

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

- (I) STRATEGIC ALLIANCE WITH 中國龍江森林工業（集團）總公司
(CHINA LONGJIANG FOREST INDUSTRY
(GROUP) GENERAL CORPORATION*)
INVOLVING GRANT OF SHARE OPTION**
- (II) MAJOR TRANSACTION IN RELATION TO THE PROPOSED
ACQUISITION OF INTERESTS IN THE FOREST IN
THE INDEPENDENT STATE OF PAPUA NEW GUINEA
INVOLVING ISSUE OF THE BONDS
AND
(III) RESUMPTION OF TRADING**

(I) STRATEGIC ALLIANCE WITH 中國龍江森林工業（集團）總公司 (CHINA LONGJIANG FOREST INDUSTRY (GROUP) GENERAL CORPORATION*)

The Board is pleased to announce that on 2 December 2011, the Company has entered into the Strategic Cooperation Agreement with Longjiang Forest Industry for the establishment of a strategic alliance between the Company and Longjiang Forest Industry with respect to the development and management of the forest in the Project Area. Pursuant to the Strategic Cooperation Agreement, the Company has conditionally agreed to grant the Longjiang Option to Longjiang Forest Industry.

* For identification purpose only

Information on Longjiang Forest Industry

Longjiang Forest Industry is one of the first 57 large enterprises in the PRC. Longjiang Forest Industry currently has 140 members at the grade of county level or above, 88 enterprises (51 of which are middle-sized to large-sized enterprises in the country), 52 public sector organisations and a total of approximately 725,000 staff. The total operating area is approximately 10,060,000 hectares (representing approximately a quarter of the area of Heilongjiang province). Longjiang Forest Industry has four pillar industries, namely forest plantation, timber production, forest products manufacturing and diverse operation. As the largest state owned forest industrial group in the PRC, Longjiang Forest Industry operates the largest area of forests in the PRC and has established a production and operation system which integrates technology, forestation, manufacturing and trading offering one-stop production, supply and sales services to fully exploit forest resources.

The Board is also pleased to announce that on 2 December 2011, the Company has entered into the Agent Agreement with Jia Run Investments Limited (嘉潤投資有限公司). Pursuant to the Agent Agreement, the Company has conditionally agreed to grant the Agent Option to the Agent.

The Board proposed to seek approval from the Shareholders at the SGM for the grant of the Longjiang Option and the Agent Option, and issue of the Longjiang Option Shares and the Agent Option Shares.

(II) MAJOR TRANSACTION

The Acquisition

On 2 December 2011, the Purchaser, the Vendors and the Guarantor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares at the Consideration of HK\$310,000,000, which shall be satisfied as to (i) HK\$27,000,000 by payment in cash; (ii) HK\$33,000,000 by procuring the issue of the Bonds by the Company to the Vendors; and (iii) the remaining HK\$250,000,000, at the option of the Purchaser, either by way of payment in cash or by procuring the Company to issue the Promissory Note to the Vendor, or a combination of both.

For the cash portion of the Consideration in the sum of HK\$27,000,000,

- (i) a sum of HK\$10,000,000 has been paid by the Company by way of Deposit within seven (7) days after signing of the MOU;
- (ii) a sum of HK\$10,000,000 has been paid by the Purchaser to the Vendors on the execution of the Agreement as the Further Deposit on account of the Consideration; and
- (iii) the remaining sum of HK\$7,000,000 will be paid by the Purchaser to the Vendors on Completion and will be funded by the internal resources of the Group.

Upon Completion, the Deposit and the Further Deposit shall be applied in part payment of the Consideration.

The Consideration was determined after arm's length negotiations among the Purchaser and the Vendors after taking into account, among other matters, the Preliminary Valuation of the Target Group as at 30 June 2011 and the business prospects of the Target Group.

The Sale Shares represent 30% of the entire issued share capital of the Target Company. As at the date of the Agreement, the sole asset of the Target Company is the entire issued share capital of Target Subsidiary, which is in the course of obtaining the Logging Concession with respect to the forest in the Project Area.

Option Deed and Shareholders' Agreement

It is a term of the Agreement that upon Completion, the Purchaser and the Vendors shall enter into the Option Deed and the Shareholders' Agreement.

Pursuant to the Option Deed, the Vendors will unconditionally grant to the Purchaser the Option to purchase the Option Shares representing 70% of the entire issued share capital of the Target Company and the Option may be exercised at the sole discretion of the Purchaser according to the terms and conditions therein.

If the Option Deed is executed by the Vendors and the Purchaser, the exercise of the Option, the purchase of the Option Shares and the transactions contemplated thereunder may constitute a notifiable transaction for the Company under Chapter 14, and/or connected transaction under Chapters 14A, of the Listing Rules. Should the Company then decide to exercise the Option pursuant to the Option Deed, where necessary, the Company will comply with all the relevant requirements of Chapter(s) 14 and/or 14A of the Listing Rules and further announcement will be made by the Company as and when appropriate in accordance with the Listing Rules.

Pursuant to the Shareholders' Agreement, the Purchaser will be able to secure the control over the board of directors of the Target Group and 51% of the voting rights in the general meetings of the Target Company by virtue of the voting undertakings given by the Vendors in favour of the Purchaser in respect of 21% of the issued share capital of the Target Company on top of the 30% voting rights in respect of the Sale Shares. In light of such controls, upon Completion, the Target Company and the Target Subsidiary will be treated as indirect subsidiaries of the Company and the financial performance of the Target Group will be consolidated into the financial accounts of the Company.

Listing Rules Implication

As one of the applicable percentage ratios to the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. The Agreement, including the issue of the Promissory Notes, the issue of the Bonds and the allotment and issue of the Conversion Shares are subject to the approval of the Shareholders at the SGM.

The SGM will be convened and held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder, including the Acquisition, the issue of the Bonds and the Promissory Notes and the allotment and issue of the Conversion Shares.

DELAY IN DESPATCH OF CIRCULAR

A Circular containing, among other things, further details of the Strategic Cooperation Agreement, the Agent Agreement, the Agreement, financial information relating to the Group and the Target Group, the valuation report of the Target Group and the notice of the SGM will be sent to the Shareholders. As additional time is required to prepare and finalize the aforesaid information, including but not limited to the accountants' reports of the Target Group and the valuation report of the Target Group, the Company expects that the Circular will be despatched on or before 31 January 2012.

(III) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 2 December 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 5 December 2011.

Shareholders and potential investors should note that completion of the Agreement is subject to the fulfillment or waiver (as the case may be) of the conditions precedent under the Agreement. As the Acquisition may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

(I) STRATEGIC ALLIANCE WITH 中國龍江森林工業(集團)總公司 (CHINA LONGJIANG FOREST INDUSTRY (GROUP) GENERAL CORPORATION*)

THE STRATEGIC COOPERATION AGREEMENT

The Board is pleased to announce that on 2 December 2011, the Company has entered into the Strategic Cooperation Agreement with Longjiang Forest Industry for the establishment of a strategic alliance between the Company and Longjiang Forest Industry with respect to the development and management of the forest in the Project Area.

Principal terms of the Strategic Cooperation Agreement are as follows:

Date: 2 December 2011

Parties: the Company and Longjiang Forest Industry

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Longjiang Forest Industry and its ultimate beneficial owners are Independent Third Parties to the Group and its connected persons as well as to the Agent, each of the Vendors and their respective ultimate beneficial owners, and there are no prior transactions entered into between the Group and Longjiang Forest Industry and its ultimate beneficial owners.

Terms of cooperation: The Strategic Cooperation Agreement sets out the framework of cooperation between the two parties. Pursuant to the Strategic Cooperation Agreement, Longjiang Forest Industry will advise and assist the Company on the operation and management of the forest in the Project Area, including the provision of forest management experts, technicians and skilled labour, of whom not less than five but not more than eight management experts shall possess not less than three years' solid experience in the forestry business including the exploitation, management and operation of large scale forest outside the PRC, to participate in the daily management and operation of the forest in the Project Area. Longjiang Forest Industry will also assist the Company in devising the business and production plans for the Target Subsidiary, provide the necessary equipments and skills and such other assistance as the Company may require in the exploitation, management and operation of the forest in the Project Area.

According to the Strategic Cooperation Agreement, Longjiang Forest Industry has agreed to nominate one to two key personnel to join the technical advisory board that the Company may set up for the forestry business after Completion of the Acquisition and to provide ongoing advice to the Board in relation to the operation and management of the forest in the Project Area.

To give effect to and implement the terms of the proposed cooperation under the Strategic Cooperation Agreement, the parties may, if necessary, either by themselves or through their respective subsidiaries, enter into one or more further agreements. If any further agreement is made pursuant to the Strategic Cooperation Agreement, where necessary, the Company will comply with all the relevant requirements, and make further announcement, in relation to such agreement(s) as and when appropriate in accordance with the Listing Rules.

Share option:

- (i) In consideration of Longjiang Forest Industry agreeing to provide the assistance and advice pursuant to the Strategic Cooperation Agreement, the Company has conditionally agreed to grant to Longjiang Forest Industry an option (the “**Longjian Option**”) to subscribe for not more than 5% of the issued share capital of the Company as at the date of the Strategic Cooperation Agreement, equivalent to 495,170,096 Shares. Assuming the Longjiang Option is exercised in full, 495,170,096 Shares will be issued thereunder (the “**Longjiang Option Shares**”), representing 5% of the issued share capital of the Company as at the date of the Strategic Cooperation Agreement and approximately 4.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Longjiang Option Shares.
- (ii) The Longjiang Option is exercisable at the subscription price equivalent to the average closing price of the Shares for the five (5) consecutive trading days immediately prior to the date of exercise of the Longjiang Option on which a notice is given therefor by Longjiang Forest Industry, subject to the maximum subscription price of HK\$0.050 and the minimum subscription price of HK\$0.025.

The minimum subscription price of HK\$0.025 represents:

- i) a discount of approximately 24.24% to the closing price of HK\$0.0330 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- ii) a discount of approximately 26.47% to the average closing price of HK\$0.0340 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day.

The maximum subscription price of HK\$0.050 represents:

- i) a premium of approximately 51.52% over the closing price of HK\$0.0330 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- ii) a premium of approximately 47.06% over the average closing price of HK\$0.0340 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day.

The subscription price was arrived at after arm's length negotiations between the Company and Longjiang Forest Industry with reference to the market price of the Shares under the prevailing market conditions. The subscription price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidation of Shares, capitalization issues, rights issues and other dilutive events. Such adjustments shall be certified either (at the option of the Company) by the auditors of the Company for the time being or by an approved merchant bank in accordance with the terms and conditions of the Strategic Cooperation Agreement.

- (iii) Conditional upon Longjiang Forest Industry having complied with all applicable laws and regulations in connection with the exercise of the Longjiang Option, the payment of the subscription money and the holding and registration in its own name of the Longjiang Option Shares, the Longjiang Option may be exercised by Longjiang Forest Industry in whole or in part at any time and from time to time within 12 months after the issue or grant of the Clearance Authority by the Forest Authority of PNG, but in any event not later than 31 December 2015.
- (iv) The Longjiang Option may not be transferred to any third party without the written consent of the Company.

Conditions precedent for the grant of the Longjiang Option:

The grant of Longjiang Option is subject to and conditional upon all of the following conditions being fulfilled:

- (i) Completion of the Acquisition; and
- (ii) the Company having complied with the requirements under its bye-laws and all applicable laws and the Listing Rules for the purpose of the grant of the Longjiang Option, including the Shareholders having approved at the SGM the Strategic Cooperation Agreement and the transactions contemplated thereunder, including but without limitation the grant of the Longjiang Option and the allotment and issue of the Longjiang Option Shares; and the Listing Committee of the Stock Exchange having granted or agreed to grant the listing of, and permission to deal in, the Longjiang Option Shares, whether subject to condition(s) or not.

In the event that the conditions set out above are not satisfied by 31 December 2012 (or such later date as the parties may agree), the Strategic Cooperation Agreement shall thereupon forthwith cease and determine and neither party shall have any claim against the other.

Longjiang Option Shares:

The Longjiang Option Shares, when allotted and issued, will rank *pari passu* in all respects with all other Shares in issue as at the date of exercise of the Longjiang Option on which a notice is given therefor and be entitled to all dividends and other distributions the record date of which falls on a date on or after the notice of the exercise of the Longjiang Option is given.

The Board proposed to seek approval from the Shareholders at the SGM for the grant of the Longjiang Option and issue of the Longjiang Option Shares under a specific mandate. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Longjiang Option Shares. The Longjiang Option will not be listed on the Stock Exchange or any other stock exchanges.

Assuming that the Longjiang Option is exercised in full at the minimum subscription price of HK\$0.025, the gross proceeds from the Strategic Cooperation Agreement will be approximately HK\$12.38 million and the estimated net proceeds will be approximately HK\$12.30 million. On the aforesaid basis, the net price to the Company per Share under the Longjiang Option is approximately HK\$0.0248. It is expected that the net proceeds will be used as general working capital for the Group and/or for the repayment of the Promissory Notes or other liabilities of the Company.

Information on Longjiang Forest Industry

Longjiang Forest Industry is one of the first 57 large enterprises in the PRC. Longjiang Forest Industry currently has 140 members at the grade of county level or above, 88 enterprises (51 of which are middle-sized to large-sized enterprises in the country), 52 public sector organisations and a total of approximately 725,000 staff. The total operating area is approximately 10,060,000 hectares (representing approximately a quarter of the area of Heilongjiang province). Longjiang Forest Industry has four pillar industries, namely forest plantation, timber production, forest products manufacturing and diverse operation. As the largest state owned forest industrial group in the PRC, Longjiang Forest Industry operates the largest area of forests in the PRC and has also established a production and operation system which integrates technology, forestation, manufacturing and trading offering one-stop production, supply and sales services to fully exploit forest resources.

Key members of the management team of Longjiang Forest Industry

The following sets out briefly the biographical details of the management team of Longjiang Forest Industry:

- (i) Mr. Sun Bao Gang (孫寶剛), aged 49, is currently the researcher of Longjiang Forest Industry and the vice dean of the Heilongjiang Academy of Forestry* (黑龍江省林業科學院). He has over 20 years' experience in forest education and research, forest management, forest ecology and forest certification. He graduated from the Northeast Forestry University* (東北林業大學) with a master degree of forestry. He was awarded the Science Progress First Award in Heilongjiang* (黑龍江省科學技術進步一等獎) and the Science Progress First Award of the Administration of the Forest Industry in Heilongjiang* (黑龍江省森工總局科學技術進步一等獎) for his research of the Synthesis Technology of the Sustainable Forestry in the Timber Stand Base of Heilongjiang* (黑龍江省用材林基地可持續林業綜合技術).

- (ii) Mr. Zhang Tong Wei (張同偉), aged 50, is currently the professor-level senior engineer of Longjiang Forest Industry and the head of the Forest Operation Department in the Administration of the Forestry in Heilongjiang* (黑龍江省森工總局營林局). He graduated from the Northeast Forestry University* (東北林業大學) with a master degree of forestry. He is specialized in the forest operation and technology management. He led in the compilation of the Standards of the Forest Operation Technology in the National Owned Forest in Heilongjiang* (《黑龍江省國有林區營林技術系列標準》), the Research on the Forest Operation Technology* (《營林技術研究》) and the Design of Forest Operation Survey (《營林調查設計》). He has obtained several province-level awards for his researches.
- (iii) Mr. Lu Zhong Da (盧仲達), aged 47, is currently the professor-level senior engineer of Longjiang Forest Industry, the deputy head of the Forest Design and Research Institute in Heilongjiang* (黑龍江省林業設計研究院) and a Registered Consulting Engineer* (註冊諮詢工程師) in the PRC. He graduated from the Northeast Forestry University* (東北林業大學) with a bachelor degree of the forest projects. He is experienced in the general planning of forestry and the advisory, planning and design of construction projects.
- (iv) Mr. Li Zhong (李忠), aged 57, is currently the professor-level senior engineer of Longjiang Forest Industry and the deputy head of the Administration of the Forest Resource in Heilongjiang* (黑龍江省森林資源管理局). He graduated from the Northeast Forestry University* (東北林業大學) with a bachelor degree of roads and bridges. He is specialized in the resource surveying and forest harvesting.
- (v) Mr. Jin Ming Tie (金明鐵), aged 58, is currently the professor-level senior engineer of Longjiang Forest Industry and the head of Production and Transportation Department in the Administration of the Forest in Heilongjiang* (黑龍江省森工總局生產交通局). He graduated from the Northeast Forestry University* (東北林業大學) with a bachelor degree of timber production and transportation. He is specialized in timber production.

With its extensive history in the forestry industry and its dependable professional team and work force, the Directors believe that Longjiang Forest Industry will be able to deploy a qualified team to the forest in the Project Area and provide such advice and assistance as the Group may from time to time require in the development and management thereof, after Completion of the Acquisition. The Directors are of the view that the terms and conditions of the Strategic Cooperation Agreement have been agreed on normal commercial terms after arm's length negotiations between the Company and Longjiang Forest Industry, and that the terms and conditions of the Strategic Cooperation Agreement, including the terms of the Longjiang Option, are normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

THE AGENT AGREEMENT

The Board is also pleased to announce that on 2 December 2011, the Company has entered into the Agent Agreement with Jia Run Investments Limited (嘉潤投資有限公司) (the “**Agent**”).

Principal terms of the Agent Agreement are as follows:

Date: 2 December 2011

Parties: the Company and the Agent

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Agent and its ultimate beneficial owners are Independent Third Parties to the Group and its connected persons as well as to Longjiang Forest Industry, each of the Vendors and their respective ultimate beneficial owners, and there are no prior transactions entered into between the Group and the Agent and its ultimate beneficial owners.

Terms of cooperation: Pursuant to the Agent Agreement, the Agent has agreed to assist and procure the Company and Longjiang Forest Industry to enter into the Strategic Cooperation Agreement and provide other assistance to the Company in the development and exploitation of the forest in the Project Area.

Share option: (i) In consideration of the Agent agreeing to provide the assistance pursuant to the Agent Agreement, the Company has conditionally agreed to grant to the Agent an option (the “**Agent Option**”) to subscribe for not more than 5% of the issued share capital of the Company as at the date of the Agent Agreement, equivalent to 495,170,096 Shares. Assuming the Agent Option is exercised in full, 495,170,096 Shares will be issued thereunder (the “**Agent Option Shares**”), representing 5% of the issued share capital of the Company as at the date of the Agent Agreement and approximately 4.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Agent Option Shares.

- (ii) The Agent Option is exercisable at the subscription price equivalent to the average closing price of the Shares for the five (5) consecutive trading days immediately prior to the date of exercise of the Agent Option on which a notice is given therefor by Agent, subject to the maximum subscription price of HK\$0.050 and the minimum subscription price of HK\$0.025.

The minimum subscription price of HK\$0.025 represents:

- (a) a discount of approximately 24.24% to the closing price of HK\$0.0330 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a discount of approximately 26.47% to the average closing price of HK\$0.0340 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day.

The maximum subscription price of HK\$0.050 represents:

- (a) a premium of approximately 51.52% over the closing price of HK\$0.0330 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a premium of approximately 47.06% over the average closing price of HK\$0.0340 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day.

The subscription price was arrived at after arm's length negotiations between the Company and the Agent with reference to the market price of the Shares under the prevailing market conditions. The subscription price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidation of Shares, capitalization issues, rights issues and other dilutive events. Such adjustments shall be certified either (at the option of the Company) by the auditors of the Company for the time being or by an approved merchant bank in accordance with the terms and conditions of the Agent Agreement.

- (iii) Conditional upon the Agent having complied with all applicable laws and regulations in connection with the exercise of the Agent Option, the payment of the subscription money and the holding and registration in its own name of the Agent Option Shares, the Agent Option may be exercised by Agent in whole or in part at any time and from time to time within 12 months from the effective date of the Agent Agreement or on or before 31 December 2012, whichever is the earlier.
- (iv) The Agent Option may not be transferred to any third party without the written consent of the Company.

Conditions precedent for the grant of the Agent Option:

The grant of the Agent Option is subject to and conditional upon all of the following conditions being fulfilled:

- (i) Completion of the Acquisition;
- (ii) execution of the Strategic Cooperation Agreement by the Company and Longjiang Forest Industry; and
- (iii) the Company having complied its bye-laws and all applicable laws and the Listing Rules for the purpose of the grant of Agent Option, including the Shareholders having approved at the SGM the Agent Agreement and the transactions contemplated thereunder, including but without limitation the grant of the Agent Option and the allotment and issue of the Agent Option Shares; and the Listing Committee of the Stock Exchange having granted or agreed to grant the listing of, and permission to deal in, the Agent Option Shares, whether subject to condition(s) or not.

As at the date of this announcement, condition (ii) mentioned above had been satisfied.

In the event that the conditions set out above are not satisfied by 31 December 2012 (or such later date as the parties may agree), the Agent Agreement shall thereupon forthwith cease and determine and neither party shall have any claim against the other.

Agent Option Shares: The Agent Option Shares, when allotted and issued, will rank *pari passu* in all respects with all other Shares in issue as at the date of exercise of the Agent Option on which a notice is given therefor and be entitled to all dividends and other distributions the record date of which falls on a date on or after the notice of the exercise of the Agent Option is given.

The Board proposed to seek approval from the Shareholders at the SGM for the grant of the Agent Option and issue of the Agent Option Shares under a specific mandate. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Agent Option Shares. The Agent Option will not be listed on the Stock Exchange or any other stock exchanges.

Assuming that the Agent Option is exercised in full at the minimum subscription price of HK\$0.025, the gross proceeds from the Agent Agreement will be HK\$12.38 million and the estimated net proceeds will be approximately HK\$12.30 million. On the aforesaid basis, the net price to the Company per Share under the Agent Option is approximately HK\$0.0248. It is expected that the net proceeds will be used as general working capital for the Group and/or for the repayment of the Promissory Notes or other liabilities of the Company.

Information on the Agent

The Agent is an investment holding company incorporated in BVI with limited liability.

The Directors consider that the terms and conditions of the Agent Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company and the Agent. As the Agent Agreement will facilitate the formation of strategic alliance between the Company and Longjiang Forest Industry, the Directors consider that the terms and conditions of the Agent Agreement, including the terms of the Agent Option, are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

(II) MAJOR TRANSACTION

THE AGREEMENT

Date: 2 December 2011

Parties:

Purchaser: Century Praise Limited, a wholly-owned subsidiary of the Company

- Vendors:
- (1) Able Famous Limited (“**Able Famous**”), an investment holding company incorporated in BVI with limited liability.
 - (2) Peak Sino Limited (“**Peak Sino**”), an investment holding company incorporated in BVI with limited liability.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, save as disclosed above, the Vendors and their ultimate beneficial owners are Independent Third Parties to the Group and its connected persons, to Longjiang Forest Industry, the Agent and their respective ultimate beneficial owners, and there are no prior transactions, entered into between the Group and the Vendors and their ultimate beneficial owners.

Guarantor: To Yuk Fung, being the sole director and one of the ultimate beneficial owners of Able Famous and one of the ultimate beneficial owners of Peak Sino, has unconditionally and irrevocably, guaranteed to the Purchaser under the Agreement the due and punctual performance by the Vendors of their obligations in accordance with the terms of the Agreement. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, save for disclosed above, the Guarantor is an Independent Third Party to the Group and its connected persons, to Longjiang Forest Industry, the Agent and their respective ultimate beneficial owners, and there are no prior transaction entered into between the Group and the Guarantor.

Assets to be acquired:

The Sale Shares, being 30% of the entire issued share capital of the Target Company. As at the date of the Agreement, the sole asset of the Target Company is the entire issued share capital of the Target Subsidiary, which is a company incorporated in PNG with limited liability and is in the course of obtaining the Logging Concession with respect to the forest in the Project Area. Please refer to the paragraph headed “Information on the Target Group” for further details on the Target Company, the Target Subsidiary and the forest in the Project Area.

Upon Completion, the Company will, through the Purchaser, own 30% issued share capital of the Target Company, and in turn, the Target Subsidiary and the Logging Concession. Notwithstanding the Acquisition involves only a minority stake in the Target Company, by virtue of the terms of the Shareholders’ Agreement to be entered into between the Purchaser and the Vendors upon Completion, the Purchaser will have the control over the board of directors of the Target Company and 51% of the total voting rights in the general meetings of the Target Company (please refer to the paragraph headed “Shareholders’ Agreement” for further details of the terms of the Shareholders’ Agreement). Accordingly the Target Company and the Target Subsidiary will be treated as indirect subsidiaries of the Company and the financial performance of the Target Group will be consolidated into the financial accounts of the Company upon Completion.

Consideration

The total consideration for the Acquisition is HK\$310,000,000, which shall be satisfied by the Purchaser at Completion in the following manner:

- (i) as to HK\$27,000,000 by payment in cash;
- (ii) as to HK\$33,000,000 by procuring the issue of the Bonds by the Company to the Vendors; and
- (iii) as to the remaining HK\$250,000,000, at the option of the Purchaser, either by way of payment in cash or by procuring the Company to issue the Promissory Note to the Vendors, or a combination of both.

For the cash portion of the Consideration in the sum of HK\$27,000,000,

- (i) a sum of HK\$10,000,000 has been paid by the Company by way of Deposit within seven (7) days after signing of the MOU;
- (ii) a sum of HK\$10,000,000 has been paid by the Purchaser to the Vendors on the execution of the Agreement as the Further Deposit on account of the Consideration; and
- (iii) the remaining cash portion of the Consideration in the sum of HK\$7,000,000 will be paid by the Purchaser to the Vendors on Completion and will be funded by the internal resources of the Group.

Upon Completion, the Deposit and the Further Deposit shall be applied in part payment of the Consideration.

The Group currently intends to settle the portion of the Consideration in the sum of HK\$250,000,000 by way of payment of cash to be funded partly by the internal resources of the Group and partly by debt and/or equity financing, details of which are disclosed in the section headed “Reasons for and benefits of the strategic alliance and the Acquisition” in this announcement. In the event that at Completion, the Group does not have sufficient internal resources and/or fails to raise sufficient funds for the settlement of the whole or part of this portion of the Consideration in the sum of HK\$250,000,000, the whole or any shortfall thereof will be settled by procuring the Company to issue the Promissory Note to the Vendors. If any Promissory Notes are issued at Completion by the Company in part payment of the Consideration, it is currently the Company’s intention to conduct further debt and/or equity fund raising activities as and when suitable opportunities arise for the early repayment of such Promissory Notes.

Basis of determination of the Consideration

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors after taking into account the preliminary valuation of the entire issued share capital of the Target Group of approximately US\$140,000,000 (equivalent to approximately HK\$1,085,700,000) as at 30 June 2011 (the “**Preliminary**

Valuation”) as appraised by an independent valuer, BMI Appraisals Limited (the “**Valuer**”), engaged by the Company and the business prospects of the Target Group. Such Preliminary Valuation is subject to the finalization by the Valuer.

Based on the Preliminary Valuation, the Consideration represents a discount of approximately 4.83% to the Preliminary Valuation attributable to the Sale Shares. As the Valuer has applied the discounted cash flow method under income approach and adopted certain assumptions in preparing the Preliminary Valuation, the Preliminary Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Details of the principal assumptions of the Preliminary Valuation are as follows:

- The information in respect of the forest in the Project Area has been prepared on a reasonable basis after due and careful considerations by the Vendors and the Company;
- The information in respect of the forest in the Project Area stated in a resource assessment report, including but not limited to the timber resources and tree categories, has been prepared on a reasonable basis after due and careful considerations by a qualified resource assessor;
- The business plan of the Target Subsidiary has been prepared on a reasonable basis by the Vendors and the Company;
- The information in respect of the forest in the Project Area in the production schedule has been prepared on a reasonable basis after due and careful considerations by the Vendors and the Company and will not differ materially from the actual production schedule;
- All licenses, permits and consents issued by any authorized entity that will materially affect the operation of the Target Subsidiary have been obtained or can be obtained after all necessary approvals having been obtained from the relevant authorized entity;
- The actual life of the Logging Concession will not differ materially from that of expected;
- No policy will be implemented by any authorized entity that will affect the continuity of the operation of the Target Subsidiary;
- The operation and conditions of the Target Group will not differ materially from those of the present or that of expected;
- The management of the Target Group are competent and will implement prospective strategies that will maximize the efficiency of the operation of the forest in the Project Area;
- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- The Target Group has adequate financial resources to finance the operations of the Target Group;
- There will be no major change in the political, legal, taxation policy, fiscal, technological, market and economic conditions in the jurisdiction where the Target Group is currently exposed to or will be exposed to;
- The market return, market risk, interest rates, exchange rates, tax rates and other market conditions will not differ materially from the present or that of expected;
- The market data, industry information and statistical figures obtained from Bloomberg Terminal, databases and other public sources are true and accurate;
- The supply and demand and the relevant market prices, both domestically and internationally, of the products or similar products produced by the Target Group will not differ materially from those of present or that of expected; and
- There will be no human disruptions or natural disasters that will materially affect the operation of the forest in the Project Area.

The Preliminary Valuation is subject to change upon finalizations of, among others, the accountants' report of the Target Group and the resource assessment report. The Preliminary Valuation may or may not therefore be the same as the final valuation. The finalized valuation report, including details of the assumptions, basis and methodology of the valuation, will be included in the Circular to be issued by the Company in relation to the Acquisition.

Based on the information currently available, the Directors are of the view that the Preliminary Valuation prepared by the Valuer has been made after due and careful enquiry. A letter from the Company's auditors and a report from the financial adviser of the Company with respect to the final valuation as required under Rule 14.62 of the Listing Rules will be included in the Circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Valuer, and its ultimate beneficial owner(s) and associate(s) are Independent Third Parties to the Group and its connected persons.

Having considered that (i) the Acquisition is in line with the business strategy of the Group to diversify its existing business; (ii) the favourable prospects of the forestry industry in PNG, details of which have been set forth in the section headed "Reasons for and benefits of the strategic alliance and the Acquisition" in this announcement; and (iii) the Consideration represents a discount of approximately 4.83% to the Preliminary Valuation attributable to the Sale Shares, the Board considers that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent to Completion

Completion shall be conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Purchaser being satisfied with the results of a due diligence review of the Target Group;
- (ii) all necessary consents, licences and approvals required to be obtained on the part of the Vendors and the Target Group in respect of the Agreement and the transactions contemplated thereby having been obtained and remaining in full force and effect;
- (iii) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereby having been obtained and remaining in full force and effect;
- (iv) the passing by the Shareholders at the SGM of all resolutions to approve, among other matters, the Agreement and the transactions contemplated thereby, including but not limited to the issue of the Bonds and the Promissory Notes, the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Bonds in accordance with the terms therein, the Shareholders' Agreement, the Option Deed, and all other consents and acts required under the Listing Rules and other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;
- (v) the obtaining of a BVI legal opinion (in form and substance satisfactory to the Purchaser) from a firm of BVI legal advisers appointed by the Purchaser in relation to the Agreement and the transactions contemplated thereunder in relation to the due incorporation, shareholding structure, valid and continued existence of the Target Company (including payment of its share capital in accordance with the laws of BVI and its articles of association, to the extent required);
- (vi) the obtaining of a PNG legal opinion (in form and substance satisfactory to the Purchaser) from a firm of PNG legal advisers appointed by the Purchaser in relation to the Agreement and the transactions contemplated thereunder, including but not limited to:
 - (1) the due incorporation, shareholding structure, valid and continued existence of the Target Subsidiary and the Vabari Companies (including payment of its share capital in accordance with the laws of PNG and their articles of association, to the extent required);
 - (2) the existence of the forest in Project Area and the validity, legality and the enforceability of the Lease/Lease Back Agreement and the Agricultural Lease;

- (3) the validity, legality and the enforceability of the Master Agreements and the POA or other legal documents serving the legal purposes of the POA (including but not limited to its subsequent amendments as contemplated under the Agreement);
 - (4) the validity of the Target Group's entitlement to the Agricultural Lease in accordance with the terms set out in the Lease/Leases Back Agreement and the Master Agreements and under the laws of PNG;
 - (5) the validity, legality and enforceability of all relevant approvals, licenses, registrations, confirmation and/or permits for the Target Subsidiary to conduct forestry related business and to enjoy and exploit the Logging Concession (including consultation relating to the operation in the forest in the Project Area) as required under the prevailing regulations in the PNG, except only the Environmental Permit and the Clearance Authority;
 - (6) the entering into and completion of the Agreement and the transactions contemplated thereunder (i) will not cause the Target Group to be in breach of any such approvals, licences etc.; (ii) will not result in the revocation, cancellation, suspension or non-renewal of such licences etc. upon expiry; or (iii) will not in any way adversely affect or prejudice the Logging Concession or entitlement thereunder of the Target Group; and
 - (7) the absence of legal impediment under laws and regulation in PNG for the Target Subsidiary to obtain the Environmental Permit and the Clearance Authority;
- (vii) the representations and warranties made by the Vendors contained in the Agreement remaining true and accurate in all respects;
- (viii) the Purchaser having obtained a valuation report to be issued by a qualified independent valuer nominated by it showing that the valuation of the Target Group shall be no less than US\$140,000,000, such valuation report shall be in form and substance satisfactory to the Purchaser and the bases and assumptions on which such valuation report has been prepared shall be acceptable in all material respects to the Purchaser;
- (ix) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (x) the issue of the Circular by the Company as required under the Listing Rules;
- (xi) no indication being received from the Stock Exchange that the transactions contemplated under the Agreement will be treated or, as the case may be, ruled by the Stock Exchange as a "reverse takeover" under the Listing Rules;
- (xii) the Purchaser being satisfied that there has not been any Material Adverse Change (or Effect) in respect of any member of the Target Group since the date of the Agreement;

- (xiii) the Company executing a deed of release to take effect simultaneously upon Completion in the form and substance reasonably satisfactory to the Purchaser in relation to the release of the Share Charge and the New Share Charge;
- (xiv) the Vendors having duly executed the Shareholders' Agreement and the Option Deed;
- (xv) Bermuda Monetary Authority granting necessary approvals for the allotment and issue of the Conversion Shares and all other necessary approval being obtained, if necessary;
- (xvi) the representatives of the Landowners and the government of PNG having entered into the Lease/Lease Back Agreement and the Agricultural Lease having been duly granted to Vabari Land; and
- (xvii) the Target Subsidiary and the Vabari Companies having entered into the Master Agreements and Vabari Land having duly executed the POA in favour of the Target Subsidiary.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions (i), (ii), (v), (vi), (vii), (viii) and (xii) as stated above (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser. The Vendors may at their absolute discretion at any time waive in writing any of the conditions (iii) as stated above (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as are determined by the Vendors. Conditions (iv), (ix), (x), (xi), (xiv), (xv), (xvi) and (xvii) cannot be waived by any parties to the Agreement.

In the event that the conditions above are not satisfied or, where applicable waived, on or before 4:00 p.m. on 30 June 2012 (the "**Long Stop Date**") (or such later date as may be agreed by the parties to the Agreement), the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder.

Completion

Completion shall take place at 4:00 p.m. on the date falling on the fourteenth Business Day after the fulfillment or waiver (as applicable) of the conditions set forth in the preceding paragraph or such other date as the Vendors and Purchaser may agree in writing.

Refund of Deposit and Further Deposit

Pursuant to the terms of the MOU, a sum of HK\$10,000,000 has been paid by the Company by way of Deposit. Pursuant to the terms of the Agreement, a further sum of HK\$10,000,000 has been paid by the Purchaser to the Vendors on the execution of the Agreement as the Further Deposit on account of the Consideration.

As security for the Deposit paid under the MOU, the Share Charge was executed by the Vendors in favour of the Company over the then entire issued share capital of the Target Company. On 1 December 2011, by way of capitalization of the entire shareholder's loan then owed by the Target Company to Peak Sino, 70 new Target Shares (the "**Capitalisation Shares**") were allotted and issued to Peak Sino. To perfect the Company's interests under the Share Charge, simultaneously upon the allotment and issue of the Capitalisation Shares, the New Share Charge had been executed by Peak Sino in favour of the Company over the entire Capitalisation Shares.

If Completion does not take place as a result of the sole default of the Purchaser, the Vendors may forthwith terminate the Agreement by giving notice, if any, of termination in writing to the Purchaser to such effect, in which event the Vendors shall forthwith (but in any event within seven (7) days of such termination) return the Further Deposit to the Purchaser but shall be entitled to forfeit the Deposit absolutely and the Agreement shall cease and determine and neither party shall have any obligations and liabilities thereunder and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

If Completion does not take place as a result of the sole default of the Vendors, the Purchaser may forthwith terminate the Agreement by giving notice of termination in writing to the Vendors to such effect, in which event the Vendors shall forthwith refund to the Purchaser the Deposit and the Further Deposit (without interest), together with a sum equivalent to the amount of the Deposit, and the Agreement shall cease and determine and neither party shall have any obligations and liabilities thereunder and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

If Completion does not take place otherwise than due to the sole default of either the Purchaser or the Vendors, the Agreement shall cease and terminate and the Vendors shall refund to the Purchaser the Deposit and the Further Deposit (without interest) after deduction of reasonable expense paid or incurred solely for the purpose of acquiring the Logging Concession for the Target Subsidiary, and neither party shall have any obligations and liabilities thereunder and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

In either of the aforementioned upon the refund of the Deposit (or part thereof) and/or the Further Deposit, as the case may be, the Share Charge and the New Share Charge will be released. The Share Charge and the New Share will also be released immediately before Completion.

Further obligations of the Vendors

Pursuant to the Agreement, the Vendors have further undertaken to the Purchaser that:

- (i) the Vendors shall at their costs and expenses procure (a) the Target Subsidiary and the Vabari Companies to enter into the Master Agreements and (b) Vabari Land to execute the POA in favour of the Target Subsidiary, within 60 days from the date of the Agreement;

- (ii) the Vendors shall at their costs and expenses obtain for the Target Subsidiary and procure and assist the Target Subsidiary to obtain all such relevant approvals, licenses, registrations, confirmation and/or permits as may be required for the Target Subsidiary to conduct forestry related business and to enjoy and exploit the Logging Concession under the laws and regulations in PNG, including but without limitation, the Agricultural Lease, the Environmental Permit and the Clearance Authority; and
- (iii) the Vendors shall procure that at Completion, all sums owing to Target Group by the directors of the Target Group company or the Vendors, whether due for payment or not, are repaid; and no sums are owing to the Vendors by the Target Company or the Target Subsidiary, whether due for payment or not.

Guarantee

Pursuant to the Agreement, the Guarantor has unconditionally and irrevocably, guaranteed to the Purchaser the due and punctual performance by the Vendors of all the obligations expressed to be imposed on or assumed by them under the Agreement as if she was the primary obligor.

Promissory Note

Any Promissory Note which may be issued at Completion in part payment of the Consideration will be subject to the following principal terms:

- Principal amount: Not more than HK\$250 million
- Maturity date: the day following the expiry of the fifteen (15) months from the date of issue of Promissory Note (the “**Maturity Date**”)
- Interest rate: 10% per annum on the principal amount, which was determined by the Vendors and the Purchaser after arm’s length negotiations with reference to the lending rates of the Group’s money-lending business ranging from 8% per annum to 48% per annum.
- Redemption: Provided that the Company has given to the holder of the Promissory Note not less than two (2) Business Days’ prior notice in writing of its intention to redeem the Promissory Note, the Company may at any time after the date of the issue of the Promissory Note up to the date immediately prior to the Maturity Date, redeem the Promissory Note in its entirety or any part of it (in amounts of not less than HK\$1 million). The principal amount of the Promissory Note outstanding on the Maturity Date, together with the interest accrued thereon, shall be repayable in one lump sum on the Maturity Date.

Transferability: The Promissory Note may, with not less than ten (10) Business Days' prior written notification to the Company, be freely transferable and assignable by the holder of the Promissory Note by way of deed to any party other than a connected person of the Company and any subsequent holder of the Promissory Note will be treated as the absolute owner of the Promissory Note for all purposes.

Event of default: In addition to certain conventional events of default (including the winding up, cessation of business, appointment of receivers, involvement in material litigation as defendant, material adverse change in the financial position of the Company etc.), the events of default of the Promissory Note shall also include the issue of share of the Company to parties other than to the parties to the Promissory Note without the holder of the Promissory Note consent (unless otherwise mutually agreed by the Company and the Promissory Note holder) save and except the issue of Shares pursuant to the Bonds, the Agreement, any options and convertible securities, and other obligation or general mandate exist at the date of the Promissory Note or any pro-rata issue of Shares to the Shareholders from time to time.

If any of the events of default specified above occurs, the Company shall on demand of the holder of the Promissory Note to repay the outstanding principal amount of the Promissory Note in full in cash.

Bonds

Principal terms of the Bonds which will be issued at Completion are as follows:

Principal amount: HK\$33,000,000

Maturity date: the date immediately following one year after the first issue of the Bonds (the "**Bonds Maturity Date**")

Interest rate: the Bonds shall carry no interest

Conversion: Any Bonds remaining outstanding at Maturity Date shall be mandatorily converted into Conversion Shares at the then applicable Conversion Price (as defined below).

Holders of the Bonds will have the right to convert the Bonds, in whole or in part (in the amount or integral multiple of HK\$1 million) into the Conversion Shares, at any time from the day immediately following the issue of the Bonds, up to the day immediately prior to the Bonds Maturity Date, provided that any conversion of the Conversion Shares (a) shall not render such holder of the Bonds (together with its associates and the parties acting in concert with it) to trigger a mandatory offer under Rule 26 of the Takeovers Codes; and (b) will not cause the public float of the Company becoming unable to meet the public float requirement under the Listing Rules.

Conversion price: The Conversion Price per Conversion Share shall be the higher of (a) the par value of the Share from time to time, and (b) the average of the closing prices of one Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including last trading day immediately before Completion. As at the date of this announcement, the par value of the Share is HK\$0.025 (the “**Conversion Price**”).

The Conversion Price was arrived at after arm’s length negotiation between the Vendors and the Purchaser with reference to the market price of the Shares under the prevailing market conditions. The initial minimum Conversion Price of HK\$0.025, being the par value of the Shares for the time being, represents

- (i) a discount of approximately 24.24% to the closing price of HK\$0.0330 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 26.47% to the average closing price of HK\$0.0340 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day.

The Conversion Price is subject to adjustments upon the occurrence of consolidation, subdivision or reclassification of Shares in the share capital of the Company, capitalisation of profits or reserves, capital distributions, rights issues of Shares, or any other events the Company determines that a downward adjustment should be made to the Conversion Price.

Ranking: The Conversion Shares will rank *pari passu* in all respects with the Shares in issue on the date of their allotment and issue and shall entitle the holders to participate in all dividends or other distributions on or after the date of their allotment and issue.

The Bonds shall at all times rank *pari passu* without any preference among themselves and at least equally with all the Company's other present and future unsecured and unsubordinated obligations.

Redemption: The Company shall be entitled at its sole discretion to redeem the Bonds (in integral multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount) at par the outstanding principal amount at any time from the date of issue and up to and including the date falling seven days immediately before the Bonds Maturity Date.

Transferability: The whole or any part (in integral multiples of HK\$1,000,000) of the Bonds are transferrable provided that (i) the Bonds must not be transferred to any party if such transfer would render the transferee of such Bonds, together with its associates and the parties acting in concert with it hold or control (or be entitled to hold or control by exercising the conversion rights attaching to such Bonds) 10% or more of the entire issued share capital of the Company as at the date of such transfer; and (ii) the transferee is not a connected person of the Company unless with the consent of the Stock Exchange.

Voting: The holder(s) of the Bonds shall not be entitled to attend or vote at any general meetings of the Company by reason only of it being a holder of the Bonds.

Conversion Shares

Assuming the Conversion Price equals to the initial minimum Conversion Price of HK\$0.025, 1,320,000,000 Conversion Shares will be issued upon full conversion of the Bonds representing (i) approximately 13.33% of the issued share capital of the Company as at the date of this announcement, (ii) approximately 11.76% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, and (iii) approximately 10.81% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, the Longjiang Option Shares and the Agent Option Shares. The Conversion Shares will rank *pari passu* and carry the same rights and privileges in all respects with the Shares then in issue on the relevant conversion date.

The Conversion Shares will, upon exercise (if so exercised) of the conversion rights attached to the Bonds, be allotted and issued under a specific mandate to be sought from the Shareholders at the SGM.

Application for listing

No application will be made for the listing of the Bonds on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued pursuant to the Bonds. There is no restriction on the subsequent sale of the Conversion Shares by the Vendors.

SHAREHOLDERS' AGREEMENT

It is a condition of the Agreement that upon Completion, the Target Company, the Purchaser and the Vendors, in their capacity as shareholders of the Target Company, shall enter into the Shareholders' Agreement to govern the shareholdings and management of the Target Company and its relationship with each of the shareholders of the Target Company.

Major terms of the Shareholders' Agreement are as follows:

Composition of the board of Target Company

The board of the Target Company shall comprise five directors, of whom three shall be appointed by the Purchaser and one by each of the Vendors.

Quorum for meetings

The quorum for all meetings of the board of the Target Company shall be three directors, which must consist at least two directors nominated by the Purchaser and one director nominated by either Vendor. The chairman of the board of the Target Company shall be nominated by the Purchaser.

All questions or other matters arising in any meeting of the board of the Target Company shall be decided by majority votes of the directors present save for following the matters which will require unanimous consent from the shareholders of the Target Company:

- (a) the alteration of the memorandum or articles of association of the Target Company and the passing of any resolutions inconsistent with the provisions of the Shareholders' Agreement;
- (b) the borrowing of any moneys from banks, financial institutions or any other persons (save pursuant to the provisions contained in the Shareholders' Agreement) or the creation of any contract or obligation to pay money or money's worth;
- (c) the sale, transfer, lease, assignment or otherwise disposition of any shares of the Target Company such that the existing shareholding structure of the Target Company would be changed; and
- (d) the issue or the allotment of shares of the Target Company to any person including the shareholders or their associates of the Target Company.

Voting Undertaking

Each of Peak Sino and Able Famous shall irrevocably and unconditionally undertake and covenant with the Purchaser that for so long as they remain members of the Target Company, they shall in respect of an aggregate of 21% of the entire issued share capital of the Target Company as at the date of the Shareholders' Agreement, vote for all resolutions at any general meeting of the Target Company (including any adjourned meeting thereof), whether in person or by proxy, at the direction of the Purchaser.

Finance of the Target Group

The Vendors will jointly and severally finance and bear all costs and expenses incurred, paid or payable by the Target Group in relation to the obtaining of, and all relevant commitments or obligations made or to be made by or on behalf of the Group for the purpose of obtaining, all such approvals, licences, registrations, confirmation and/or permits as may be required for the Target Group to conduct forestry related business and to enjoy and exploit the Logging Concession (including consultation relating to the operation in the forest in the Project Area) under the prevailing regulations in PNG, including the Environmental Permit and the Clearance Authority, together with all costs and expenses incurred, paid or payable for the operation and maintenance of the Target Group before the obtaining of Clearance Authority by the Target Group.

Subject to the above, the working capital of the Target Group in excess of those as mentioned above will be financed by means of advances and credit from financial institutions and other third party sources on the most favourable terms reasonably obtainable as to interest, repayment and security and when such advances and credit are exhausted or unavailable, by advances from the shareholders of the Target Company. Any advances made by the shareholders of the Target Company shall be on such terms and conditions as the shareholders of the Target Company may agree and shall be made by the shareholders of the Target Company in proportion to their respective shareholdings in the Target Company.

Termination of the Shareholders' Agreement

The Shareholders' Agreement shall terminate in the event that all the Target Shares are held beneficially by one shareholder, or upon the completion of the transfer of the Target Shares to the Purchaser or its nominee upon the exercise of the Option, whichever is earlier.

OPTION DEED

It is also a condition of the Agreement that upon Completion, the Purchaser, the Vendors and the Guarantor shall enter into the Option Deed. Pursuant to the Option Deed, the Vendors will unconditionally grant to the Purchaser the Option to purchase the Option Shares representing 70% of the entire issued share capital of the Target Company and the Option may be exercised at the sole discretion of the Purchaser according to the terms and conditions therein.

Major terms of the Option Deed are as follows:

Condition precedent

The grant of the Option to the Purchaser shall be unconditional.

Consideration

In consideration of the Vendors entering into the Option Deed and granting the Option subject to and conditional upon the terms and conditions of the Option Deed, the Purchaser shall pay to the Vendors a sum of HK\$1 immediately upon the execution of the Option Deed.

Option

The Vendors irrevocably grant to the Purchaser or its nominees the Option to require the Vendors to sell the Option Shares subject to and upon the terms and conditions of the Option Deed.

Upon exercise of the Option, the Vendors shall as beneficial owner sell and the Purchaser shall purchase and/or shall procure its nominees to purchase the Option Shares free from all encumbrances and together with all rights attaching thereto as at the date of exercise of the Option.

Conditions for exercising the Option

Unless otherwise waived by the Purchaser, the Option may be exercised by the Purchaser at any time during the option period after the following conditions are satisfied:

- (a) all necessary consents and approvals as may be required in respect of the exercise of the Option and the transactions contemplated thereunder (including the consents and approvals as may be required under the Listing Rules) having been obtained by the Purchaser;
- (b) if necessary, passing of all necessary resolutions by the Shareholders (or independent Shareholders, if applicable) of the Company at a general meeting to be convened and held to approve, among other matters, the exercise of the Option and the transactions contemplated thereunder;
- (c) the Agricultural Lease having been issued, and the Clearance Authority and all other permits, licences, approvals required for the enjoyment of the Logging Concession having been obtained by the Target Subsidiary and are in full force and effect, not likely to be suspended, cancelled, revoked or terminated;
- (d) there have not been any breach of the Shareholders' Agreement;
- (e) there being no material adverse change whether or not permanent in the business or in the financial or trading position or the prospect of the Target Group;

- (f) there being no change or development involving a prospective change, or any event or series of event likely to result in any change or development involving a prospective change in local, national or international financial, political, military or economic condition, currency exchange rate, exchange control, currency market, fiscal and regulating market and conditions or any monetary or trading settlement system in and affecting PNG, the PRC and Hong Kong;
- (g) the warranties and representations given by the Vendors and the Guarantor under the Option Deed remaining true and accurate in all respects;
- (h) the exercise of the Option (i) will not cause the Target Group to be in breach of the relevant permits approvals, licences etc. required for the enjoyment or the exploitation of the Logging Concession; (ii) will not result in the revocation, cancellation, suspension or non-renewal of such licences etc. required for the enjoyment of the Logging Concession upon expiry; and (iii) will not in any way adversely affect or prejudice the Logging Concession or the Target Subsidiary's entitlement thereunder;
- (i) no indication being received from the Stock Exchange that the exercise of the Option will be treated or, as the case may be, ruled or deemed by the Stock Exchange as a "reverse takeover" under the Listing Rules; and
- (j) the obtaining of the Second Valuation Report (as defined below) (in form and substance reasonably satisfactory to the Purchaser and the bases and assumptions on which such valuation report has been prepared shall be acceptable in all material respects to the Purchaser) to be issued by a qualified independent valuer nominated by the Purchaser showing the Second Valuation (as defined below).

Save for conditions (a) and (b), the conditions set out above can be waived at the sole discretion of the Purchaser by notifying the Vendors such waiver in writing. If the conditions set out above have not been satisfied, or if the Option is not exercised by the Purchaser, in each case on or before the last day of the option period (which may be extended to such later date as the Purchaser and the Vendors may agree), the Option shall automatically lapse and the Option Deed shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

The Option can be exercised on one occasion in relation to the Option Shares during the below option period subject to and upon the terms and conditions of the Option Deed.

Option period

The Option may be exercised at any time during the period commencing 13 months after Completion and expiring 12 months thereafter (which may be extended to such later date as may be agreed by both the Purchaser and the Vendors).

Option Price

The Option Price shall be equivalent to HK\$700,000,000 or 70% of the Second Valuation (as defined below) (whichever is lower) and shall be paid in the following manner:

- (a) not more than 20% of the Option Price shall be paid in cash; and
- (b) not less than 80% of the Option Price shall be paid by procuring the Company to issue the promissory note to the Vendors (or their respective nominees);

Any promissory note that may be issued in part payment of the Option Price shall bear the same terms and conditions of the Promissory Note, save for the principal amounts and the maturity date (which shall be the day following the expiry of the fifteen (15) months after the date of the Option Completion, and except that such promissory note shall not be subject to any event of default.

The Option Price was determined after arm's length negotiations between the Purchaser and the Vendors after taking into account, among other things, the Consideration for the Acquisition, and the Preliminary Valuation of the entire issued share capital of the Target Group as at 30 June 2011.

Second Valuation

Within seven Business Days after the date of receipt of the Agricultural Lease and the Clearance Authority (whichever is the later), the Vendors and the Purchaser shall use their respective best endeavours to engage, and assist in the engagement of, a qualified independent valuer nominated by the Purchaser to conduct the second valuation (the "**Second Valuation**") on the value of the Target Group. The Vendors shall irrevocably and unconditionally undertake in favour of the Purchaser to use their respective best endeavours to promptly provide all necessary assistance and take all necessary actions with a view to ensure that the valuation report (the "**Second Valuation Report**") showing the Second Valuation shall be prepared and reported on, and the independent valuer shall issue a certificate to certify the Second Valuation, by the date falling not later than three months after the date of receipt of the Agricultural Lease and the Clearance Authority (whichever is the later), or such later date as may be determined by the Purchaser in its sole discretion.

It is also agreed that the effective date of the Second Valuation shall not be earlier than the date of receipt of the Agricultural Lease and the Clearance Authority (whichever is the later), and the Second Valuation Report shall be in form and substance reasonably satisfactory to the Purchaser and shall be prepared in compliance with the requirements of the Listing Rules, on a discounted cash flow and income methodology and such bases and assumptions as may be acceptable to the Purchaser in all material respects.

Conditions for the Option Completion

Notwithstanding the issue of an option notice to exercise the Option (the “**Option Notice**”), the Purchaser shall only be bound to complete the sale and purchase of the Option Shares within seven Business Days if the following conditions are satisfied (unless otherwise waived by the Purchaser) on the date of Option Completion:

- (a) there have not been any breach of the Shareholders’ Agreement since the date of the Option Notice;
- (b) the Agricultural Lease issued to, and the Clearance Authority and all other permits, licences, approvals required for the enjoyment of the Logging Concession obtained by the Target Subsidiary are in full force and effect, not likely to be suspended, cancelled, revoked or terminated;
- (c) there being no material adverse change whether or not permanent in the business or in the financial or trading position or the prospect of the Target Group;
- (d) there being no change or development involving a prospective change, or any event or series of event likely to result in any change or development involving a prospective change in local, national or international financial, political, military or economic condition, currency exchange rate, exchange control, currency market, fiscal and regulating market and conditions or any monetary or trading settlement system in and affecting PNG, the PRC and Hong Kong; and
- (e) the warranties and representations given by the Vendors and the Guarantor under the Option Deed remaining true and accurate in all respects.

The conditions set out above may be waived in the sole discretion of the Purchaser by notifying the Vendors such waiver in writing. If the conditions for the Option Completion have not been satisfied (or waived) on or before 30 days after the date of the Option Notice (which may be extended to such later date as the Purchaser may determine at its sole discretion by notifying the Vendors such date in writing), the Option Notice shall automatically be deemed to be revoked and the Option Deed shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Option Completion shall take place on the date falling seven Business Days from the date of the Option Notice provided that the conditions for the Option Completion are fulfilled or otherwise waived, or such other date as may be determined by the Purchaser at its sole discretion by notifying the Vendors such date in writing.

Transfer

The Option may be assigned or transferred by the Purchaser to any person. The Option Deed shall be binding upon each party’s successors and assigns and personal representatives.

Power of Attorney

As continuing security for the due performance of the Vendors' obligations in the Option Deed, each of the Vendors irrevocably and by way of security appoints the Purchaser with full power of substitution and with full power to act alone to be its attorney and on its behalf to execute and do any such instrument, act or thing which in the opinion of the Purchaser, the Vendors ought to do under the covenants and provisions contained in the Option Deed.

Guarantee

Pursuant to the Option Deed, the Guarantor will unconditionally and irrevocably, guarantee to the Purchaser the due and punctual performance by the Vendors of all the obligations expressed to be imposed on or assumed by them under the Option Deed as if she was the primary obligor.

If the Option Deed is executed by the Vendors and the Purchaser, the exercise of the Option, the purchase of the Option Shares and the transactions contemplated thereunder may constitute a notifiable transaction and/or a connected transaction for the Company under Chapter(s) 14 and/or 14A of the Listing Rules. Should the Company then decide to exercise the Option pursuant to the Option Deed, where necessary, the Company will comply with all the relevant requirements of Chapter(s) 14 and/or 14A of the Listing Rules and further announcement will be made by the Company as and when appropriate in accordance with the Listing Rules. In the event that the Option is not exercised by the Purchaser within the option period, the Option shall automatically lapse, the Option Deed shall cease to have further force or effect and the Option Price shall not be payable.

INFORMATION ON THE TARGET GROUP

Target Company

The Target Company is a company incorporated in BVI with limited liability. As at the date of the Agreement, the sole asset of the Target Company is the entire issued share capital of the Target Subsidiary. As the Target Company has not carried out any significant operations since its establishment up to the date of this announcement, it has not recorded any revenue and has only incurred immaterial administrative expenses.

Target Subsidiary

The Target Subsidiary is a company incorporated in PNG with limited liability and is a direct wholly-owned subsidiary of the Target Company. By a project agreement dated 30 May 2011 made between the Target Subsidiary and Vabari Development, the Target Subsidiary has been granted the right to enjoy the Logging Concession, including but not limited to the right to operate sawmills, harvest trees and sell logs, within the forest in the Project Area for a term of 99 years. Since, subject to the grant and issue of the Agricultural Lease, Vabari Land (instead of Vabari Development) will be the sub-lessee of the Project Area, it is now proposed that the Target Subsidiary, Vabari Land and Vabari Development will enter into the Master Agreements to sub-sublease the Project Area to the Target Subsidiary and to supplement and perfect the Target Subsidiary's right and interest with

respect to the Logging Concession. Other than the aforesaid, the Target Subsidiary has not carried out any operations since its establishment up to the date of this announcement and thus has not recorded any revenue and has only incurred immaterial administrative expenses.

Financial information

Set out below is the unaudited consolidated Management Accounts of the Target Group for the period from the date of the incorporation of the Target Subsidiary on 9 December 2010 to 31 October 2011.

	For the period from the date of the incorporation of the Target Subsidiary on 9 December 2010 to 31 October 2011
	<i>Approximate US\$</i>
Income	0
Loss before taxation	-1,965,954
Loss after taxation	-1,965,954

Based on the unaudited consolidated Management Accounts of the Target Group, the unaudited net liabilities of the Target Group as at 31 October 2011 was approximately US\$28,724 (equivalent to approximately HK\$222,760). The Target Subsidiary has had no operation since its incorporation and no financial statements have been prepared for the year ended 31 December 2010.

As disclosed in the paragraph headed “Shareholders’ Agreement” in this announcement, as the Purchaser would be able to secure the control over the board of directors and 51% of the voting rights in the general meetings of the Target Company through the Shareholders’ Agreement, upon Completion, the Target Group will be treated as non wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Group’s consolidated accounts.

The forest in the Project Area

PNG

PNG is a country in Oceania, occupying the eastern half of the island of New Guinea and numerous offshore islands. It is located in the south western Pacific Ocean, in a region defined since the early 19th century as Melanesia. Its capital, and one of its few major cities, is Port Moresby. The country is one of the world's least explored, both culturally and geographically, and many undiscovered species of plants and animals are thought to exist in the interior of PNG.



The Project Area

The Project Area is a piece of customary land owned by the Landowners in accordance with their practiced native custom in PNG. Under the Land Act No. 45 of 1996 of PNG (the “**Land Act**”), customary landowners may lease their customary land to the PNG government by way of the lease-lease back arrangement, pursuant to the powers vested in the landowners by virtue of their recognized native custom, on the specific condition that the PNG government will sublease the customary land back to the person(s), and group, business group or other incorporated bodies that the landowners have nominated or appointed by way of issuing a special agricultural and business lease to such nominee. The nominee will then become the sub-lessee of the customary land and be entitled to either retain the registered interest that it secures and develops the land according to the terms of the special agricultural and business lease or further sub-sublease the land to another party for the development of the land for the remaining term of the sub-lease.

Vabari Land is the incorporated body nominated by the Landowners to hold the Agricultural Lease to be issued by the PNG government for the Project Area. According to the Vendors, the Project Area is in the process of being registered pursuant to the lease-lease back arrangement under the Land Act and being issued as an Agricultural Lease to Vabari Land. It is currently expected by the Vendors that the Agricultural Lease for the Project Area will be issued to Vabari Land by or around March 2012.

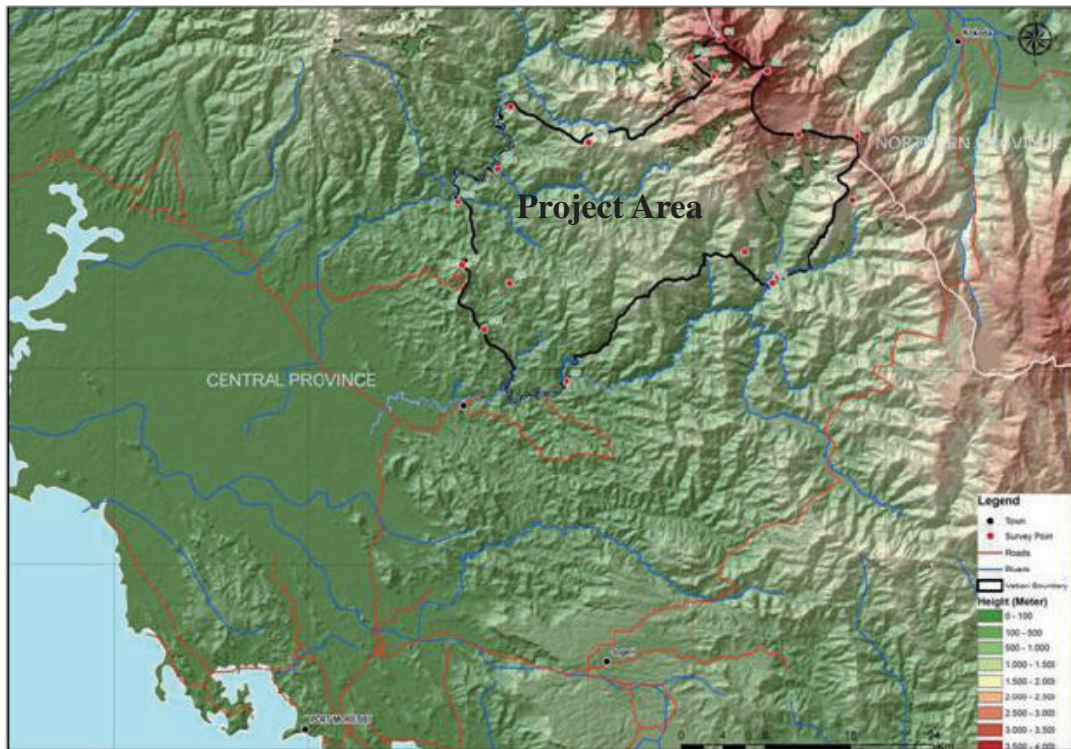
By a project agreement dated 30 May 2011 made between the Target Subsidiary and Vabari Development, a company set up under PNG Companies Act to serve as a vehicle for conducting business for the Landowners, the Target Subsidiary has been granted the right to enjoy the Logging Concession, including but not limited to the right to operate sawmills, harvest trees and sell logs, within the forest in the Project Area for a term of 99 years. Since, subject to the grant and issue of the Agricultural Lease, Vabari Land (instead of Vabari Development) will be the sub-lessee of the Project Area, it is now proposed that the Target Subsidiary, Vabari Land and Vabari Development will enter into the Master Agreements to sub-sublease the Project Area to the Target Subsidiary and to supplement and perfect the Target Subsidiary’s right and interests with respect to the Logging Concession.

As mentioned in the paragraph headed “Conditions precedent to Completion” above, it is a condition precedent to Completion that (a) the representatives of the Landowners and the PNG government shall have entered into the Lease/Lease Back Agreement and the Agricultural Lease shall have been duly granted to Vabari Land; and (b) the Target Subsidiary and the Vabari Companies shall have entered into the Master Agreements. The Vendors have further undertaken under the Agreement that they will at their costs and expenses procure Vabari Land to enter into the Master Agreements and to appoint the Target Subsidiary as its attorney to deal with the processes of obtaining the Agricultural Lease, registration of all required agreements and the application of the Clearance Authority and all other required permits for the Logging Concession, within 60 days from the date of the Agreement. Accordingly, by the time of Completion, the Target Subsidiary should have already secured a proper title and interests in the Project Area and the Logging Concession.

The Project Area covers a plot of land being Portion 643C located in Milinch of Golidie (NE) Kase (SE) Kokoda (SW) & Biset (NW) Fourmil of Moresby & Buna in the Kairuku Hiri District in the Varabi Timber Authority Area in the Central Province of PNG with the

size of approximately 65,800 hectares. The easting and longitudinal readings are easting 147.3°10'00" E and longitude 9.2°11'00"N. The Project Area's eastern boundary is the Vanapa River, and its northern boundary is the central mountains comprising Mount Cameron, Owen Stanley ranges and Northern Provincial boarder.

Location of the Project Area



The Project Area can be split roughly into three areas due to the great changes of altitude: (i) mountainous/extremely steep land. This occurs for most of the northern part of the Project Area which includes part of the Owen Stanley mountain range; (ii) moderate to steep slope land. This area comprises almost all the remaining area of the Project Area; and (iii) flat to gently rolling land, negligible area.

According to PNG Harvesting Code of Practice, harvesting is allowed in all kinds of forests on slopes up to 25° and selective cutting in all kind of forests on slopes up to 30° on short slopes or 25° over the whole slope length. As advised by the management of the Target Subsidiary, approximately 77% of the Project Area is considered on slopes up to 25° while 23% is very steep at over 25° slope.

The standing trees in the Project Area mainly include hopea spp., pomelia pinnata, syzigium spp., slonea and elmerrillia papuana. Hopea spp. is the dominant species of the forest in the Project Area, comprising 13.70% of the total volume of the trees in the Project Area. The top three species, hopea spp., pomelia pinnata and syzigium spp. together account for about 29.00% of the volume of the trees in the Project Area. According to the preliminary resource assessment report prepared by the independent resource assessor engaged by the Company, the net operable area accounts for approximately 38% of the total area of the Project Area, approximately 24,885 hectares. The average gross log volume per hectare is approximately

52.037 m³, and it is estimated that the total gross log volume contained within the Project Area is approximately 3.56 million m³, while the total stocks of the net operable trees in the Project Area can produce up to 2.63 million m³ of logs.

According to the preliminary resource assessment report prepared by the independent resource assessor engaged by the Company, the trees within the Project Area can be categorized into five categories with reference to the timber classification standards of the PRC, details of which are as followings:

- (i) Premium-level trees (特類木). There are approximately 23,500 premium-level trees in the Project Area, mainly diospyros ferrea (象牙樹屬) and pterocarpus indicus (紫檀屬). The total volume of the premium-level trees are approximately 26,100 m³, accounting for approximately 0.99% of the total volume of the net operable trees in the Project Area;
- (ii) First-level trees (一類木). The first-level trees constitute the largest portion of the forest in the Project Area, mainly hopea spp. (坡壘屬) and pomelia pinnatas (番龍眼屬). There are approximately 598,600 first-level trees in the Project Area. The total volume of the first-level trees are approximately 989,100 m³, accounting for approximately 37.67% of the total volume of the net operable trees in the Project Area;
- (iii) Second-level trees (二類木). There are approximately 170,500 second-level trees in the Project Area, mainly magnolia tsiampacca (木蘭屬), endospermum spp. (黃桐屬) and Koompassis grandiflora (科巴樹屬). The total volume of the second-level trees are approximately 347,300 m³, accounting for approximately 13.22% of the total volume of the net operable trees in the Project Area;
- (iv) Third-level trees (三類木). There are approximately 264,500 third-level trees in the Project Area, mainly syzigium spp. (蒲桃屬) and dysoxylum spp. (慳木屬). The total volume of the third-level trees are approximately 381,900 m³, accounting for approximately 14.54% of the total volume of the net operable trees in the Project Area; and
- (v) Forth-level trees (四類木). There are approximately 671,100 forth-level trees in the Project Area, mainly sloanea spp. (猴歡喜屬), lithocarpus (石櫟屬), castanopsis (錐屬) and myristica spp. (肉豆蔻屬). The total volume of the forth-level trees are approximately 881,800 thousand m³, accounting for approximately 33.58% of the total volume of the net operable trees in the Project Area.

Further details of the resource assessment of the forest in the Project Area will be disclosed in the Circular of the Company.

REASONS FOR AND BENEFIT OF THE STRATEGIC ALLIANCE AND THE ACQUISITION

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of money lending, provision of credits, securities investments, and provision of corporate secretarial and consultancy services.

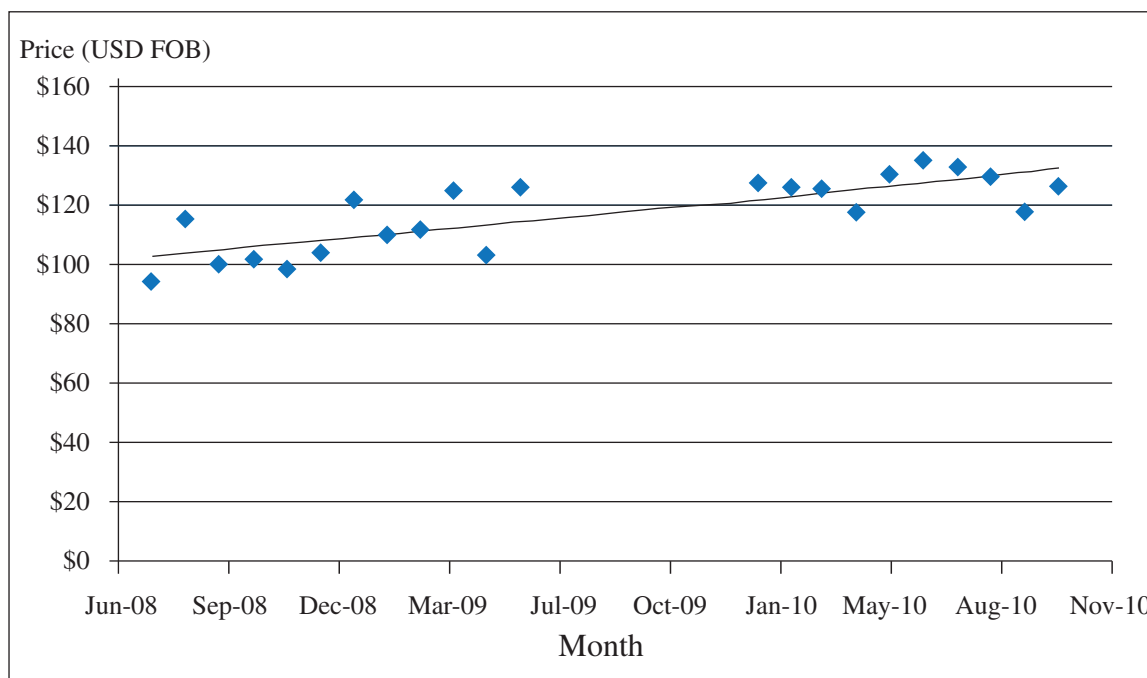
Strategic move for the Group

As disclosed in the Company's 2010 annual report, the Group has been exploring ways to improve the financial performance of the Group, to diversify the Group's operations into new and more profitable businesses and to broaden the source of revenue. Although the Group disposed of the loss-making plywood business in December 2010, as disclosed in the Company's 2011 interim report, the Group has been trying to continue with the plywood-related business by sourcing business opportunities in relation to the upstream plywood business (i.e. the forestry business). The Acquisition is in line with the corporate strategy of the Group and represents a strategic move for the Group to re-enter into the plywood-related business.

Optimistic prospect of the forestry industry

With wood being one of the most essential materials in the world, the Directors consider that the potential investment opportunity that the forestry industry proposes is immense. Demand ranges from building houses to the need of paper for publishing. With the PRC and India's high economic growth and the housing and the building industry, the demands for forestry products in construction are commendable.

According to long-run historical data collected from the International Tropical Timber Organization (the "ITTO") and price information available in PNG, the prices for tropical hardwood logs in general have been increasing over the last decade. As shown in the Sustaining Tropical Forests Annual Report 2010 issued by the ITTO, price trends of major species of tropical wood were positive and stable in 2009 and 2010, and had increased moderately from the mid-2010. According to the statistics published by the PNG Forest Authority, the volume weighted average price has recently increased at a rate above 5% per year. The steady price increase could be due to a combination of declining supply and improved competition in the buyer's markets. As can be seen from the figure below, the official export log prices are averaging around US\$125–130/m³.



Source: Forest Authority of PNG

It is expected that this price appreciation trend will continue in the near term in the light of the continuous strong demand in the PRC and India.

According to the preliminary resource assessment report prepared by an independent resource assessor engaged by the Company mentioned in the preceding paragraph headed “Information on the Target Group – The forest in the Project Area”, approximately 65,800 hectares Project Area is expected to provide a broad scale of timber resources. With the presence of the potential in upstream processing of the forestry industry, the Directors consider it promising and profitable to initiate the Group’s involvement in the upstream plywood business. The Directors believe that the Acquisition will provide an opportunity for the Group to participate in the promising forest business in PNG and to diversify its existing business and broaden the income base of the Group, and ultimately help bring about a positive impact to the Group’s business and profit.

Risks associated with the Acquisition and mitigating factors

The Directors however are mindful of the potential risks adhered to the Acquisition, which, among others, include the following:

- (i) The forestry business constitutes a new business sector to the Group. Such new business, which operates in a different regulatory environment, may pose significant challenges to the Group, including but not limited to the Group's administrative, financial and operational resources. The Board is not in a position to estimate the possible return from such new business nor is it in a position to control the operation risks. To mitigate such risk, the Group plans to retain the current management team of the Target Subsidiary for its future management and has entered into the Strategic Cooperation Agreement with Longjiang Forest Industry to leverage on the expertise of the latter in the development, management and exploitation of the forest in the Project Area so as to ensure that the operations of the Target Subsidiary will run smoothly after Completion of the Acquisition.
- (ii) As mentioned in the paragraph headed "Information on the Target Group – The forest in the Project Area", as at the date of the Agreement, the Target Subsidiary has not yet obtained a proper title and interests in the Logging Concession. Vabari Land is currently in the process of applying for the Agricultural Lease from the relevant PNG government authorities. Subject to the grant of the Agricultural Lease and the execution of the Master Agreements, the Target Subsidiary may then, in its capacity as the sub-lessee of the Project Area, apply for the grant of the Clearance Authority from the relevant PNG government authorities. The Agriculture Lease and the Clearance Authority are crucial prerequisites for the full implementation of the business plan of the Target Group in the Project Area. As advised by the PNG legal advisers engaged by the Company, it is currently expected that Vabari Land and the Target Subsidiary will be able to obtain the Agricultural Lease and the Clearance Authority respectively in early 2012 and late 2012 respectively. However the successful applications of the Agricultural Lease and the Clearance Authority are subject to uncertainties and contingencies beyond the control of the Target Group. Any delay in obtaining the said approvals could result in material delay and alteration of the business plan of the Target Group. Given that the Group will be interested in 30% issued share capital of the Target Company upon Completion, such delay and alteration of the business plan of the Target Group as a result of failure in obtaining the Agricultural Lease and/or the Clearance Authority could materially and adversely affect the Enlarged Group's business, financial condition and results of operations.

Again, to mitigate such risk, it was provided in the Agreement that Completion is subject to, among other things, (a) the representatives of the Landowners and the PNG government having entered into the Lease/Lease Back Agreement and the Agricultural Lease having been duly granted to Vabari Land; (b) the Target Subsidiary and the Vabari Companies having entered into the Master Agreements; and (c) the Group having obtained a legal opinion from a firm of PNG lawyers appointed by the Group confirming, among other things, the absence of legal impediment under the laws and regulation in PNG for the Target Subsidiary to obtain the Environmental Permit and the Clearance Authority. As a further assurance for the completion of all necessary formalities in obtaining all necessary permits and approvals for granting the Logging

Concession to the Target Subsidiary, the Vendors have further undertaken under the Agreement to procure Vabari Land to enter into the Master Agreements and to appoint the Target Subsidiary as its attorney to deal with the processes of obtaining the Agricultural Lease, registration of all required agreements and the application of the Clearance Authority and all other required permits for the Logging Concession, within 60 days from the date of the Agreement.

Accordingly, by the time of Completion, the Target Subsidiary should have already secured a proper title and interests in the Project Area and the Logging Concession.

- (iii) The Group only acquires a minority stake of 30% shareholding in the Target Company and may not have control over the matters and affairs of the Target Group.

Pursuant to the Agreement, the Shareholders' Agreement will be executed by the Purchaser and the Vendors upon Completion. It is intended that the terms of the Shareholders' Agreement will govern the shareholdings and the affairs and management of the Target Company during the period after Completion and before the Option is exercised by the Purchaser pursuant to the Option Deed, unless the Option shall have lapsed pursuant to the terms thereof. By virtue of the terms of the Shareholders' Agreement as mentioned in this announcement,

- (a) notwithstanding the Acquisition involves only a minority stake in the Target Company, the Purchaser will have the control over the board of directors of the Target Group and 51% of the total voting rights in the general meetings of the Target Company so that upon Completion, the Target Group will become de facto indirect subsidiaries of the Group and the Group will be able to closely monitor and control the affairs of the Target Group and its ongoing process in obtaining the approvals and permits required for the enjoyment and exploitation of the Logging Concession, including but without limitation the Clearance Authority; and
- (b) the Vendors will be obliged to continue to finance the operation and maintenance of the Target Company and all costs and expenses required for obtaining the approvals and permits required for the enjoyment and exploitation of the Logging Concession, including but without limitation the Clearance Authority. It is expected that when the Clearance Authority is duly obtained by the Target Subsidiary (subject to other conditions set forth in the Option Deed are duly satisfied or waived by the Purchaser), the Purchaser will exercise the Option pursuant to the Option Deed so that the Group will by then own and control the entire issued share capital of the Target Company and the Target Subsidiary, and in turn the title, interests and rights under the Logging Concession. It is expected that before the exercise of the Option pursuant to the Option Deed, no further capital expenditure or investment in the Target Group will be required from the Group.

In light of the foregoing, the Directors consider that the aforesaid potential risks associated with the Acquisition are covered by the terms of the Agreement.

The Acquisition, together with the Shareholders' Agreement to be entered into upon Completion, allows the Company to acquire a de facto control over the Target Group, and the grant of the Option under the Option Deed further provides the Group with flexibility to step up its interests in the Target Company during the option period depending on the

Agricultural Lease and the Clearance Authority and all other permits, licences, approvals required for the enjoyment of the Logging Concession having been successfully obtained by the Target Subsidiary, the performance of the Target Group and the market-conditions of the forestry business worldwide from time to time.

The terms and conditions of the Agreement were arrived at after arm's length negotiations between the Purchaser and the Vendors. Although the Board considers that the Group may be posed with certain inevitable risks due to the Acquisition, weighing the potential risks associated with the Acquisition against the favourable prospects of the forest industry in PNG, and that the Acquisition is in line with the business strategy of the Group to diversify its existing business, the Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement are fair and reasonable.

The Group currently intends to finance the Acquisition partly by means of internal resources and partly by means of appropriate debt and/or equity financing, including but not limited to the issue of convertible notes, warrants, new Shares under specific mandate and rights issue/open offer. In the event that at Completion, the Group does not have sufficient internal resources and/or fails to raise sufficient funds for the settlement of the whole or part of the balance of Consideration, the whole or any shortfall thereof will be settled by the issue of the Promissory Note to the Vendors. If any Promissory Note is issued at Completion by the Company in part payment of the Consideration, it is currently the Company's intention to conduct further fund raising activities as and when suitable opportunities arise for the early repayment of such Promissory Note.

As at the date of this announcement, the Company has not carried out any formal discussion with any financial institutions in relation to any concrete fund raising plan. Based on the current circumstances of the Group, it is intended that the proceeds from any fund raising will be applied for (i) financing the remaining portion of the Consideration, including but not limited to the repayment of the Promissory Note; and (ii) the general working capital of the Enlarged Group. Yet, as mentioned above, it has been the Group's corporate strategy to continue to explore ways to improve the financial performance of the Group, to diversify the Group's operations into new and more profitable businesses and to broaden the source of revenue. Hence, the Company does not rule out the possibility that on top of the need to raise sufficient cash for the settlement of the Consideration as mentioned in the preceding paragraph, the Company may also implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve the financial position of the Group in the event that suitable fund raising opportunities arise, as the Company has from time to time been approached by investors for potential investment projects. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

Strong support through the strategic alliance with Longjiang Forest Industry

To ensure that the operations of the Target Subsidiary will run smoothly after Completion of the Acquisition, the Company, through the liaison and assistance of the Agent, formed a strategic alliance with Longjiang Forest Industry pursuant to the Strategic Cooperation Agreement. According to the Strategic Cooperation Agreement, the Company will set up a technical advisory board for the forestry business and Longjiang Forest Industry will nominate one to two key personnel to join the said technical advisory board and to provide ongoing advice to the Board in relation to the operating and management of the forest in the Project Area. Longjiang Forest Industry will also provide skilled labours to participate the operations of the Target Subsidiary. The Board considers that, given Longjiang Forest Industry's substantial and distinctive experience in the forestry business and its pool of outstanding experts and management team in operating, development and management of the forest in both the PRC and overseas, the formation of strategic alliance between the Company and Longjiang Forest Industry will not only boost the Group's confidence and chance in the successful development and management of the forest in the Project Area, but will also allow them to complement with each other in their future cooperation and business developments. The Directors therefore consider that both the Strategic Alliance Agreement and the Agent Agreement (through which the Company was able to establish the strategic alliance with Longjiang Forest Industry) are in the interests of the Company and the Shareholders as a whole and the respective terms thereof are fair and reasonable.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only and assuming there being no other change in the share capital of the Company, set out below is a summary of the shareholdings in the Company (i) as at the date of this announcement; (ii) immediately after allotment and issue of the Conversion Shares upon full conversion of the Bonds; (iii) immediately after allotment and issue of the Longjiang Option Shares upon the exercise in full of the Longjian Option; (iv) immediately after allotment and issue of the Agent Option Shares upon the exercise in full of the Agent Option; and (v) immediately after allotment and issue of the Conversion Shares, the Longjiang Option Shares and the Agent Option Shares upon full conversion of the Bonds, and the exercise in full of the Longjian Option and the Agent Option respectively.

Shareholders	(i) As at the date of this announcement		(ii) Immediately after allotment and issue of the Conversion Shares upon full conversion of the Bonds		(iii) Immediately after allotment and issue of the Longjiang Option Shares upon full conversion of the Longjian Option		(iv) Immediately after allotment and issue of the Agent Option Shares upon full conversion of the Agent Option		(v) Immediately after allotment and issue of the Conversion Shares, the Longjiang Option Shares and the Agent Option Shares upon full conversion of the Bonds, the Longjian Option and the Agent Option respectively	
	Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%
Allied Summit Inc. (Note)	1,800,000,000	18.18	1,800,000,000	16.04	1,800,000,000	17.31	1,800,000,000	17.31	1,800,000,000	14.74
Mr. Su	142,000,000	1.43	142,000,000	1.27	142,000,000	1.37	142,000,000	1.37	142,000,000	1.16
Vendors and their nominees	—	—	1,320,000,000	11.76	—	—	—	—	1,320,000,000	10.81
Public:										
Longjian Forest Industry	—	—	—	—	495,170,096	4.76	—	—	495,170,096	4.05
Agent	—	—	—	—	—	—	495,170,096	4.76	495,170,096	4.05
Other public shareholders	<u>7,961,401,934</u>	<u>80.39</u>	<u>7,961,401,934</u>	<u>70.93</u>	<u>7,961,401,934</u>	<u>76.56</u>	<u>7,961,401,934</u>	<u>76.56</u>	<u>7,961,401,934</u>	<u>65.19</u>
Total	<u>9,903,401,934</u>	<u>100</u>	<u>11,223,401,934</u>	<u>100</u>	<u>10,398,572,030</u>	<u>100</u>	<u>10,398,572,030</u>	<u>100</u>	<u>12,213,742,126</u>	<u>100</u>

Note: Allied Summit Inc. is owned as to 80% by Mr. Su Weibiao (“**Mr. Su**”) and as to the remaining 20% by Mr. Ng Kwok Fai (“**Mr. Ng**”). Mr. Su is interested in 142,000,000 Shares; Mr. Ng is the executive Director and chairman of the Company.

Given the terms and conditions of the Agreement and the terms of the Bonds as mentioned above, there will not be any change in control of the Company as a result of the Acquisition.

FUND RAISING ACTIVITIES OF THE COMPANY

The following table summarizes the equity fund raising activities of the Company in the past 12 months immediately before the date of this announcement.

Date of announcement	Description of the fund raising exercise	Net proceeds actually raised	Intended use of proceeds	Actual use of proceeds
21 January 2011 and 24 January 2011	Placing of new Shares under the general mandate	Approximately HK\$11.03 million	For general corporate and working capital of the Group or/and the future development of the finance businesses of the Group	For general corporate and working capital of the Group or/and the future development of the finance businesses of the Group
8 March 2011	Rights issue of 2,774,183,310 Shares at the subscription price of HK\$0.08 per right share on the basis of thirty (30) rights shares for every one (1) existing Share held on 26 April 2011	Approximately HK\$214.64 million	As to not more than 70% for financing any acquisition opportunities identified/to be identified by the Company and as to not less than 30% for the development of the finance businesses of the Group	Approximately HK\$90 million has been utilized for financing acquisition opportunities identified by the Group, in which, HK\$80 million has been utilized in acquiring a strategic investment of 7.7% equity interests in Simsen International Corporation Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 993) and HK\$10 million has been utilized for payment of the Deposit in the Acquisition. The remaining of approximately HK\$124.64 million has been utilized for the development of the finance business of the Group.

Date of announcement	Description of the fund raising exercise	Net proceeds actually raised	Intended use of proceeds	Actual use of proceeds
8 March 2011	Placing of convertible notes	Approximately HK\$97.25 million	As to not more than 60% for financing any acquisition opportunities identified/to be identified by the Company (including but not limited to the possible acquisition of the oil fields in Kazakhstan and the said possible acquisition was lapsed, further details of which have been set out in the announcements of the Company dated 3 March 2011 and 15 June 2011 respectively) and as to not less than 40% for the development of the finance businesses of the Group	Has been utilized for the development of the finance business of the Group
19 October 2011	(i) Placing of new Shares under the general mandate; (ii) Subscription of new Shares under the specific mandate; and (iii) Placing of convertible notes under the specific mandate	Approximately HK\$157.10 million	As to (i) not less than 60% of the proceeds for the development of the Group's finance businesses and securities investments; and (ii) not more than 40% of the proceeds for financing the Acquisition and/or financing any other acquisition opportunities identified/to be identified by the Company, including but not limited to the other forestry businesses	Approximately HK\$56.69 million has been utilized for the development of the Group's finance business and the remaining balances of approximately HK\$100.41 million has been deposited into banks of the Company

Save as disclosed above, there had not been any other equity fund raising activity in the last 12 months immediately before the date of this announcement.

Listing Rules Implication

As one of the applicable percentage ratios to the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. The Agreement, including the issue of the Promissory Note, the issue of the Bonds and the allotment and issue of the Conversion Shares are subject to the approval of the Shareholders at the SGM.

The SGM will be convened and held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder, including the Acquisition, the issue of the Bonds and the Promissory Note and the allotment and issue of the Conversion Shares. The Board also proposed to seek approval from the Shareholders at the SGM for the grant of the Longjiang Option and the Agent Option, and issue of the Longjiang Option Shares and Agent Option Shares under specific mandate.

DELAY IN DESPATCH OF CIRCULAR

A Circular containing, among other things, further details of the Strategic Cooperation Agreement, the Agent Agreement, the Agreement, financial information relating to the Group and the Target Group, the valuation report of the Target Group and the notice of the SGM will be sent to the Shareholders. As additional time is required to prepare and finalize the aforesaid information, including but not limited the accountants' reports of the Target Group and the valuation report of the Target Group, the Company expects that the Circular will be despatched on or before 31 January 2012.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 2 December 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 5 December 2011.

Shareholders and potential investors should note that completion of the Agreement is subject to the fulfillment or waiver (as the case may be) of the conditions precedent under the Agreement. As the Acquisition may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
“affiliate”	in respect of any specified person or entity, means a person that directly or indirectly controls, is controlled by or is under common control with such specified person or entity

“Agent Agreement”	the conditional agreement dated 2 December 2011 entered into between the Company and Jia Run Investments Limited (嘉潤投資有限公司)
“Agreement”	the conditional agreement dated 2 December 2011 entered into among the Purchaser, the Vendors and the Guarantor in relation to the Acquisition
“Agricultural Lease”	the Special Agricultural and Business Lease granted to Vabari Land pursuant to section 102 of the Land Act of PNG embodied by the Lease/Lease Back Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bonds”	the zero coupon convertible bonds in the aggregate principal amount of HK\$33,000,000 due on the first anniversary of the date of issue of the Bonds in registered form to be issued at Completion to the Vendors by the Company for the partial settlement of the Consideration
“Business Day(s)”	a day (other than a Saturday, a Sunday and a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Circular”	the circular to be issued to the Shareholders by the Company in accordance with the Listing Rules in respect of, inter alia, the Acquisition
“Clearance Authority”	the Forest Clearance Authority granted by the Forest Authority of PNG regarding lawful permission to clear forest areas and harvest merchantable logs
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Agreement
“Completion Date”	the date falling on the fourteenth Business Day after the fulfillment of the conditions precedent to the Agreement (or such other date as the Vendors and the Purchaser may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	consideration payable for the Acquisition
“Conversion Shares”	new Shares to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Bonds in full
“Deposit”	a sum of HK\$10,000,000 paid by the Company to the Vendors or its nominees within seven (7) days of the signing of the MOU
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition of the Target Group immediately after Completion
“Environmental Permit”	an environmental permit issued regarding the Project Area under the Environment Act 2000 of PNG
“Forest Industry Participant”	registered entity with the PNG Forest Authority according to the Forestry Law in PNG entitled to obtain necessary permits and approvals for commencing forestry related business in PNG
“Further Deposit”	a sum of HK\$10,000,000 paid by the Purchaser to the Vendors on the execution of the Agreement as the further deposit on account of the Consideration
“Group”	the Company and its subsidiaries
“Guarantor”	Ms. To Yuk Fung, the guarantor in the Agreement to guarantee the due and punctual performance of the obligations by the Vendors in accordance with the terms of the Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of an entity and its subsidiaries, or any of their respective associates
“Landowners”	all customary owners of the land and resources within the Project Area
“Last Trading Day”	1 December 2011, being the last trading day on which the Shares were traded on the Stock Exchange prior to suspension of trading in the Shares pending the release of this announcement

“Lease/Lease Back Agreement”	the Instrument of Lease for Customary Land to be entered into between among the representatives of the Landowners and the PNG government
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logging Concession”	the rights derived from the Agricultural Lease
“Longjiang Forest Industry”	中國龍江森林工業 (集團) 總公司 (China Longjiang Forest Industry (Group) General Corporation*), a company incorporated in the PRC
“Management Accounts”	the unaudited consolidated balance sheet of the Target Group as at 31 October 2011 and the unaudited consolidated profit and loss accounts of the Target Group for the period commencing from the date of the incorporation of the Target Subsidiary on 9 December 2010 to 31 October 2011
“Master Agreements”	together the project agreement, the logging and marketing agreement and the sublease to be entered among the Target Subsidiary and the Vabari Companies in relation to sub-leasing of the Agricultural Lease by Vabari Land to the Target Subsidiary, and the assignment of the Logging Concession enjoyed by the Target Subsidiary and the duties owned by the Target Subsidiary to Vabari Development
“Material Adverse Change (or Effect)”	any change (or effect) or any development involving a change (or effect) which has, or is or could reasonably expected to have, a material and adverse effect on the financial position, business or property, results of operations or prospect of the Target Group as a whole
“MOU”	the Memorandum of Understanding dated 28 July 2011 (as supplemented by the supplemental Memorandum of Understanding dated 31 October 2011) entered into between the Company and the Vendors setting out the basic terms and conditions under which negotiations on the Acquisition is carried out
“New Share Charge”	the charge dated 1 December 2011 executed by Peak Sino over the Capitalisation Shares of the Target Company in favour of the Company to perfect the interests of the Company under the Share Charge as a result of the Capitalisation of Shareholder’s Loan
“Option”	an option to require the sale by the Vendors of the Option Shares to the Purchaser at HK\$700,000,000 or 70% of the Second Valuation (whichever is lower) subject to and upon the terms and conditions of the Option Deed

“Option Completion”	the completion of the sale and purchase of the Option Shares pursuant to the terms and conditions of the Option Deed
“Option Deed”	a deed to be entered into among the Purchaser and the Vendors and to take effect upon Completion in relation to an option to purchase 70% of the entire issued share capital in the Target Company granted by the Vendors to the Purchaser
“Option Price”	the option price payable by the Purchaser to the Vendors upon the exercise of the Option pursuant to the Option Deed
“Option Shares”	such number of Target Shares representing 70% of the entire issued share capital of the Target Company from time to time within the option period
“PNG”	the Independent State of Papua New Guinea
“POA”	the Power of Attorney to be granted by Vabari Land in favour of the Target Subsidiary, pursuant to which, Vabari Land grants exclusive powers and authorities to the Target Subsidiary to manage and arrange all activities in relation to, among other things, to register with the competent authority of PNG or do other acts as required by such authority to the Lease/Lease Back Agreement and the Master Agreements on behalf of Vabari Land
“PRC”	the People’s Republic of China
“Project Area”	a plot of land being Portion 643C Milinch of Golidie (NE) Kase (SE) Kokoda (SW) & Biset (NW) Fourmil of Moresby & Buna in the Kairuku Hiri District in the Vabari Timber Authority Area in the Central Province of PNG with the size of approximately 65,800 hectares
“Promissory Note”	in the principal amount of not more than HK\$250 million, 10% promissory note due on the day following the expiry of the fifteen (15) months after the Completion Date to be issued by the Company to the Vendors at Completion (for the purpose of the settlement of part of the Consideration)
“Purchaser”	Century Praise Limited, a company incorporated in BVI with limited liability, being a wholly-owned subsidiary of the Company
“Sale Shares”	Target Shares which represent 30% of the entire issued share capital of the Target Company as at Completion

“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, inter alia, the Agreement, and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Conversion Shares and the issue of the Promissory Note, and the grant of the Longjiang Option and the Agent Option and the allotment and issue of the Longjiang Option Shares and the Agent Option Shares
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Share Charge”	a charge dated 28 July 2011 executed by the Vendors over the then entire interest of the issued shares of the Target Company in favour of the Company pursuant to the MOU
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	a shareholders’ agreement to be entered by all then existing shareholders of the Target Company in relation to the affairs, business and management of the Target Company and its relationship to the each of the shareholders of the Target Company immediately after the Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement”	the strategic cooperation agreement dated 2 December 2011 and entered into between the Company and Longjiang Forest Industry
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Target Company”	Profit Grand Enterprises Limited, a company incorporated in BVI with limited liability and wholly and beneficially owned by the Vendors
“Target Group”	the Target Company and the Target Subsidiary
“Target Share(s)”	ordinary share(s) of US\$1.00 each in the share capital of the Target Company
“Target Subsidiary”	the only subsidiary of the Target Company immediately prior to Completion, namely I-Sky Natural Resources (PNG) Limited
“Vabari Companies”	collectively, Vabari Development and Vabari Land
“Vabari Development”	Vabari Development Corporation Limited, a company incorporated in PNG, an Independent Third Party

“Vabari Land”	Vabari Land Group Incorporation, an Independent Third Party
“Vendors”	Able Famous Limited and Peak Sino Limited, companies both incorporated in BVI with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Kina”	Kina, the lawful currency of PNG
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By order of the Board
Pacific Plywood Holdings Limited
Huang Chuan Fu
Deputy Chairman and Executive Director

Hong Kong, 2 December 2011

As at the date of this announcement, the Directors are as follows:

Executive Directors:

Mr. Ng Kwok Fai (*Chairman*)
 Mr. Huang Chuan Fu (*Deputy Chairman*)
 Mr. Liang Jian Hua
 Ms. Jia Hui
 Mr. Jiang Yi Ren

Independent non-executive Directors:

Mr. Chan Kin Sang
 Mr. Cheng Po Yuen
 Mr. Wong Chun Hung

For the purpose of illustration only, (i) amounts denominated in US\$ have been translated into HK\$ at the rate of US\$1 = HK\$7.7552; and (ii) amounts denominated in Kina have been translated into HK\$ at the rate of 1 Kina = HK\$3.35. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* *the English translation of the Chinese name is for identification purpose only*