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PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED INVESTMENT

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that on 28 July 2011 (after trading hours), the Company has entered into the MOU with the Vendors, pursuant to which the Vendors have expressed their intention to dispose of, and the Company has expressed its intention to acquire the Target Company, which is the sole owner of I-Sky, a company which has entered into a memorandum of agreement with the owner of the Forest in relation to the rights to harvest logs in the Vabari Timber Authority Area, with the size of approximately 65,800 hectare.

The Board wishes to emphasize that the Proposed Investment is subject to, among other things, the signing of the Formal Agreement and the terms and conditions of which are yet to be agreed. As the Proposed Investment may or may not proceed, investors and Shareholders are advised to exercise caution when dealing in the Shares. Further announcement in respect of the Proposed Investment will be made by the Company should any Formal Agreement be entered into as and when appropriate in accordance with the Listing Rules.

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* *For identification purpose only*

MAJOR TERMS OF THE MOU

- The Vendor 1:** Peak Sino Limited, a company incorporated under the laws of British Virgin Islands
- The Vendor 2:** Able Famous Limited, a company incorporated under the laws of British Virgin Islands
- The Purchaser:** the Company
- The Guarantor:** Ms. To Yuk Fung

The Vendors and the Guarantor confirm that they and their ultimate beneficial owners are independent of and not connected with the Company and its connected persons as defined in the Listing Rules.

Due Diligence Review

The Company will perform due diligence review in relation to the Proposed Investment covering financial, legal and taxation aspects of the Target Company, I-Sky and the Forest and their subsidiaries and affiliates (if any), including a valuation report and a resources report (if necessary) on the Forest. The Vendors undertake to furnish the Company with all necessary information concerning the Proposed Investment in its possession as the Company may reasonably require and provide all reasonable assistance and access as the Company and its professional consultants may require.

Refundable Deposit

Subject to the completion of the aforesaid preliminary due diligence review to the satisfaction of the Company in an absolute discretion basis, a refundable cash deposit in the aggregate amount of HK\$10,000,000 shall be paid by the Company to the Vendors within 7 days from the completion of the share charge as mentioned below.

A share charge over the entire issued share capital of the Target Company, being the sole owner of I-Sky, to be created by the Vendors in favour of the Company shall be made prior to the payment of the Deposit. The Vendors undertake that I-Sky will continue to be wholly owned by the Target Company during the Term.

Exclusivity

The Vendors agree that they or its respective affiliates shall not, and will cause their employees, agents and representatives and the officers of the Target Company and their subsidiaries and affiliates not to, at any time during the Term, solicit, initiate or encourage submission of further proposals or offers from any person, either directly or indirectly enter into any binding commitment (whether on a conditional or unconditional basis) or any negotiation, arrangement or agreement (whether subject to conditions or otherwise) similar or relating to the sales and purchase of the issued share capital of the Target Company or any part thereof, any acquisition or purchase of all or a significant portion of the shareholdings of the Target Company, with any party other than the Company, or the issue of any share or loan capital or the grant of any warrant, option or other right to subscribe for

any share or loan capital of the Target Company, or with respect to the material assets of the Target Company, including the share capital of I-Sky. References to acting “directly or indirectly” include (without prejudice to the generality of that expression) references to acting alone or in partnership, joint venture or otherwise jointly with or by means of any other person(s) or entity(ies).

Formal Agreement

The Formal Agreement and any other documents (if any) in relation to the Proposed Investment is expected to be entered into by the relevant parties to finalize the concrete terms for the sale and purchase of shares of the Target Company with the Vendors upon acceptance of the due diligence review on the Target Company, I-Sky and the Forest and their holding company by the Company. The Formal Agreement and any other transaction documents (if any) shall include the following principal terms and conditions:

- (i) Purchase price — the consideration of the Proposed Investment is to be determined and shall be with reference to the valuation price of the valuation report to be issued by an independent valuer engaged by the Company. The consideration of the Proposed Investment shall be satisfied by either cash, consideration shares and/or convertible notes carrying the rights to convert into new shares of the Company, or any combination of them.
- (ii) The Deposit will form part of the consideration of the Proposed Investment in the Formal Agreement.

Binding effect

The Parties understand and agree that, save for and except for the clauses in relation to due diligence review, refundable Deposit, exclusivity, expense, non-disclosure, binding effect, the Term and the governing law and jurisdiction, which shall be binding and enforceable upon signing of the MOU, the MOU is not legally binding nor enforceable, does not constitute an offer, a counter-offer, an acceptance and/or a commitment to enter into any transactions, and that any binding commitment shall be subject to the execution and delivery of the Formal Agreement.

Term

- (i) The MOU will remain in effect for three months from the date of signing the MOU and is subject to further extension for three months at the absolute discretion of the Company (or such longer period as the Parties may mutually agree to in writing) unless the Company gives a written notice to the Vendors of its intention to abandon further negotiations due to failure of the due diligence review, or until superseded by the execution of Formal Agreement in relation to the transaction contemplated hereunder, whichever is the earlier.
- (ii) Upon expiry of the MOU, the Vendors shall forthwith repay the Deposit after deduction of reasonable expense paid by the Vendors on behalf of the Company to the Company within one month. After that the Parties shall have no further rights or obligations hereunder, except with respect to any antecedent breaches of the binding provisions.

(iii) The Guarantor guarantees, unconditionally and irrevocably, to the Company, as principal obligor and not merely as surety for payment or collection or otherwise, the due, full, punctual and complete repayment by the Vendors of the Deposit in accordance with the terms of the MOU.

Information of the Guarantor

The ultimate beneficial owner and the sole director of the Vendor 1; the sole director of the Target Company and the director of I-Sky, Ms. To Yuk Fung, shall be the Guarantor of the Proposed Investment.

Ms. To Yuk Fung is the sole shareholder and director of I-Sky Group (Holdings) Limited, which is one of the successful developers in Hong Kong of residential properties, and is also a leading corporation which operates other core businesses in Hong Kong including property development, premises renovation, interior design, aesthetic medicine, jewelry, entertainment, investments and others. I-Sky Group (Holdings) Limited also has investments in logging and mining natural resources. One of the member of the I-Sky Group (Holdings) Limited, Skywalker Global Resources Limited, which mainly deals in mining natural resources and woodland, hotels and property development, now owns Maimai woodland, in PNG.

INFORMATION ON THE TARGET COMPANY

According to the information provided by the Vendors, the Target Company is a company incorporated under the laws of British Virgin Islands. The Target Company is interested in the entire issued share capital of I-Sky, which is a company incorporated under the laws of PNG. I-Sky has entered into a memorandum of agreement with the owner of the Forest in relation to the rights to harvest logs in the Vabari Timber Authority Area, with the size of approximately 65,800 hectares.

The Board wishes to emphasize that the Proposed Investment is subject to, among other things, the signing of the Formal Agreement and the terms and conditions of which are yet to be agreed. As the Proposed Investment may or may not proceed, investors and Shareholders are advised to exercise caution when dealing in the Shares. Further announcement in respect of the Proposed Investment will be made by the Company should any Formal Agreement be entered into as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Board” the board of Directors

“Company” Pacific Plywood Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange

“Deposit”	a refundable cash deposit of HK\$10,000,000 to be paid by the Company within 7 days from the completion of the share charge on the Target Company
“Director(s)”	the director(s) of the Company
“Forest”	a forest in the Vabari Timber Authority Area in PNG with the size of approximately 65,800 hectares
“Formal Agreement”	the formal agreement to be entered into by the Company and the Vendors in relation to the Proposed Investment
“Guarantor”	Ms. To Yuk Fung
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“I-Sky”	I-Sky Natural Resources (PNG) Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 28 July 2011 setting out the basic terms and conditions under which negotiations on the Proposed Investment are carried out
“Parties”	the parties to the MOU, which are the Company, the Vendors and the Guarantor
“PNG”	Independent State of Papua New Guinea
“PRC”	People’s Republic of China
“Proposed Investment”	the proposed investment in the rights to harvest logs in the Forest through the acquisition of the Target Company, which is the sole owner of I-Sky, by the Company
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Profit Grand Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and the sole owner of I-Sky

“Term”	3 months from the date of the signing of the MOU and is subject to further extension of three months at the absolute discretion of the Company (or such longer period as the Parties may mutually agree to in writing)
“Vendors”	together the Vendor 1 and the Vendor 2
“Vendor 1”	Peak Sino Limited, a company incorporated under the law of British Virgin Islands, owns 15% equity interest in the Target Company
“Vendor 2”	Able Famous Limited, a company incorporated under the law of British Virgin Islands, owns 85% equity interest in the Target Company

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

Hong Kong, 28 July 2011

As at the date of this announcement, the executive Directors are Mr. Liang Jian Hua (Chairman), Mr. Huang Chuan Fu (Deputy Chairman), Ms. Jia Hui and Mr. Jiang Yi Ren and the independent non-executive Directors are Mr. Chan Kin Sang, Mr. Cheng Po Yuen and Mr. Wong Chun Hung.

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