations did not have any significant financial impact to the Group.

(ii) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted.

HKAS 1 (Revised) Presentation of Financial Statements[2]

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1st January, 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

HKAS 23 (Revised) Borrowing Costs[2]

The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) retrospectively from 1st January, 2009 but is currently not applicable to the Group as there are no qualifying assets.

HKAS 27 (Revised) Consolidated and Separate Financial Statements[3]

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1st January, 2010.

HKFRS 3 (Revised) Business Combination[3]

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1st January, 2010.

HKFRS 8 Operating Segments[2]

HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 retrospectively from 1st January, 2009.

HKFRS 1 & HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations[3]

The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1st January, 2010.

HKAS 36 (Amendment)	Impairment of assets[2]

Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1st January, 2009.

HKFRS 1 & HKAS 27 (Amendment)	Cost of Investment in a Subsidiary, Jointly Controlled Entities or Associates[3]

The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1st January, 2010 in its separate financial statements.

(iii) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and not relevant for the Group's operations.

HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[1]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[3]
HKAS 19 (Amendment)	Employee benefits[2]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement[2]
HKAS 16 & HKAS 7 (Amendment)	Property, plant and equipment and statement of cash flow[2]
HKAS 20 (Amendment)	Accounting for government grants and disclosure of government assistance[2]
HKAS 28, HKAS 32 & HKFRS 7 (Amendment)	Investments in associates[2]
HKAS 29 (Amendment)	Financial reporting in hyperinflationary economies[2]
HKAS 31, HKAS 32 & HKFRS 7 (Amendment)	Interests in joint ventures[2]
HKAS 38 (Amendment)	Intangible assets[2]
HKAS 40 & HKAS 16 (Amendment)	Investment property[2]
HKAS 41 (Amendment)	Agriculture[2]

There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting', which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analyzed in detail.

Notes:

1. Effective for annual periods beginning on or after 1st October, 2008.
2. Effective for annual periods beginning on or after 1st January, 2009.
3. Effective for annual periods beginning on or after 1st July, 2009.

(b) Financial information of Dalian Global

Dalian Global is the PRC subsidiary of the Company. It is a cooperative joint venture and its scope of business is the manufacture and sale of wood products. As a result of the recent worldwide financial turmoil, the operating environment of Dalian Global has become more difficult. After consideration for the interests of the Group, the Directors decided in November 2008 to discontinue the operation of Dalian Global. The discontinuation might result in a possible liquidation of Dalian Global.

After the discontinuation of operation of Dalian Global, it is the understanding of the Group that certain assets of Dalian Global have been frozen by the local court and the access to the manufacturing facilities, in which most of its accounting records and related supporting documents are located, has been blocked. As a result, the Group encountered immense difficulties in gaining access to the accounting records and related supporting documents of Dalian Global.

The financial information of Dalian Global was prepared by management based on Dalian Global's management accounts and related reports made up to August 2008 after making the necessary estimates and adjustments arrived at using all relevant information to the Group to date.

Principal estimates and adjustments made by the Group include impairment provision for trade and other receivables, inventory provision, impairment provision for property, plant and equipment, compensation to employees, and provision for onerous contracts. These principal estimates and adjustments made in related to Dalian Global were separately disclosed in the respective notes to the consolidated financial statements. The identification of estimates and adjustments requires the use of judgment and estimates. These judgment and estimates were based on searches and enquiries up to the date of these accounts. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables, inventories, property, plant and equipment, and provisions as at 31st December, 2008 and the results for the year in which such estimate has been changed. In addition, because the Group management did not have access to the relevant accounting records and related supporting documents, it is uncertain as to whether all appropriate estimates and adjustments have been made.

3. SEGMENT INFORMATION

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

Primary segment by geographical location of operations:

	2008						
	Continuing operations				Discontinued operation		
	Malaysia	Hong Kong	Others	Total	The PRC	Elimination	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue							
– External	88,623	1,519	4,564	94,706	7,587	–	102,293
– Inter-segment	728	–	118	846	287	(1,133)	–
Total revenue	89,351	1,519	4,682	95,552	7,874	(1,133)	102,293
Result							
Segment result	(4,807)	104	(979)	(5,682)	(22,603)		(28,285)
Unallocated corporate expenses				(4,111)	–		(4,111)
Operating loss				(9,793)	(22,603)		(32,396)
Finance costs				(3,591)	(270)		(3,861)
Share of loss of an associate				(195)	–		(195)
Income tax				–	–		–
Loss attributable to the Company's equity holders				(13,579)	(22,873)		(36,452)
Assets							
Segment assets	60,913	376	16,484	77,773	6,561		84,334
Unallocated corporate assets				7,005	–		7,005
				84,778	6,561		91,339
Liabilities							
Segment liabilities	17,213	11	250	17,474	5,153		22,627
Unallocated corporate liabilities				64,529	4,175		68,704
				82,003	9,328		91,331
Other information							
Capital expenditure	2,692	9	5	2,706	6		2,712
Unallocated capital expenditure							–
							2,712
Depreciation	6,423	2	492	6,917	1,939		8,856
Amortization charge	31	–	–	31	–		31
Unallocated depreciation/amortization							16
							8,903

	2007						
	Continuing operations				Discontinued operation		
	Malaysia	Hong Kong	Others	Total	The PRC	Elimination	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue							
– External	100,865	2,505	5,616	108,986	22,977	–	131,963
– Inter-segment	479	–	291	770	23	(793)	–
Total revenue	101,344	2,505	5,907	109,756	23,000	(793)	131,963
Result							
Segment result	9,792	168	3,430	13,390	(4,738)		8,652
Unallocated corporate expenses				(4,317)	–		(4,317)
Operating profit/(loss)				9,073	(4,738)		4,335
Finance costs				(4,439)	(429)		(4,868)
Income tax				1,801	–		1,801
Profit/(Loss) attributable to the Company's equity holders				6,435	(5,167)		1,268
Assets							
Segment assets	72,652	600	19,087	92,339	28,998		121,337
Unallocated corporate assets				7,894	(55)		7,839
				100,233	28,943		129,176
Liabilities							
Segment liabilities	16,931	53	388	17,372	5,346		22,718
Unallocated corporate liabilities				64,607	5,331		69,938
				81,979	10,677		92,656
Other information							
Capital expenditure	2,892	–	26	2,918	1,149		4,067
Unallocated capital expenditure							–
							4,067
Depreciation	6,798	1	408	7,207	1,749		8,956
Amortization charge	31	–	–	31	–		31
Unallocated depreciation/amortization							29
							9,016

Secondary segment by products:

	2008				2007			
	Revenue	**Operating loss**	**Assets**	**Capital expenditure**	Revenue	Operating profit/(loss)	Assets	Capital expenditure
	US$'000	***US$'000***	***US$'000***	***US$'000***	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Continuing operations								
Flooring	**20,367**	**(1,091)**	**9,726**	**431**	23,710	2,211	11,636	463
Structural	**1,457**	**(147)**	**–**	**–**	1,594	(72)	–	–
Moisture resistant plywood	**18,684**	**(788)**	**8,842**	**391**	27,058	2,557	15,064	600
Jamb & mouldings	**2,021**	**(204)**	**–**	**–**	3,648	764	769	–
Weather and boil proof plywood	**51,783**	**(2,685)**	**35,199**	**1,558**	52,786	5,124	36,526	1,454
Others	**394**	**(36)**	**7,053**	**312**	190	13	11,172	375
Unallocated	**–**	**(4,842)**	**23,958**	**14**	–	(1,524)	25,066	26
Sub-total	**94,706**	**(9,793)**	**84,778**	**2,706**	108,986	9,073	100,233	2,918
Discontinued operation								
Structural	**1,482**	**(4,414)**	**1,561**	**1**	9,426	(1,508)	14,469	528
Jamb & mouldings	**3,885**	**(11,574)**	**4,010**	**4**	10,145	(2,742)	14,474	557
Others	**2,220**	**(6,615)**	**990**	**1**	3,406	(488)	–	64
Sub-total	**7,587**	**(22,603)**	**6,561**	**6**	22,977	(4,738)	28,943	1,149
Total	**102,293**	**(32,396)**	**91,339**	**2,712**	131,963	4,335	129,176	4,067

4. EXPENSES BY NATURE

	2008	2007
	US$'000	*US$'000*
Continuing operations:		
Amortization of leasehold land	**31**	31
Auditors' remuneration	**390**	296
Changes in inventories of finished goods and work in progress	**599**	(3,326)
Depreciation and amortization		
– owned assets	**6,884**	7,188
– assets held under finance leases	**49**	48
Directors' emoluments	**840**	915
Employee benefit expense (excluding Directors' emoluments)		
– Wages and salaries	**2,574**	2,430
– Social security and pension costs	**187**	154
Freight and other related charges	**11,255**	11,234
Operating lease expenses on land, buildings and machinery	**126**	139
Provision for impairment of receivables	**300**	–
Provision for/(reversal of) inventories to net realizable value	**1,031**	(60)
Raw materials and consumables used	**55,398**	57,619
Staff secondment service fee	**1,440**	1,620
Other expenses	**24,760**	27,905
	105,864	106,193
Discontinued operation:		
Auditors' remuneration	**27**	36
Changes in inventories of finished goods and work in progress	**1,372**	(1,674)
Depreciation and amortization		
– owned assets	**1,939**	1,749
Employee benefit expense (excluding Directors' emoluments)		
– Wages and salaries	**28**	371
– Social security and pension costs	**87**	74
Freight and other related charges	**287**	399
Operating lease expenses on land, buildings and machinery	**352**	331
Provision for compensation to employees	**564**	–
Provision for an onerous contracts	**615**	–
Provision for impairment of receivables	**6,433**	–
Provision of inventories to net realizable value	**4,935**	620
Raw materials and consumables used	**7,281**	25,131
Other expenses	**704**	1,549
	24,624	28,586
Total cost of sales, distribution costs and administrative expenses	**130,488**	134,779

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 for 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 unutilized tax allowances to offset its estimated assessable profit for the year ended 31st December, 2008. The applicable income tax rate of Manuply is 26% (2007 – 27%).

(iv) The PRC

The Group’s joint venture enterprise established in Dalian, the PRC subsidiary – Dalian Global is subject to PRC corporate income tax (“CIT”) on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The current applicable CIT rate of Dalian Global is 18% (2007 – 15%), which is the preferential state income tax rate.

As approved by the tax authorities, Dalian Global is entitled to full exemption from CIT for the first two years and a 50% reduction in CIT for the next three years, commencing from the 2008 tax year.

No taxation has been provided for as Dalian Global had no estimated assessable profit for the current period (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:

	2008	2007
	US$’000	*US$’000*
Hong Kong profits tax		
– Income tax provision no longer required	**–**	1,786
Deferred income tax	**–**	15
	–	1,801

6. (LOSS)/EARNINGS PER SHARE

Basic 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 year.

	2008	2007
(Loss)/Profit from continuing operations attributable to Company's equity holders	**US$(13,579,000)**	US$6,435,000
Loss from discontinued operation attributable to Company's equity holders	**US$(22,873,000)**	US$(5,167,000)
	US$(36,452,000)	US$1,268,000
Weighted average number of ordinary shares in issue	**1,327,779,448**	1,215,579,448
Basic (loss)/earnings per share from continuing operations	**US(1.02) cents**	US0.53 cents
Basic loss per share from discontinued operation	**US(1.72) cents**	US(0.43) cents
	US(2.74) cents	US0.10 cents

There was no dilutive effect on (loss)/earnings per share for the years ended 31st December, 2008 and 2007 since all outstanding share options were anti-dilutive.

7. TRADE AND OTHER RECEIVABLES

	2008	2007
	US$'000	*US$'000*
Trade receivables	**10,343**	13,957
Bill receivables	**481**	2,727
Less: provision for impairment of trade receivables	**(7,452)**	(660)
Trade receivables – net	**3,372**	16,024
Other receivables		
Value-added tax refund receivable	**14**	330
Prepayments	**465**	1,824
Other receivables	**823**	817
Less: provision for other receivables	**(22)**	–
Other receivables – net	**1,280**	2,971
Total trade and other receivables	**4,652**	18,995

The aging analysis of the trade receivables were as follows:

	2008	2007
	US$'000	*US$'000*
0–30 days	**2,269**	8,867
31–60 days	**442**	2,033
61–90 days	**3**	1,257
91–180 days	**3,110**	762
181–360 days	**3,852**	17
Over 360 days	**667**	1,021
	10,343	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.

As at 31st December, 2008, trade receivables amounting to approximately US$209,000 (2007 – US$4,649,000) were subject to floating charges as collateral for certain banking facilities of the Group.

Certain subsidiaries of the Group negotiated receivable balances on a with recourse basis with banks for cash during the year ended 31st December, 2008 and the outstanding amount as at 31st December 2008 was US$229,000 (2007 – US$2,635,000). The transactions have been accounted for as collateralized borrowings.

As of 31st December, 2008, trade receivables of US$7,452,000 (2007 – US$660,000) were impaired and provided for. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations.

8. TRADE AND OTHER PAYABLES

	2008	2007
	US$'000	*US$'000*
Trade payables	**17,890**	18,509
Accrued expenses	**3,407**	2,759
Provision for an onerous contract	**615**	–
Salary and welfare payable	**1,181**	1,415
Others	**810**	659
	23,903	23,342

The aging analysis of the trade payables were as follows:

	2008	2007
	US$'000	*US$'000*
0–30 days	**4,013**	8,204
31–60 days	**4,575**	4,542
61–90 days	**1,332**	3,858
91–180 days	**3,434**	1,642
181–360 days	**4,536**	244
Over 360 days	**–**	19
	17,890	18,509

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

	Attributable to the Company's equity holders					
	Ordinary shares	**Share premium**	**Other reserves**	**Retained Earnings/ (Accumulated losses)**	**Minority interest in equity**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1st January, 2007	3,598	–	4,048	17,394	1,000	26,040
Issuance of new shares	680	7,652	–	–	–	8,332
Profit for the year	–	–	–	1,268	–	1,268
Currency translation differences	–	–	880	–	–	880
Balance at 31st December, 2007	4,278	7,652	4,928	18,662	1,000	36,520
Balance at 1st January, 2008, as per above	**4,278**	**7,652**	**4,928**	**18,662**	**1,000**	**36,520**
Loss for the year	**–**	**–**	**–**	**(36,452)**	**–**	**(36,452)**
Currency translation differences	**–**	**–**	**(60)**	**–**	**–**	**(60)**
Balance at 31st December, 2008	**4,278**	**7,652**	**4,868**	**(17,790)**	**1,000**	**8**

MODIFICATION TO THE AUDITOR'S REPORT

Except for the limitation in the scope of the work as explained below, the auditors conducted their audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that the auditors comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matter described in the basis for disclaimer of opinion paragraph, the auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Included in the consolidated financial statements of the Group is the financial information of one of its subsidiaries, Dalian Global. The assets, liabilities and results of Dalian Global as at and for the year ended 31st December, 2008, both individually and in aggregate, are significant to the Group. As explained in Note 2(b) of this announcement, certain assets of Dalian Global have been frozen by the local court and access to its manufacturing facilities, in which most of its accounting records and related supporting documents are located, has been blocked. As a result, the Group was unable to make available to the auditors these accounting records and related supporting documents. The auditors were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions undertaken by Dalian Global during the year ended 31st December, 2008 and the related balances. Accordingly, the auditors were unable to obtain sufficient and appropriate audit evidence to ascertain whether the financial information of Dalian Global included in the Group's consolidated financial statements as at and for the year ended 31st December, 2008 has been properly prepared in accordance with HKFRS. Any adjustment to the above mentioned financial information may have a significant effect on the Group's assets and liabilities as at 31st December, 2008 and its loss and cash flows for the year then ended.

Material uncertainty concerning going concern basis of accounting

The report of the auditor on the Group's consolidated financial statements will be modified to include the disclosures of a material uncertainty. The auditors, without further qualifying their opinion, 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 the going concern basis, the validity of which depends upon the ongoing support from the Group's bankers and the Group's 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 on 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 prices had increased by an average of 20% resulting from the seasonal monsoon and the prolonged rainy season till June 2008. This had restricted the harvesting of logs and its supplies to plywood manufacturers like us. Towards the second half of 2008, log and lumber prices were volatile in view of worsening global crisis which disrupted the demand and supply of logs. Suppliers of logs reduced their harvest in line with the fluctuating demand from its customers whereby the adverse impact to all plywood manufacturers differed in magnitude. Prices of crude oil related products and services also increased for the most part of 2008. This had increased the Group's direct costs, especially its freight, utility and glue costs. We had to apply stringent cost control measures to help mitigate the upward costs pressures. The Group focused more on diversification of its product mix and market mix in order to help improve its profit margins.

The operating environment for our China ("the PRC") plant had become very difficult as a result of the global financial turmoil. A tight raw materials supply persisted as the export rebates in the PRC remained low at 5% whilst the Russian government had increased its log export tax to 25%. With rising prices for the other raw materials, our PRC plant had difficulty in registering profits, and thus, we had discontinued our PRC plant business towards the end of 2008.

Despite the strain of the market turmoil, our Malaysian plant had been running at near 70% capacity. With enhanced and improved production processes, we had managed to reduce our cutting log wastages and hence, our recovery rate rose to more than 50%, which exceeded the industry norm. This also enabled us to lower our direct material costs and optimise our product and capacity mix. Correspondingly, our factory workers productivity had also increased. We had also employed different types, grades and sizes of wood in our production to maximise production yield and lowering of material costs. Weather and boil proof plywood and moisture resistant plywood continued to form the bulk of the plant's total production. New products like jumbo-size plywood and 2.4 mm plywood are also produced for our new businesses in existing and emerging markets.

Market overview

Turnover for the Group for 2008 had reduced by 22.3%, with shipments to Europe and South East Asia comprising 50.4% as compared to 33.1% in 2007. To achieve a more balanced market portfolio, there was less reliance on any one market. Instead, the Group had explored and developed new businesses in emerging markets. Shipments to Japan and Korea comprised 25.6% of 2008 turnover as compared to 34.1% in the previous year. The Japanese market remained soft as their housing market remained stagnant due to oversupply of plywood products in previous years coupled with lower demand for new houses. Our export sales to the Korean market of weather and boil proof plywood and structural plywood had not also picked up, comprising of 9.44% of 2008 turnover as compared to 12.91% in 2007. Sales to the US market had worsened to 5.6% of total annual sales as a result of the depressed housing market over there. We do not expect an immediate recovery in the near future until and unless the sub-prime mortgage crisis is eventually resolved. The flooring products business in the PRC had stagnated due to excessive stocks. Thus, our sales to PRC market remained flat, ie 13.6% of 2008 as compared to 13.9% in 2007.

The prevailing global financial turmoil had led to mounting business failures and slowdown in most countries. Global trade volume had shrunk drastically with most of our customers holding back on their orders. Our customers also had great difficulty in obtaining trade financing as a result of the global credit squeeze. Nevertheless, the Group is committed to understanding the customers needs and market trends, thus assisting in the development of new and enhanced products like jumbo-size plywood and 2.4 mm thick plywood.

Outlook

Looking ahead, we expect market conditions to remain soft for 2009 with a possible gradual recovery towards the end of 2009. Global economic recovery will take some time and the Group will consolidate its capacity and resources to weather the difficult road ahead towards sustaining our business. Besides optimising our productivity and product mix, we will continuously improve our product quality, cost effectiveness and also our customer service.

The Group expects the logging operations of its associated company to contribute positively to its bottom line. We will continue our focus on traditional markets like Japan, the PRC and Europe whilst emphasis will also be placed on emerging markets such as Philippines and Middle East, to secure more new business. The Group will streamline its business workflow and operations to achieve optimal results for its existing and new customers.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31st December, 2008, the Group recorded a net current liability of approximately US$22.7 million, compared to net current asset of approximately US$1.6 million as at 31st December, 2007.

The substantial reduction in net current assets was attributable to the deteriorating performance of the PRC division, provision made in respect of a major customer of the PRC division and the poor financial performance of the Group, especially for the second half of 2008, resulting primarily from the worsening global financial crisis.

Capital structure

During the year ended 31st December, 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 40,000 acres logging concessions in Malaysia. The acquisition of the remaining three-fourth of logging concessions which was supposed to be completed by April 2009 did not materialize as the progress on procurement of logging concessions was slow, which was hampered by the political uncertainty in Malaysia, coupled with the continued worsening of the global financial crisis. However, the Group is determined to secure a more steady supply of logs in the future and had entered into a supplemental agreement to extend the completion date to 14th April, 2010.

Employees

As at 31st December, 2008, the Group had 2,549 staff, 2,515 of whom worked at the manufacturing plant in Bintulu, Sarawak, Malaysia. 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$60 million, floating charges on certain inventories of approximately US$13 million, trade receivables of approximately US$0.2 million, bank balances of approximately US$0.6 million, other assets of approximately US$0.7 million, corporate guarantees given by the Company and personal guarantees given by two Directors 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 at 31st December, 2008 and 2007 were as follows:

	2008	2007
	US$'000	*US$'000*
Total borrowings	**67,330**	69,216
Less: Cash and cash equivalents	**(1,673)**	(5,744)
Net debt	**65,657**	63,472
Total equity	**8**	36,520
Total capital	**65,665**	99,992
Gearing ratio (net debt to total capital)	**100%**	63%

The increase in the gearing ratio during 2008 resulted primarily from the significant loss suffered by the Group.

Foreign exchange exposures

The Group has operations in Malaysia and Singapore with significant number of the transactions conducted in Malaysian Ringgits and Singapore dollars. 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 any forward contracts to hedge such exchange risk because it is considered as not cost-effective.

Contingent liabilities

Certain employees applied for outstanding wages and compensation payments to the Dalian local labour arbitration committee in Dalian and an arbitration order was issued in the absence of a representative from Dalian Global. As there was no Dalian Global's management personnel in the PRC, the execution of this judgment is pending as at 31st December, 2008 and certain contingent liabilities might arise therefrom. Based on all relevant information to the Group to date, the management has made the necessary accruals and accordingly, it is not anticipated that any material liabilities will arise from the contingent liabilities other than those Dalian Global has provided for.

FINAL DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31st December, 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 year ended 31st December, 2008, with deviations from code provisions 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 the Chairman of the Company, Dr. Budiono Widodo is also responsible for the strategic planning and overseeing certain aspects of the Group's operations. 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.

Code provision A.3

Under code provision A.3, the Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) and under rule 3.10, the Board must include at least three 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 Dr. Budiono Widodo, Chairman of the Board, he did not attend the Company's 2008 annual general meeting. In order to remedy the situation and ensure a smooth and effective communications between the Board and shareholders, Mr. Sardjono Widodo, Managing Director and Mr. Liao Yun Kuang, President of the Company, attended the Company's 2008 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, 2008.

AUDIT COMMITTEE

The Audit Committee comprises of 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 casual 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.

During the year ended 31st December, 2008, the Audit Committee met to review the annual financial information for the year ended 31st December, 2007 and the interim financial statements for the six months ended 30th June, 2008. In November 2008, the Audit Committee communicated with the external auditor of the Company through telephone conference to discuss their audit plan for 2008 annual audit.

The Audit Committee has discussed and reviewed with management the consolidated financial statement for the year ended 31st December, 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31st December, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

PUBLICATION OF ANNUAL REPORT

The full text of the Group's 2008 Annual Report will be sent to the shareholders of the Company and posted on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.irasia.com/listco/hk/pphl) respectively in due course.

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. Pipin Kusnadi
Mr. Sudjono Halim

Independent Non-executive Directors
Mr. Marzuki Usman
Mr. Kusnadi Widjaja
Mr. Siah Chong Huat

By order of the Board
Budiono Widodo
Chairman

Hong Kong, 16th April, 2009