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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)

VOLUNTARY ANNOUNCEMENT

This announcement is made by the Company on a voluntary basis.

The Board is pleased to announce that on 12 June 2014, the Company's wholly-owned subsidiary, namely, Pan-Asia China, entered into the Strategic Agreement with Longyuan for cooperation in conducting extensive researches on and developing advanced prefabricated high-rise construction techniques as well as cooperation on potential construction projects.

THE STRATEGIC AGREEMENT

The Board is pleased to announce that on 12 June 2014, the Company's wholly-owned subsidiary, namely, Pan-Asia China, entered into the Strategic Agreement with Longyuan for cooperation in conducting extensive researches on and developing advanced prefabricated high-rise construction techniques (新型裝配式高層建造技術) as well as cooperation on potential construction projects.

Parties

1. Pan-Asia China; and
2. Longyuan.

Main terms of the Strategic Agreement

The Company's wholly-owned subsidiary, namely, Pan-Asia China, entered into the Strategic Agreement with Longyuan, pursuant to which the parties will cooperate in conducting extensive researches on and developing advanced prefabricated high-rise construction techniques. It is contemplated that using wood wool cement board, which the Group has obtained the exclusive licence in the production of such wood wool cements board in the PRC, with the application of the advanced prefabricated high-rise construction techniques, will improve safety of construction and enhance wall material's fire resistance, heat insulation and durability for construction of high-rise buildings.

The parties intend to commence their cooperation in a residential development construction project. Such project will be located in Jining District of Inner Mongolia with gross floor area of approximately 550,000 square metres, in which approximately 200,000 square metres will first be developed as residential buildings. Steel-exterior structure and internal precast wallboard made in wood wool cement board will be used in constructing the residential buildings. It is expected that approximately RMB200 million and approximately RMB400 million will be expended in the utilization of wood wool cement board and steel structures respectively.

Pursuant to the Strategic Agreement, each party intends to provide another party with first-hand information relating to selection and assessment of projects to be worked on together and other assistance on project management.

Although the parties have yet to sign any definitive agreement on any specific project, pursuant to the Strategic Agreement, each party will offer preferential treatment and reasonable price to the other party with reference to prevailing market condition. The Company will make further announcement for further update as and when appropriate.

INFORMATION OF THE GROUP

Pan-Asia China is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company. The principal business of Pan-Asia China is investment holding. Pan-Asia China, is the industry leader in the production of complex wall material, has obtained the exclusive licence in the production of wood wool cement board based in the PRC.

The Group is an integrated environmental protection services provider in the PRC. The Group is principally engaged in designing and manufacturing water and flue gas treatment products and equipment, selling pipes, as well as undertaking environment protection construction engineering projects and providing environment protection related professional services. The Group also engaged in the production and sale of wood wool cement board.

INFORMATION OF LONGYUAN

Longyuan is principally engaged in the construction business, such as industrial project, civil project, municipal project, transportation, water conservancy and various sophisticated projects that require large scale, high quality and refined adornment. Longyuan is also experienced in the steel structure industry with extensive skills in the application of advanced prefabricated high-rise construction techniques.

REASONS FOR ENTERING INTO THE STRATEGIC AGREEMENT

The Group has commenced its endeavor to develop its business of manufacturing and sale of wood wool cement board. The Company views wood wool cement board as a kind of eco-friendly, fire resistant and heat insulated wall material for construction. It is regarded as one of the most feasible substitutes for current high-polluting construction materials used in the PRC.

Using the advanced prefabricated high-rise construction techniques in construction process with the application of wood wool cement board will improve the safety of construction and enhance wall material's fire resistance, heat insulation and durability for construction. Our Board considers that entering into the Strategic Agreement will expedite and enhance the development of the Group's business of wood wool cement board and will enable the Company to explore new construction areas and the energy-saving green building market in the PRC and broaden its customers base as a result. With the synergy expected to be resulted from the cooperation of a well-established business partner in terms of the experience in the steel structure industry, the Board is of the view that the terms of the Strategic Agreement are in the interest of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Board”	board of Directors
“Company”	Pan Asia Environmental Protection Group Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on the Main Board (stock code: 556)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rule”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longyuan”	Longyuan Construction Group Co. Ltd (龍元建設集團股份有限公司), a limited company established in the PRC whose shares are listed and traded on Shanghai Stock Exchange (Shanghai Stock Exchange Code: 600491)
“Main Board”	The main board of Stock Exchange
“Pan-Asia China”	Pan-Asia China Co. Ltd (泛亞環保(中國)有限公司), a limited liability company incorporated under the laws of PRC, and a wholly owned subsidiary of the Company
“PRC”	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Strategic Agreement”	the strategic agreement entered into between the Pan-Asia China and Longyuan, being the subject of this announcement

By Order of the Board
Pan Asia Environment Protection Group Limited
Jiang Quanlong
Chairman

Hong Kong, 13 June 2014

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

Executive Directors:

Mr. JIANG Quanlong
Mr. JIANG Lei
Mr. FAN Yajun

Independent Non-Executive Directors:

Mr. LAI Wing Lee
Mr. LEUNG Shu Sun, Sunny
Professor WANG Guozhen