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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)

**FRAMEWORK AGREEMENT
RELATING TO POSSIBLE ACQUISITION
OF THE PROJECT SITE IN BEIJING**

On 23 July 2013 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with the Vendor and the Guarantor in relation to a possible acquisition of 100% of the issued share capital of the Target Company. The major asset of the Target Company is the Project Site.

The Consideration of the Proposed Acquisition will be determined after further negotiation between the Vendor and the Purchaser and will not be more than 70% of the appraised consolidated net asset value of the Target Group (taking into account of the final valuation of the Project Site to be prepared by an independent valuer). The Vendor warrants that the total liabilities of the Target Group are not more than RMB80 million.

With reference to the preliminary valuation report prepared by Savills Valuation and Professional Services Limited, the preliminary valuation of the Project Site is RMB500 million on a bare land basis. The Consideration will be satisfied as to (i) not more than HK\$200 million by cash; while (ii) the remaining Consideration will be satisfied by the issuance of consideration shares, promissory notes or/and convertible notes by the Company to the Vendor. In order to facilitate the payment of the Escrow Money and to finance the Proposed Acquisition, the Board will actively seek for fund raising opportunities (including equity and/or debt financing, depending on the then circumstances) to raise sufficient funds.

Based on the above, the appraised consolidated net asset value of the Target Group will be amounted to approximately RMB336 million, being 80% of the net of the preliminary valuation of the Project Site of RMB500 million on a bare land basis less the total warranted liabilities of the Target Group of not more than RMB80 million.

* For identification purposes only

The Project Site consists of two consecutive concessions with an aggregate area of approximately 11,819 m² in Beijing, PRC. Situated in the innermost ring known as the Imperial City, the Project Site is surrounded by historic buildings such as the Forbidden City, the Tiananmen and the Drum Tower. The supreme location at the heart of the country's capital city marks its residents with the greatest social and political status while the nearby subway station and main streets provide easy access to various neighborhoods of Beijing.

Based on the existing planning application, the Project Site is intended to be developed into luxurious residential property with total gross floor area of 10,514.6 m². According to the Vendor's information and the research conducted in similar locations of Beijing, the current selling price of luxurious residential properties range from RMB80,000 per m² to RMB100,000 per m². It is currently expected that, the Project Site, after developing into luxurious residential property, will be sold at the higher end of said market range. Based on the information as provided by the Vendor, the preliminary total value of the Project Site, without taking into account of the development costs, tax and the then market status, will be amounted to not less than RMB1,000 million based on the selling price of RMB100,000 per m².

As the appraised net asset value on the Project Site is based on bare land basis which only reflects the value of the Project Site as if it were bare land, it has not taken into account of the potential upside value that the Project Site can be developed into luxurious residential property of higher value upon the ongoing new planning applications being approved by relevant authorities. Therefore, the discount on the consideration of at least 30% of the appraised consolidated net asset value of the Target Group gives the Group the cost advantage and flexibility to either re-sell the Project Site possibly at its market price after completion of the Proposed Acquisition and immediate gain the discount difference or, if then considered appropriate and approved by relevant authorities, to continue developing the Project Site and aim for even higher return by making use of its superior geographic location.

The Company also wishes to emphasize that only the Framework Agreement has been entered into as at the date of this announcement. The Framework Agreement does not constitute a binding commitment on the Company in respect of the Proposed Acquisition and as the Proposed Acquisition may or may not proceed, Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company. If the Proposed Acquisition is materialised, it may constitute a notifiable transaction of the Company under the Listing Rules and the Company will make further announcement(s) in respect of the Proposed Acquisition as and when appropriate.

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 23 July 2013 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with the Vendor and the Guarantor in relation to a possible acquisition of 100% of the issued share capital of the Target Company. The major asset of the Target Company is the Project Site.

FRAMEWORK AGREEMENT

Date

23 July 2013

Parties

Purchaser: Alpha Riches Limited, a wholly owned subsidiary of the Company

Vendor: Fly Star Global Investments Limited, a company incorporated in the British Virgin Islands with limited liability

Guarantor: Ms. Wu Chia Lien

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and the Guarantor are Independent Third Parties.

Asset to be acquired

The Vendor shall agree to sell and the Purchaser shall agree to purchase one (1) issued share of the Target Company, representing 100% of the issued share capital of the Target Company. The Target Company is incorporated in Hong Kong and has an issued share capital of HK\$1 divided into one (1) ordinary share of HK\$1.00 each. The Target Company, through its subsidiaries, is indirectly interested in 80% equity interest in Beijing Donghua. The major asset of Beijing Donghua is the Project Site. The Proposed Acquisition is subject to negotiation and execution of the Formal Agreement between the Purchaser and the Vendor.

Consideration

The Consideration of the Proposed Acquisition will be determined after further negotiation between the Vendor and the Purchaser and will not be more than 70% of the appraised consolidated net asset value of the Target Group (taking into account of the final valuation of the Project Site to be prepared by an independent valuer). The Vendor warrants that the total liabilities of the Target Group are not more than RMB80 million.

Valuation

With reference to the preliminary valuation report as prepared by Savills Valuation and Professional Services Limited, the preliminary valuation of the Project Site is RMB500 million on a bare land basis. The Consideration will be satisfied as to (i) not more than

HK\$200 million by cash; while (ii) the remaining Consideration will be satisfied by the issuance of consideration shares, promissory notes or/and convertible notes by the Company to the Vendor.

Based on the above, the appraised consolidated net asset value of the Target Group will be amounted to approximately RMB336 million, being 80% of the net of the preliminary valuation of the Project Site of RMB500 million on a bare land basis less the total warranted liabilities of the Target Group of not more than RMB80 million.

Major terms of the Framework Agreement

Completion of the Formal Agreement is conditional upon, *inter alia*:

- (i) completion of the due diligence review to the satisfaction of the Purchaser at its sole discretion;
- (ii) the Formal Agreement and the Proposed Acquisition being approved by the Shareholder pursuant to the Listing Rules, if required; and
- (iii) all consents or approvals of any relevant governmental authorities or other relevant regulatory bodies in Hong Kong and the PRC or third parties which are required by the Purchaser, the Company and the Vendor for the entry into and the implementation of the Formal Agreement and the Proposed Acquisition having been obtained.

The Purchaser shall be entitled to carry out a due diligence review and investigation of the assets, liabilities, financial condition, contracts, commitments and business of the Target Group and in particular, whether the Target Group has proper and valid rights and land title over the Project Site. In order to facilitate such due diligence review, the Vendor and the Guarantor shall and shall procure that the Target Group co-operates with the Purchaser to promptly provide all documents and information requested by the Purchaser for the purpose of conducting the due diligence review. Each of the Vendor and the Guarantor jointly and severally undertakes that all such documents and information provided to the Purchaser prior to the entering or pursuant to the Framework Agreement are complete and accurate in all material respects and give a true and fair view of the state of affairs and/or the financial position of the Target Group at the dates to which they respectively relate.

Upon completion of a preliminary due diligence review on the Target Group and on or before the Long Stop Date, the Purchaser shall pay the Earnest Money in the amount of HK\$20 million to the Vendor. If (i) the Formal Agreement is not entered into on or before the Long Stop Date; or (ii) the Formal Agreement is entered into but completion of the Proposed Acquisition for whatever causes does not take place, the Earnest Money shall be refunded forthwith to the Purchaser. If the Formal Agreement is entered into and the parties proceed to completion of the Proposed Acquisition, the Earnest Money will be treated as part payment of the Consideration for the Proposed Acquisition and will be dealt with pursuant to the Formal Agreement.

The entering into of the Formal Agreement is subject to (i) the deposit of HK\$180 million in cash to an escrow account to be nominated by and agreed between the Vendor and the Purchaser in writing on or before the Long Stop Date; and (ii) the Company agreeing to

become a party to the Formal Agreement and guarantee to the Vendor as principal obligor and not merely as surety the due and punctual performance by the Purchaser of all the obligations expressed to be imposed on or assumed by it under the Formal Agreement.

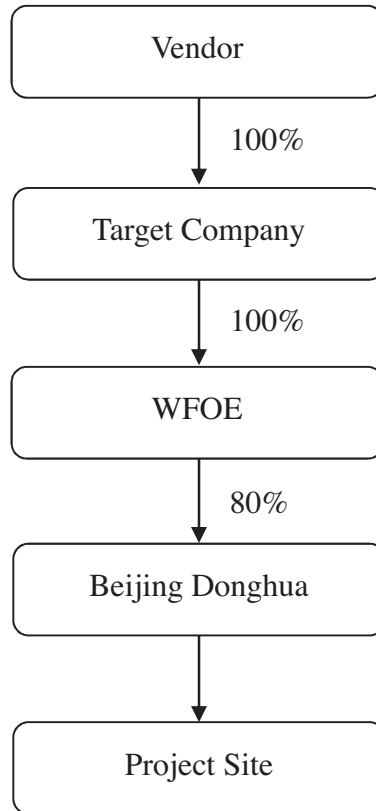
In consideration of the Purchaser's commitment of time and personnel and its incurring of expenses for the purpose of the Proposed Acquisition, the Vendor shall grant to the Purchaser an exclusive right during the Exclusivity Period to prepare the Escrow Money and to finalise the Formal Agreement for the Proposed Acquisition, during which the Vendor agrees and undertakes to the Purchaser that it shall not, and shall procure that its subsidiaries and other companies under its control shall not, directly or indirectly initial or further approach to, entertain any approach from, or discuss or negotiate with any other party for the intended sale of part or all of the Target Group or any rights over the Project Site.

In consideration of the Purchaser entering into the Framework Agreement:

- (i) the Guarantor guarantees to the Purchaser as principal obligor and not merely as surety the due and punctual performance by the Vendor of all the obligations expressed to be imposed on or assumed by it under the Framework Agreement and undertakes to indemnify and keep effectively indemnified the Purchaser against all liabilities, losses, damages, costs and expenses stipulated under the Framework Agreement or otherwise which the Purchaser may suffer or incur in connection with any default or delay on the part of the Vendor in the performance of such obligations;
- (ii) without prejudice to the other provisions of the Framework Agreement, the obligations and undertakings expressed to be assumed by or imposed on the Guarantor under the Framework Agreement shall remain in force so long as the Vendors shall have any liability or obligations to be discharged in full; and
- (iii) the Guarantor waives any rights to require a proceeding first against the Purchaser or any other person.

The Purchaser, the Vendor and the Guarantor agree that, save for and except for clauses in relation to the Consideration, the due diligence review, the Earnest Money, the Escrow Money, exclusivity, the conditions of the Formal Agreement, the Vendor's and the Guarantor's guarantee and undertaking, non-disclosure, the Long Stop Date and the governing law and jurisdiction, the Framework Agreement is not intended to and does not create any binding legal obligations between the parties thereto. For the avoidance of doubt, nothing in the Framework Agreement creates any obligation on the parties thereto to enter into the Formal Agreement.

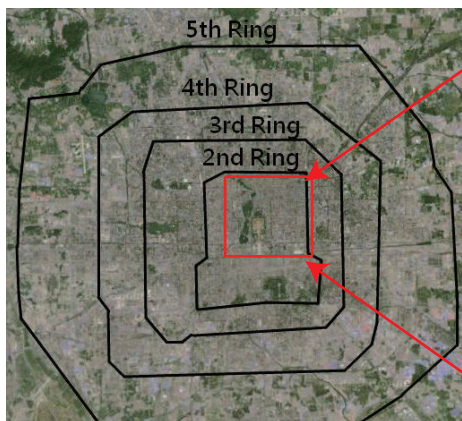
Existing group structure of the Target Group



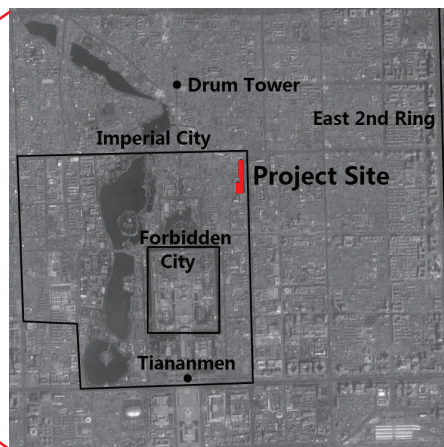
Information on the Project Site

The Project Site consists of two consecutive concessions with an aggregate area of approximately 11,819 m² in Beijing, PRC. Situated in the innermost ring known as the Imperial City, the Project Site is surrounded by historic buildings such as the Forbidden City, the Tiananmen and the Drum Tower. The supreme location at the heart of the country's capital city marks its residents with the greatest social and political status while the nearby subway station and main streets provide easy access to various neighborhoods of Beijing.

The City of Beijing



The location of the Project Site



The Project Site can be divided into the north concession of approximately 6,103 m² and the south concession of approximately 5,716 m². As at the date of this announcement, Beijing Donghua has obtained the certificate of state-owned land use[#] (國有土地使用證) for both concessions and is in the stage of liaising with relevant authorities for the construction works planning permit[#] (建設工程規劃許可證).

Based on the existing planning application, the Project Site is intended to be developed into luxurious residential property with total gross floor area of 10,514.6 m². According to the Vendor's information and the research conducted in similar locations of Beijing, the current selling price of luxurious residential properties range from RMB80,000 per m² to RMB100,000 per m². It is currently expected that, the Project Site, after developing into luxurious residential property, will be sold at the higher end of said market range. Based on the information as provided by the Vendor, the preliminary total value of the Project Site, without taking into account of the development costs, tax and the then market status, will be amounted to not less than RMB1,000 million based on the selling price of RMB100,000 per m².

[#] The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

OVERVIEW OF THE PROPERTY MARKET IN THE PRC

The promising economic performance in the PRC has driven the growth of the PRC property market. According to the National Bureau of Statistics of the PRC, investment in real estate development has increased at a compound annual growth rate (“CAGR”) of 23.2% over the last five years. Construction of floor space commenced during 2012 was nearly doubled that of 2007.

	2007	2008	2009	2010	2011	2012	2007– 2012 CAGR
Investment in real estate (RMB billion)	2,528.9	3,120.3	3,624.2	4,825.9	6,179.7	7,180.4	23.2%
Construction of floor space commenced during the year (million m ²)	954.0	1,025.5	1,164.2	1,636.5	1,912.4	1,773.3	13.2%

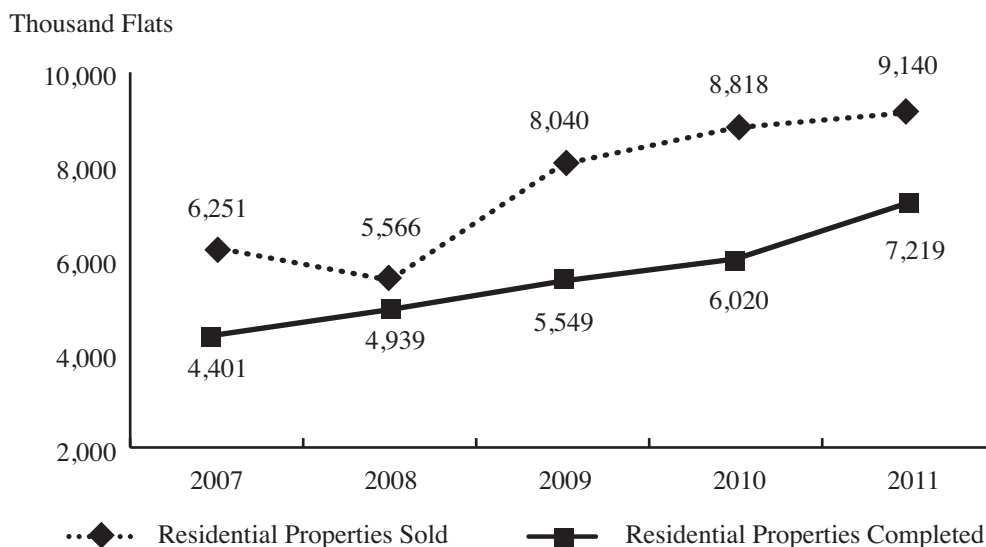
Sources: China Statistical Yearbook 2012, bulletin from the National Bureau of Statistics of China

Prices for real estate in the PRC also experienced notable growth between 2007 and 2011, with average selling prices of residential properties growing at a CAGR of 8.2% over the same period, increasing from RMB3,645 per m² in 2007 to RMB4,993 per m² in 2011.

The upward trend of the PRC property industry is also evidenced by the growth in revenue from the sale of properties, with the total residential properties sales revenue leaping from RMB2,556.6 billion in 2007 to RMB4,819.8 billion in 2011. During the same period, total gross floor area sold increased from approximately 701.4 million m² in 2007 to approximately 965.3 million m² in 2011.

Despite persistent growth in the average selling price of residential properties, the number of flats of residential properties sold continued to surpass the number of flats of residential properties completed from 2007 to 2011. In 2011, the number of flats of residential properties sold was approximately 9,140,000, and the number flats of residential properties completed was approximately 7,219,000.

Completion and Sale of Residential Properties in the PRC 2007–2011



Sources: China Statistical Yearbook 2012, National Bureau of Statistics of China

Note: the number of residential properties sold includes pre-sale of properties and accordingly, the number of residential properties sold was higher than the number of residential properties completed during the period from 2007–2011. As at the date of this announcement, the China Statistical Yearbook 2013 had not yet been published and thus statistic data of 2012 was unavailable.

REAL ESTATE INDUSTRY IN BEIJING

Being the capital city of the PRC, Beijing is a municipality under the direct administration of the central government of the PRC. After the successful hosting of the Olympic Games in August 2008 as well as improved infrastructure, Beijing has further enhanced its international profile. It is also the political, cultural and educational center of the PRC.

According to the Beijing Municipal Bureau of Statistics, Beijing had a population of approximately 20.7 million at the end of 2011. In 2012, Beijing's Gross Domestic Product reached approximately RMB1,780 billion. Driven by the growing economy, Beijing new residential housing price has demonstrated a rising trend as below.

Beijing new residential housing price as compared to 2011 price level



Source: National Bureau of Statistics of China

Reasons for the Proposed Acquisition

The Directors strived to improve the business operations and financial position of the Group by proactively seeking potential investment opportunities that could diversify its existing business portfolio and broaden its source of income, and enhance value to the Shareholders.

Due to the austerity measures, including restriction on home purchase, imposed by the PRC government during the year 2011, the property prices in the PRC were slowed down and transaction volume was decreased. Such correction reduces speculative activities and should be beneficial to the market in the long run despite its temporary cool-down effect to the property market in the short run. In light of the above statistic which uncovered the increase in Beijing new residential housing price, the Directors noted the recent signs of bottoming out in the Beijing property market. The Directors believe that the property market in Beijing will remain a stable and healthy growth in the forthcoming years.

As the appraised net asset value on the Project Site is based on bare land basis which only reflects the value of the Project Site as if it were bare land, it has not taken into account of the potential upside value that the Project Site can be developed into luxurious residential property of higher value upon the ongoing new planning applications being approved by relevant authorities. Therefore, the discount on the consideration of at least 30% of the appraised consolidated net asset value of the Target Group gives the Group the cost advantage and flexibility to either re-sell the Project Site possibly at its market price after completion of the Proposed Acquisition and immediate gain the discount difference or, if then considered appropriate and approved by relevant authorities, to continue developing the Project Site and aim for even higher return by making use of its superior geographic location.

The Proposed Acquisition provides an opportunity for the Group to tap into the recovering property market in the PRC and to generate diversified income and additional cash flow for the Group's continuous development. As such, the Directors consider the entering into of the Framework Agreement is in the interests of the Company and the Shareholders as a whole.

In order to facilitate the payment of the Escrow Money and to finance the Proposed Acquisition, the Board will actively seek for fund raising opportunities (including equity and/or debt financing, depending on the then circumstances) to raise sufficient funds.

The Company also wishes to emphasize that only the Framework Agreement has been entered into as at the date of this announcement. The Framework Agreement does not constitute a binding commitment on the Company in respect of the Proposed Acquisition and as the Proposed Acquisition may or may not proceed, Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company. If the Proposed Acquisition is materialised, it may constitute a notifiable transaction of the Company under the Listing Rules and the Company will make further announcement(s) in respect of the Proposed Acquisition as and when appropriate.

DEFINITION

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

“Beijing Donghua”	Beijing Donghua Real Estate Development Company Limited* (北京東華房地產開發有限公司), a company established in the PRC with limited liability
“Company”	Pacific Plywood Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited
“Consideration”	the consideration of the Proposed Acquisition
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Directors”	the directors of the Company
“Earnest Money”	earnest money of HK\$20 million payable by the Purchaser to the Vendor
“Escrow Money”	HK\$180 million to be deposited into an escrow account by the Purchaser upon entering into the Formal Agreement
“Exclusivity Period”	a period of four months starting from the date of the Framework Agreement or until the parties thereto withdraw from negotiations in writing to prepare the Escrow Money and to finalise the Formal Agreement for the Proposed Acquisition
“Formal Agreement”	a formal sale and purchase agreement to be entered into among the Purchaser, the Vendor and the Guarantor

* For identification purposes only

“Framework Agreement”	the framework agreement dated 23 July 2013 entered into by the Purchaser, the Vendor and the Guarantor in relation to the Proposed Acquisition
“Group”	the Company and its subsidiaries
“Guarantor” or “Ms. Wu”	Ms. Wu Chia Lien
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Long Stop Date”	the date falling on the last day of the fourth month starting from the date of the Framework Agreement
“Independent Third Parties”	third parties who are independent of, and not connected with, the Company and its connected persons
“m ² ”	square meter(s)
“PRC”	the People’s Republic of China
“Project Site”	a parcel of land consisted of two consecutive concessions with an aggregate area of approximately 11,819 m ² in Beijing, PRC
“Proposed Acquisition”	the proposed acquisition of 100% of the issued share capital of the Target Company by the Purchaser from the Vendor
“Purchaser”	Alpha Riches Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“RMB”	Renminbi
“Shareholder(s)”	the holder(s) of issued share(s) of the Company
“Target Company”	Easy Bright Corporation Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Fly Star Global Investments Limited, a company incorporated in the British Virgin Islands with limited liability

“WFOE”

Tianjin Wang Jiang Construction Materials Trading Co., Ltd (天津旺疆建材貿易有限公司), a wholly foreign owned enterprise incorporated under the laws of the PRC

“%”

per cent

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

Hong Kong, 23 July 2013

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

Executive Directors

Mr. Huang Chuan Fu (*Chairman*)

Mr. Liang Jian Hua

Ms. Jia Hui

Mr. Jiang Yi Ren

Independent non-executive Directors

Mr. Wong Chun Hung

Mr. Wong Sze Kai

Mr. Zheng Zhen

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