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PanAsialum Holdings Company Limited

榮陽實業集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2078)

INVESTMENT AGREEMENT AND CHANGE OF USE OF PROCEEDS

On 6 June 2013, PAAL, a wholly owned subsidiary of the Company, entered into the Investment Agreement with the Shuangliu County Government, pursuant to which the Group agreed to invest in phases RMB1,800 million (approximately HK\$2,275 million) at the Southwest Airport Economic Development Zone for the establishment of an aluminium alloy production base for electronics parts products and doors and windows systems.

As a result of the Investment Agreement and the changes to the development plan of the Company, there will be certain adjustments to the use of proceeds set out in the Prospectus.

As the Project may or may not materialise wholly or partly, shareholders of the Company and public investors are advised to exercise caution when dealing in the shares of the Company.

Reference is made to the announcement of the Company dated 23 May 2013. On 6 June 2013, PAAL, a wholly owned subsidiary of the Company, entered into the Investment Agreement with the Shuangliu County Government, pursuant to which the Group agreed to invest in phases RMB1,800 million (approximately HK\$2,275 million) at 西航港開發區 (Southwest Airport Economic Development Zone), Chengdu, the PRC for the establishment of an aluminium alloy production base for electronics parts products and doors and windows systems. Salient points of the Investment Agreement are set out below:

THE INVESTMENT AGREEMENT

Date

6 June 2013

Parties

- (A) The Shuangliu County Government; and
- (B) PAAL, a wholly owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Shuangliu County Government, being a PRC local government, is independent of and not connected with the Company or any of its connected persons.

Principal terms

Establishment of the Subsidiary

Pursuant to the terms of the Investment Agreement, the Company will establish a new wholly owned subsidiary within 60 days of the signing of the Investment Agreement to engage in the production and processing of high performance, high precision aluminium alloy cases products for used in tablet computers, note-books and desktop computers and smart phones, and the production and sales of aluminium alloy doors and windows systems.

The registered capital of the Subsidiary will be US\$200 million (approximately HK\$1,550 million), of which US\$100 million (approximately HK\$775 million) will be injected (referred hereinafter as "paid-in capital") within the first year after the issuance of the business license of the Subsidiary.

The paid-in capital will consist of existing production lines of the Group of approximately HK\$280 million and cash of approximately HK\$500 million.

The Company has reserved HK\$828.7 million (75%) from the net proceeds of the Global Offering for new investment. Up to the end of April, the Company had used around HK\$78.7 million for the purchase of new CNC machining centers and the available net proceeds for this new investment project is around HK\$750 million. Since the cash required for injection as paid-in capital of the Subsidiary for the first year of establishment will be around HK\$500 million, the Directors consider that the cash flow and liquidity positions of the Group will remain healthy after the cash injection.

The Land

Pursuant to the terms of the Investment Agreement, the Shuangliu County Government has reserved land with total area of approximately 1,000 mu (亩) (approximately 666,667 square meters) at the Southwest Airport Economic Development Zone for the Project. The Project will be developed in two phases, with the first phase 600 mu (approximately 400,000 square meters) to be completed within 24 months from the delivery of the land to the Subsidiary. Upon completion of the first phase development, the Shuangliu County Government will make available the remaining of the reserved land for the second phase to the Subsidiary.

The Land will be acquired by the Subsidiary through a public tender process. Based on the calculation of the Company, the acquisition cost of the first phase 600 mu of land may constitute a discloseable transaction for the Company. The Company will make announcement in compliance with the requirements of the Listing Rules if and when necessary when the Subsidiary has acquired the Land.

The Investment Agreement will terminate and cease to be of further effect if the Subsidiary is unsuccessful in its tender for the Land.

Timing of the first phase development

Pursuant to the Investment Agreement, construction for the first phase of the Project will commence within 4 months of the delivery of the Land by the Shuangliu County Government to the Subsidiary, and main construction and installation of production equipments will be completed within 15 months and 18 months respectively, of the delivery of the Land by the Shuangliu County Government to the Subsidiary. First phase production will commence within 24 months of the delivery of the Land by the Shuangliu County Government to the Subsidiary, with production reaching its designed capacity within 36 months of the delivery of the Land by the Shuangliu County Government to the Subsidiary.

REASONS FOR AND BENEFITS OF THE INVESTMENT AGREEMENT

The Group currently manufactures three categories of products: electronics parts products, branded OPLV products and construction and industrial products.

Reference is made to the Prospectus in relation to the Global Offering and the listing of the Company's shares on the main board of the Stock Exchange. It was stated in the section headed "Future Plans and Use of Proceeds – Future Plans" of the Prospectus that the Company intended to partially fund the following with proceeds from the Global Offering:

- (a) purchase additional CNC machining centers and potentially leasing new operational space to establish new production lines to manufacture aluminium unibody chassis for laptop computers to supply to the major customer of the Group;
- (b) purchase additional CNC machining centers and cutting and polishing machinery and leasing new operational space to establish new production lines to manufacture aluminium stands and cases for a line of integrated desktop computers to supply to the major customer of the Group; and
- (c) relocate the main plant to a new site in Zengcheng and increase the general aluminium extrusion capacity of the Group to approximately 150,000 MT per year over approximately three years.

Given that the major customer of the Group for electronics parts products is located in Chengdu, the Company considers that it would be beneficial to the Company to locate the new production lines close to the facility of the major customer. The original plan was to lease new operational space (refer to (a) and (b) above) in Chengdu to house the new production lines. Recently, opportunities arisen that the Company could purchase the Land and build its own factory. The proposed site of the Subsidiary is located close to the facility of the major customer in Chengdu and would provide sufficient space for the Company to house the new CNC production lines and other production lines of the Company, together with the planned additional aluminium extrusion capacity, in one location. Locating the bulk of the Company's production lines in one location would enable the Company to save administration costs and improve management efficiency.

Currently, the Company's main production base is located in Zengcheng, Guangzhou, the PRC. As production cost is generally higher in Guangdong province when compared with the inner provinces of the PRC, and Guangdong province has also experienced a shortage of

labours in recent years, the relocation of the production lines of the Company from Zengcheng to Chengdu would enable the Group to operate from increased space, within close proximity of its major customer, and enjoy the lower operation costs of western China.

According to the Investment Agreement, the Group will establish production base in Chengdu for electronics parts products and branded OPLV products. The production of construction and industrial products will remain in the existing production base in Zengcheng, Guangdong in view of the export efficiency.

The Directors (including the independent non-executive Directors) consider that the terms of the Investment Agreement have been reached after arm's length negotiations, are on normal commercial terms, and the terms and conditions are fair and reasonable and in the interests of the Company and the shareholders as a whole.

CHANGE OF USE OF PROCEEDS

As a result of the Investment Agreement and that the Company will not lease new operation space to house the new CNC production lines as originally intended and that the new plant will be located at a new site in Chengdu rather than Zengcheng, the use of proceeds as set out in the Prospectus will be adjusted as follows:

	Use of proceeds (as set out in the Prospectus) adjusted by the final offer price	% of proceeds	Revised use of proceeds	% of proceeds
Establishment of new production line for the planned manufacture of aluminium cases and stands for integrated desktop computers and expansion of general aluminium extrusion capacity	HK\$497.25million	45%	HK\$530million	48%
Purchase of additional CNC machining centers for the planned manufacture of aluminium unibody chassis for laptop computers	HK\$55.25million	5%	HK\$78.7million	7%
Relocation of main plant to a new site	HK\$276.25million	25%	HK\$220million	20%
Total	HK\$828.75million	75%	HK\$828.7million	75%

The Directors (including the independent non-executive Directors) consider that the change in the business plan of the Company is in the interest of the Company's future development and that the change in the use of proceeds is fair and reasonable and in the interests of the Company and its shareholders as a whole.

As the Project may or may not materialise wholly or partly, shareholders of the Company and public investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Board”	the board of Directors;
“CNC”	computer numerical control, the use of a computer with numerical instructions and program codes to carry out various machining operations;
“Company”	PanAsialum Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Global Offering”	the public offer and international placing of the Company’s shares;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Investment Agreement”	the agreement dated 6 June 2013 between PAAL and the Shuangliu County Government;
“Land”	land with an area of 600 mu and further land with an area of 400 mu located at the 西航港開發區 (Southwest Airport Economic Development Zone) to be used for development of the Project;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PAAL”	PanAsia Aluminium Limited, a wholly owned subsidiary of the Company;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special

	Administrative Region of the PRC and Taiwan;
“Project”	the development of a new aluminium manufacturing facility by the Group in Chengdu, the PRC;
“Prospectus”	the prospectus of the Company dated 23 January 2013;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shuangliu County Government”	成都市雙流縣人民政府 (the People’s Government of Shuangliu County of Chengdu City) of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	a new wholly owned subsidiary to be established by the Company for the Project; and
“US\$”	United States dollar, the lawful currency of the United States of America.

By order of the Board
PanAsialum Holdings Company Limited
Marcus Pan
Chairman and CEO

Hong Kong, 6 June 2013

As at the date of this announcement, the executive directors of the Company are Mr. Marcus Pan, Ms. Shao Lidan and Mr. Leung Chi Wing, and the independent non-executive directors are Mr. Tsang Wah Kwong, Mr. Chan Nim Leung Leon and Mr. Wong Yee Shuen Wilson.