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**泛亞環保集團有限公司**  
**Pan Asia Environmental Protection Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 556)

## **POSSIBLE DISCLOSABLE TRANSACTION**

The Board is pleased to announce that on 3 September 2009, the Purchaser, a wholly owned subsidiary of the Company, Dragon Commend Limited, entered into a non-legally binding MOU with the Seller for the Proposed Acquisition for an intended total consideration of RMB 60,000,000 (subject to adjustment). Upon completion of the Proposed Acquisition, the Purchaser will directly and indirectly hold approximately 20% interest in Jiangsu E Motors.

**Further announcement in respect of the Proposed Acquisition will be made by the Company should the Formal Agreement be entered into as and when appropriate in accordance with the Listing Rules. The Board wishes to emphasise that the MOU is non-legally binding and is subject to signing of a Formal Agreement. As the Proposed Acquisition may or may not proceed, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

This announcement is made pursuant to Rule 13.09 of Listing Rules in relation to price sensitive information.

The Board is pleased to announce that on 3 September 2009, the Purchaser, a wholly owned subsidiary of the Company, Dragon Commend Limited, entered into a non-legally binding MOU with the Seller for the Proposed Acquisition for an intended total consideration of RMB 60,000,000 (subject to adjustment). Upon completion of the Proposed Acquisition, the Purchaser will directly and indirectly hold approximately 20% interest in Jiangsu E Motors. The Board wishes to emphasise that the MOU is non-legally binding and is subject to signing of a Formal Agreement. As the Proposed Acquisition may or may not proceed, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company.

Based on the terms and conditions contained in the MOU, the Proposed Acquisition may, if the Formal Agreement will be entered into, constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement in respect of the Formal Agreement will be made by the Company when appropriate in accordance with the Listing Rules.

## **THE MOU**

Pursuant to the MOU, the major terms and conditions of the Proposed Acquisition are set out as follows:

Date: 3 September 2009

Parties: Golden Nature Group Limited, a limited company incorporated in the British Virgin Islands (the “Seller”)

Dragon Commend Limited, a limited company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company (the “Purchaser”)

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Seller, E Motors, Jiangsu E Motors and their respective ultimate beneficial owner(s), are third parties independent of the Group and the connected persons of the Group.

Target Companies:	<p>(1) E Motors</p> <p>(2) Jiangsu E Motors</p> <p>(E Motors and its subsidiaries together referred to as the “Target Group” and “Target Group Company(ies)” shall be construed accordingly)</p>
Transactions:	<p>(1) the Seller will procure E Motors and Jiangsu E Motors to increase its issued share capital or registered capital (as the case may be) and the Purchaser will contribute the Injected Capital to E Motors or Jiangsu E Motors (as the case may be) (the “First Transaction”);</p> <p>(2) the Seller will sell and the Purchaser will purchase the Sale Shares, representing 6% of the existing issued shares of E Motors (the “Second Transaction”);</p> <p>After the Proposed Acquisition, the Purchaser will directly and indirectly hold approximately 20% interest in Jiangsu E Motors.</p>
Completion Date:	The fifth business day after satisfaction of all the Conditions Precedent.
Consideration:	<p>The intended total consideration, being RMB60,000,000, is calculated with reference to the agreed valuation of RMB300,000,000 in respect of the Target Group, which is calculated with reference to:</p> <p>(1) the Target Net Profit of Jiangsu E Motors for the financial years ended 31 December 2009, 2010 and 2011 will be RMB 2,500,000, RMB 32,500,000 and RMB 55,000,000 respectively; and</p> <p>(2) the Seller undertakes to waive and procure other shareholders of E Motors its rights in relation to all outstanding amounts payable by each Target Group Company so that the consolidated net asset value of the Target Group will not be less than RMB 40,000,000.</p>

The intended total consideration of RMB 60,000,000 (subject to adjustment) will be settled in the following manners:

- (1) the consideration of RMB 45,000,000 for the First Transaction will be settled by two instalments:
  - (a) for the first instalment, the Purchaser will pay in USD equivalent to RMB 35,000,000 (as quoted by the Bank of China on the Completion Date), in favour of E Motors or Jiangsu E Motors (as the case may be) by way of cash on the Completion Date;
  - (b) for the second instalment, provided that the aggregate amount of the sales order contracted by Jiangsu E Motors will reach a total amount of RMB 200,000,000 in the Relevant Period, the Purchaser will pay RMB 10,000,000 in cash in favour of E Motors or Jiangsu E Motors (as the case may be) within 7 days at the end of the Relevant Period.

If the aggregate amount of the sales order contracted by Jiangsu E Motors will not reach a total amount of RMB 200,000,000, the second instalment of RMB 10,000,000 will be adjusted downwards in a pro rata basis with reference to the proportion of actual aggregate amount of sales order contracted by Jiangsu E Motors over RMB 200,000,000 in the Relevant Period; and

- (2) in respect of the consideration of RMB 15,000,000 for the Second Transaction, the Purchaser will procure the Company to allot and issue a total of 9,469,000 consideration Shares (subject to adjustment hereinbelow) at the price of approximately HK\$1.8 per share to the Seller.

Adjustment of the number  
of consideration Shares:

The number of consideration Shares to be issued for the financial years ended 2009, 2010 and 2011 by the Company, being the consideration for the Second Transaction, will be adjusted as follows:

- (1) 2,500,000 Shares will be issued within 30 days after the audited report for the financial year ended 31 December 2009 will be issued with no adjustment;
- (2) 3,500,000 Shares will be issued within 30 days after the audited report in respect of Jiangsu E Motors for the financial year ended 31 December 2010 and 3,469,000 Shares will be issued within 30 days after the audited report in respect of Jiangsu E Motors for the financial year ended 31 December 2011. If the Target Net Profit in the corresponding year will not be achieved, then the number of Shares that will be issued to the Seller will be reduced on a pro rata basis. If the actual audited net profit after tax exceeds the Target Net Profit in the corresponding year, then the number of Shares that will be issued to the Seller will be increased on a pro rata basis.

Conditions Precedent:

Pursuant to the MOU, signing of the Formal Agreement and completion of the Formal Agreement are subject to the satisfaction of the Conditions Precedent, including (among others) the following:

- (1) the Purchaser having obtained the approval of its investment committee;

- (2) the Purchaser having satisfied with a complete legal and financial due diligence reviews in relation to the Target Group Companies, which include:
  - (a) having obtained a PRC legal opinion on compliance of the PRC laws in respect of the incorporation of the Target Group Companies which are incorporated in the PRC, establishment of branches, deposits, assets, business, foreign exchange, taxation, labor management and social insurance, and environmental protection;
  - (b) having obtained an audited report prepared in accordance with the PRC GAAP, the result of which shall basically match the result provided by the Seller; and
  - (c) completion of other investigations as may be required by the Purchaser, including the operation, marketing, intellectual property and technology in respect of the Target Group Companies;
- (3) the Target Group Companies having not declared and distributed any profit before completion of the Proposed Acquisition;
- (4) no material adverse changes to the Target Group Companies;
- (5) with all legal requirements for completion of the Proposed Acquisition having been complied with, and the approval of all relevant government authorities and regulatory bodies having been obtained;
- (6) completion of the reorganization of Shanghai E Motors and Shanghai E Motors having transferred all its assets and business to Jiangsu E Motors; and

- (7) having obtained the waiver of all outstanding shareholders' loans from and other amounts payable by E Motors, Shanghai E Motors and Jiangsu E Motors (if any) to all the shareholders of E Motors;

If the Conditions Precedent are not fulfilled within 60 days after signing of the Formal Agreement, the Formal Agreement will be deemed to have been terminated.

Exclusivity:

The Seller shall not, whether by itself or through any other third parties, during the period of 60 days from the date of the MOU, negotiate or enter into any agreement (whether oral or written) for the sale and purchase of any interests in, or all or part of the assets and/or business of, the Target Group.

## **INFORMATION OF THE COMPANY**

The Company is an integrated environment protection services provider in the PRC. The Group is principally engaged in designs and manufactures water and flue gas treatment products and equipment, sells pipes, as well as undertakes environment protection construction engineering projects and provides environment protection related professional services and products.

## **INFORMATION OF THE SELLER, E MOTORS AND JIANGSU E MOTORS**

The Seller is an investment holding company. E Motors is an holding company which indirectly holds 100% equity interest in Jiangsu E Motors. Jiangsu E Motors is principally engaged in the manufacture and sales of electric motor vehicles, batteries and other related products.

## **REASON FOR THE ACQUISITION**

The Company is an integrated environment protection services and products provider in the PRC. The Company is of the view that the Proposed Acquisition is in line with the business objective of the Group and it is a good opportunity for the Company to venture into new environmental friendly business engaging in manufacture of electric motor vehicles, batteries and other related products.

The consideration is determined on an arms length basis. Accordingly, the Directors of the Company are of the view that the terms and conditions of the Proposed Acquisition are fair and reasonable and are in the interests of the shareholders as a whole.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors;
“Company”	泛亞環保集團有限公司 (Pan Asia Environmental Protection Group Limited), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“Completion Date”	the fifth business day after satisfaction of all the Conditions Precedent as described in the section headed the “MOU” in this announcement;
“Conditions Precedent”	Conditions Precedent as described in the section headed the “MOU” in this announcement;
“Director(s)”	the director(s) of the Company;
“E Motors”	E Motors Group Holding Company Limited, a company incorporated in the British Virgin Islands with limited liabilities, 35% of the issued shares of which are legally and beneficially held by the Seller;
“First Transaction”	First Transaction as described in the section headed the “MOU” in this announcement;
“Formal Agreement”	a formal legally binding agreement in respect of the Proposed Acquisition to be entered into between the Seller and the Purchaser;
“Group”	the Company and its subsidiaries;



“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Injected Capital”	RMB 45,000,000, the amount of which the Purchaser will invest into Jiangsu E Motors in return for 15% interest in the enlarged registered capital of Jiangsu E Motors;
“Jiangsu E Motors”	江蘇益茂純電動汽車有限公司 (Jiangsu E Motors Company Limited)#, a company incorporated in the PRC with limited liabilities and a wholly owned subsidiary indirectly held by E Motors through Shanghai E Motors;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MOU”	means the non-legally binding memorandum of understanding dated 3 September 2009 entered into by Golden Nature Group Limited and Dragon Commend Limited in relation to the Proposed Acquisition;
“PRC”	The People’s Republic of China;
“PRC GAAP”	generally accepted accounting principles and practices in the PRC;
“Proposed Acquisition”	the First Transaction and the Second Transaction;
“Purchaser”	Dragon Commend Limited, a company incorporated in the British Virgin Islands with limited liabilities and a wholly owned subsidiary directly held by the Company as described in the section headed the “MOU” in this announcement;
“Relevant Period”	the period from the Completion Date up to 31 December 2010 (both dates inclusive);

“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	such number of the issued shares of E Motors representing 6% of the existing issued shares of E Motors;
“Second Transaction”	Second Transaction as described in the section headed the “MOU” in this announcement
“Seller”	Golden Nature Group Limited, a company incorporated in the British Virgin Islands with limited liabilities as described in the section headed the “MOU” in this announcement;
“Shanghai E Motors”	上海益茂商貿有限公司 (Shanghai E Motors Trade Company Limited)#, a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary directly held by E Motors;
“Share(s)”	the ordinary shares with par value of HK\$0.10 each of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Group Companies”	Target Group Companies as described in the section headed the “MOU” in this announcement as “Target Group” shall be construed accordingly;
“Target Net Profit”	the expected audited net profit after tax in respect of Jiangsu E Motors;

“USD”

United States dollar, the lawful currency of the United States of America.

# the English translation of the 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 word.

*For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$0.10 to RMB0.88. The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.*

By Order of the Board

**Pan Asia Environmental Protection Group Limited**

**JIANG Quanlong**

*Chairman*

Hong Kong

3 September 2009

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*

*Mr. JIANG Quanlong*

*Mr. FAN Yajun*

*Mr. GAN Yi*

*Mr. JIANG Lei*

*Independent Non-executive Directors:*

*Mr. LAI Wing Lee*

*Mr. LEUNG Shu Sun, Sunny*

*Professor WANG Guozhen*