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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)**

### **DISCLOSABLE TRANSACTION – PURCHASE OF PLANTS**

The Board is pleased to announce that the Group has entered into the Cooperation Agreement and three purchase contracts with Eltomation BV on 6 May 2010 regarding the purchase of plants for the production of wood wool cement boards.

The aggregate consideration of the purchase contracts was EURO16,500,000 and the aggregate of transactions constitutes a discloseable transaction for the Company as certain relevant percentage ratios in respect of the transactions exceed 5% but all the applicable percentage ratios are less than 25% and thus is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Group has entered into the Cooperation Agreement and three purchase contracts with Eltomation BV, in The Netherlands (“Eltomation”) on 6 May 2010 regarding the introduction of manufacturing technology and production plants for the production of a new energy saving and environmental friendly construction material.

### **COOPERATION AGREEMENT**

On 6 May 2010, the Company and Eltomation have entered into the Cooperation Agreement for the purpose of developing the markets for new energy-saving and eco-friendly construction wall material in the PRC. Pursuant to the Cooperation Agreement, Eltomation will exclusively sell its wood wool cement production lines and key components to the Group in the PRC, including Hong Kong, Macau and Taiwan. The Group shall be entitled to purchase at least 10 more plants from Eltomation in the following 3 years. However, the Group is not obligated to purchase any plants pursuant to the Cooperation Agreement and separate purchase contract shall be entered by the Group and Eltomation regarding further purchase of each plant.

Furthermore, under the Cooperation Agreement, the Group and Eltomation shall enter into a License Manufacturing Agreement pursuant to which the Group would obtain the authorization and technical supports from Eltomation to localize the production of a majority of number of components and/or equipment to various plants, and the local manufacturing would be carried out by Wuxi Pan-Asia.

## Purchase Contract 1

Parties: (1) Wuxi Pan-Asia (as purchaser)  
(2) Eltomation (as vendor)

Under the Purchase Contract 1, Wuxi Pan-Asia has agreed to buy a wood wool cement board plant for the production of wood wool cement boards of 60 cm wide from Eltomation. The consideration of the Purchase Contract 1 amounts to EURO6,500,000 (equivalent to approximately HK\$64,527,000).

The consideration shall be paid by the Letter of Credit 1 issued by a bank registered in the PRC to be approved by Eltomation within 14 days after signing the Purchase Contract 1. Under the Letter of Credit 1, the Consideration 1 shall be paid in the following manner:

- (i) as to EURO1,625,000 (being 25% of the Consideration 1) shall be payable to Eltomation upon the presentation of the original commercial invoice for 25% of the Consideration 1 issued by Eltomation;
- (ii) as to EURO975,000 (being 15% of the Consideration 1) shall be payable to Eltomation upon the presentation of (a) the original commercial invoice for 15% of the Consideration 1 issued by Eltomation and (b) the protocol of a set of documentation, as referred to in the Letter of Credit 1, signed by Wuxi Pan-Asia and Eltomation;
- (iii) as to EURO3,250,000 (being 50% of the Consideration 1) shall be payable to Eltomation upon the presentation of the original commercial invoice for 50% of the Consideration 1 indicating goods delivery and proportional amount for charges of shipping and supervision and commissioning together with other documents required under the terms of the Letter of Credit 1;
- (iv) as to EURO325,000 (being 5% of the Consideration 1) shall be payable to Eltomation upon the presentation of (a) the original commercial invoice for 5% of the Consideration 1 and (b) the protocol of completion of main mechanical installation of the plant, as referred to in the Letter of Credit 1, signed by Wuxi Pan-Asia and Eltomation; and
- (v) as to EURO325,000 (being 5% of the Consideration 1) shall be payable to Eltomation upon the presentation of (a) the original commercial invoice for 5% of the Consideration 1 and (b) the acceptance test protocol of the plant, as referred to in the Letter of Credit 1, signed by Wuxi Pan-Asia and Eltomation.

Under the Purchase Contract 1, Eltomation guaranteed against defects in materials, workmanship or design of the plant for a period of 12 months from the commencement date of the commercial operation of the plant by Wuxi Pan-Asia and defective parts of the plant shall be replaced by Eltomation but excluding normal wear and tear and replacement due to defect caused by Wuxi Pan-Asia.

## Purchase Contract 2

Parties: (1) Wuxi Pan-Asia (as purchaser)  
(2) Eltomation (as vendor)

Under the Purchase Contract 2, Wuxi Pan-Asia has agreed to buy a large wood wool cement element plant for the production of wood wool cement boards of up to 6 meter x 2.6-3 meter x 40 cm thickness from Eltomation. The consideration of the Purchase Contract 2 amounts to EURO6,013,000 (equivalent to approximately HK\$59,692,000).

Within 30 days upon signing the Purchase Contract 2, Wuxi Pan-Asia shall pay an advance payment of EURO901,950 (being 15% of the Consideration 2) to Eltomation upon the presentation of (a) an original commercial invoice for 15% of the Consideration 2 and (b) a bank guarantee of EURO901,950 issued by Eltomation to Wuxi Pan-Asia of which Wuxi Pan-Asia can claim the refund of the said advanced payment in the case that Eltomation has not fulfilled its contractual obligation.

The remaining 85% of the Consideration 2, in the amount of EURO5,111,050, shall be paid by the Letter of Credit 2 issued by a bank registered in the PRC or Hong Kong to be approved by Eltomation within 45 days after signing the Purchase Contract 2. Under the Letter of Credit 2, the remaining 85% of the Consideration 2 shall be paid in the following manner:

- (i) as to EURO901,950 (being 15% of the Consideration 2) shall be payable to Eltomation upon the presentation of the original commercial invoice for 15% of the Consideration 2 issued by Eltomation after 120 days from the date of signing the Purchase Contract 2;
- (ii) as to EURO3,307,150 (being 55% of the Consideration 2) shall be payable to Eltomation upon the presentation of a signed original commercial invoice for 55% of the Consideration 2 indicating goods delivery and proportional amount for charges of shipping and supervision and commissioning together with other documents required under the terms of the Letter of Credit 2;
- (iii) as to EURO300,650 (being 5% of the Consideration 2) shall be payable to Eltomation upon the presentation of (a) the original commercial invoice for 5% of the Consideration 2 and (b) the protocol of completion of main mechanical installation of the plant, as referred to in the Letter of Credit 2, signed by Wuxi Pan-Asia and Eltomation;
- (iv) as to EURO300,650 (being 5% of the Consideration 2) shall be payable to Eltomation upon the presentation of (a) the original commercial invoice for 5% of the Consideration 2 and (b) the acceptance test protocol of the plant, as referred to in the Letter of Credit 2, signed by Wuxi Pan-Asia and Eltomation; and
- (v) as to EURO300,650 (being 5% of the Consideration 2) shall be payable to Eltomation upon presentation of (a) the original commercial invoice for 5% of the Consideration 2 and (b) the final acceptance test protocol of the plant, as referred to in the Letter of Credit 2, signed by Wuxi Pan-Asia and Eltomation.

Under the Purchase Contract 2, Eltomation guaranteed against defects in materials, workmanship or design of the plant for a period of 12 months from the commencement date of the commercial operation of the plant by Wuxi Pan-Asia and defective parts of the plant shall be replaced by Eltomation but excluding normal wear and tear and replacement due to defect caused by Wuxi Pan-Asia.

### **Purchase Contract 3**

Parties: (1) Wuxi Pan-Asia (as purchaser)  
(2) Eltomation (as vendor)

Under the Purchase Contract 3, Wuxi Pan-Asia has agreed to buy a semi-automated wood wool cement element plant for the production of wood wool cement boards of 60 cm wide from Eltomation. The consideration of the Purchase Contract 3 amounts to EURO3,987,000 (equivalent to approximately HK\$39,580,000).

Within 30 days upon signing the Purchase Contract 3, Wuxi Pan-Asia shall pay an advance payment of EURO598,050 (being 15% of the Consideration 3) to Eltomation upon the presentation of (a) an original commercial invoice for 15% of the Consideration 3 and (b) a bank guarantee of EURO598,050 issued by Eltomation to Wuxi Pan-Asia of which Wuxi Pan-Asia can claim the refund of the said advanced payment in the case that Eltomation has not fulfilled its contractual obligation.

The remaining 85% of the Consideration 3, in the amount of EURO3,388,950, shall be paid by the Letter of Credit 3 issued by a bank registered in the PRC or Hong Kong to be approved by Eltomation within 45 days after signing the Purchase Contract 3. Under the Letter of Credit 3, the remaining 85% of the Consideration 3 shall be paid in the following manner:

- (i) as to EURO598,050 (being 15% of the Consideration 3) shall be payable to Eltomation upon the presentation of the original commercial invoice for 15% of the Consideration 3 issued by Eltomation after 120 days from the date of signing the Purchase Contract 3;
- (ii) as to EURO2,192,850 (being 55% of the Consideration 3) shall be payable to Eltomation upon the presentation of a signed original commercial invoice for 55% of the Consideration 3 indicating goods delivery and proportional amount for charges of shipping and supervision and commissioning together with other documents required under the terms of the Letter of Credit 3;
- (iii) as to EURO199,350 (being 5% of the Consideration 3) shall be payable to Eltomation upon the presentation of (a) the original commercial invoice for 5% of the Consideration 3 and (b) the protocol of completion of main mechanical installation of the plant, as referred to in the Letter of Credit 3, signed by Wuxi Pan-Asia and Eltomation;
- (iv) as to EURO199,350 (being 5% of the Consideration 3) shall be payable to Eltomation upon the presentation of (a) the original commercial invoice for 5% of the Consideration 3 and (b) the acceptance test protocol of the plant, as referred to in the Letter of Credit 3, signed by Wuxi Pan-Asia and Eltomation; and
- (v) as to EURO199,350 (being 5% of the Consideration 3) shall be payable to Eltomation upon final presentation of (a) the original commercial invoice for 5% of the Consideration 3 and (b) the final acceptance test protocol of the plant, as referred to in the Letter of Credit 3, signed by Wuxi Pan-Asia and Eltomation.

Under the Purchase Contract 3, Eltomation guaranteed against defects in materials, workmanship or design of the plant for a period of 12 months from the commencement date of the commercial operation of the plant by Wuxi Pan-Asia and defective parts of the plant shall be replaced by Eltomation but excluding normal wear and tear and replacement due to defect caused by Wuxi Pan-Asia.

## **REASON FOR THE PURCHASE**

The Company viewed wood wool cement boards is a kind of eco-friendly, fire resistance and heat preservation construction wall material which is widely adopted for the construction of building in Europe and America, but is not yet popular in the PRC. It is regarded as one of the most feasible substitutes of the current high-polluting construction materials used in the PRC. By introducing the advanced production technology of such eco-friendly construction wall material, and with a view to expand its business in the production and development of energy-saving “green” housing for the market in the PRC and broaden its revenue base, the Company decided to enter into the Cooperation Agreement and the purchase contracts.

The Considerations were determined on an arms length basis. Accordingly, the Directors are of the view that the terms and conditions of the purchase contracts are fair and reasonable and are in the interests of the shareholders as a whole.

## **INFORMATION OF THE GROUP AND WUXI PAN-ASIA**

The Group is an integrated environmental 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.

Wuxi Pan-Asia, a wholly foreign owned enterprise incorporated under the law of the PRC, is a wholly owned subsidiary of the Company engaging in manufacture and sale of environmental protection products and equipment and undertaking of environmental protection construction engineering projects in the PRC.

## **INFORMATION OF THE VENDOR**

Eltomation is a company duly incorporated under the law of The Netherlands. It is engaged in the supply of turn-key plants for the manufacturing of various types of wood wool cement boards.

To the best of the Directors’ information, knowledge and belief (upon making reasonable enquiries), Eltomation is an independent third party and is not a connected person of the Company.

## **LISTING RULE IMPLICATION**

The aggregate of transactions of the Purchase Contract 1, the Purchase Contract 2 and the Purchase Contract 3 constitutes a discloseable transaction for the Company as certain relevant percentage ratios in respect of the transactions exceed 5% but all the applicable percentage ratios are less than 25% and thus is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## 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
“Cooperation Agreement”	a cooperation agreement dated 6 May 2010 made between the Company and Eltomation, brief details of which are mentioned in the paragraphs headed Cooperation Agreement in this announcement
“Consideration 1”	the consideration of EURO6,500,000 (equivalent to approximately HK\$64,527,000) payable by Wuxi Pan-Asia to Eltomation pursuant to the terms and conditions of the Purchase Contract 1
“Consideration 2”	the consideration of EURO6,013,000 (equivalent to approximately HK\$59,692,000) payable by the Company to Eltomation pursuant to the terms and conditions of the Purchase Contract 2
“Consideration 3”	the consideration of EURO3,987,000 (equivalent to approximately HK\$39,580,000) payable by the Company to Eltomation pursuant to the terms and conditions of the Purchase Contract 3
“Considerations”	the aggregate of the Consideration 1, the Consideration 2 and the Consideration 3
“cm”	centimeter
“Director(s)”	the director(s) of the Company
“Eltomation”	Eltomation BV, a company duly incorporated in The Netherlands, being the vendor in the Purchase Contract 1, the Purchase Contract 2 and the Purchase Contract 3
“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 PRC

“Letter of Credit 1”	the irrevocable letter of credit issued by a bank registered in the PRC to be approved by Eltomation, the terms of letter of credit are agreed by Wuxi Pan-Asia and Eltomation under the Purchase Contract 1
“Letter of Credit 2”	the irrevocable letter of credit issued by a bank registered in the PRC or Hong Kong to be approved by Eltomation, the terms of letter of credit are agreed by Wuxi Pan-Asia and Eltomation under the Purchase Contract 2
“Letter of Credit 3”	the irrevocable letter of credit issued by a bank registered in the PRC or Hong Kong to be approved by Eltomation, the terms of letter of credit are agreed by Wuxi Pan-Asia and Eltomation under the Purchase Contract 3
“License Manufacturing Agreement”	a license manufacturing agreement to be entered pursuant to the Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“The PRC”	The People’s Republic of China
“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
“EURO”	European dollars
“Wuxi Pan-Asia”	Wuxi Pan-Asia Environmental Protection Technologies Limited 無錫泛亞環保科技有限公司, a wholly foreign owned enterprise incorporated under the law of the PRC, a wholly owned subsidiary of the Company



*For the purpose of this announcement, unless otherwise specified, conversion of EURO into HK\$ is based on the approximate exchange rate of HK\$9.9272 to EURO 1.00. 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

6 May 2010

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

*Executive Directors:*

Mr. JIANG Quanlong  
Mr. JIANG Lei  
Mr. GAN Yi  
Mr. FAN Yajun

*Independent Non-executive Directors:*

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