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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.

On 6 July 2010 (after trading hours), the Company entered into the MOU with MSB in relation to its intention to explore the investment opportunity in the Oilfield.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, MSB and its ultimate beneficial owner are independent of and not connected with the Company and its connected persons.

MAJOR TERMS OF THE MOU

Due diligence review

The Company will perform due diligence review in relation to the Proposed Investment covering financial, legal and taxation aspects of the holding company of the Oilfield and its subsidiaries and affiliates (if any), including a valuation report and a technical report (if necessary) on the Oilfield. MSB undertakes 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.

The Company and MSB agreed to mutually agree on the professional parties to conduct the due diligence review. MSB will bear the costs and expenses in relation to the due diligence first and the Company further agree to reimburse no more than HK\$10 million, in aggregate, for such costs and expenses in relation to the updating or reviews commissioned by MSB for this due diligence review. The Company's obligation to reimburse MSB shall subsist and be continuing notwithstanding that the termination of the MOU by MSB as contemplated under the MOU. The Company shall reimburse such costs and expenses contingent upon the Formal Agreement being signed.

* *for identification purpose only*

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 cooperation with MSB upon acceptance of the due diligence review on the Oilfield and its holding company by the Company.

In the event such Formal Agreement is entered into, the Company and MSB agree that any pricing reference to issue price or conversion price for any shares to be issued by the Company shall be referenced to the closing price of the Share as traded on the Stock Exchange as at the date of the MOU.

Term and non-exclusivity

The MOU will remain in effect for 60 days after the signing date (the “**Term**”) (or such longer period as the Company and MSB may mutually agree to in writing) unless the Company gives a written notice to MSB of its intention to abandon further negotiations, or until superseded by the execution of Formal Agreement, whichever is the earlier. In the event that any of the due diligence review is unable to be completed on time, the Company and MSB shall mutually agree to extend for a further period of up to 30 days. Notwithstanding to the contrary, the MOU shall automatically expire on 30 September 2010 unless the Company and MSB mutually agree in writing to any extension. Upon expiry of the MOU, and save for clause in relation to the binding effect provisions, the Company and MSB shall have no further rights or obligations under the MOU, except with respect to any antecedent breaches of the binding provisions.

The MOU is non-exclusive to the Company. MSB however agrees not to assist or procure the owner of the Oilfield to execute any binding offer or enter into any agreement relating to the sale or transfer any rights of the Oilfield with any other party during the Term of the MOU.

Binding effect

The Company and MSB understand and agree that, save and except for the clauses in relation to the expense, assignment of rights, the Term, non-disclosure 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 definitive documentation mutually acceptable to the Company and MSB.

BACKGROUND INFORMATION ON THE OILFIELD

According to the information provided by MSB, the holding company of the Oilfield (the “**Project Company**”) is a license holder and operator of the Oilfield pursuant to a contract signed between the Agency of the Republic of Kazakhstan on Investment, acting as the competent authority. The Oilfield is an on-shore oil and gas concession in Western Kazakhstan on the Mangyshlak Peninsula, approximately 105 kilometers southeast of Aktau, a major regional center of Kazakhstan. The Oilfield currently is in pilot production phase and the reserve of the Oilfield is estimated in excess of 100 MMBOE of oil (excluding gas).

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
“connect person”	as the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal agreement to be entered into by the Company and MSB in relation to the Proposed Investment
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kazakhstan”	Republic of Kazakhstan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MMBOE”	million barrels of oil equivalent
“MOU”	the memorandum of understanding setting out the basic terms and conditions under which negotiations on the Proposed Investment are carried out

“MSB”	Markmore Sdn Berhad, a company incorporated in Malaysia
“Oilfield”	an oil and gas concession in Western Kazakhstan with an area of approximately 330 square kilometers
“Proposed Investment”	the proposed investment in the Oilfield 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

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

Hong Kong, 6 July 2010

As at the date of this announcement, the executive Directors are Dr. Budiono Widodo (Chairman), Mr. Sardjono Widodo (Managing Director), Mr. Liao Yun Kuang (President), Mr. Yu Chien Te, Ms. Jia Hui, Mr. Huang Chuan Fu, Mr. Jiang Yi Ren and Mr. Liang Jian Hua and the independent non-executive Directors are Mr. Marzuki Usman, Mr. Wong Chun Hung and Mr. Chan Kin Sang.

This announcement will remain on the “Latest Company Announcements” page of the website of the Stock Exchange and the website of the Company for at least 7 days from the date of its posting.