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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)**

## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION**

Reference is made to the announcement of the Company dated 31 October 2017 (the “**Announcement**”) in respect of the Disposal. Unless otherwise defined hereunder, the capitalised terms used herein shall have the same meanings as those defined in the Announcement. The Board would like to provide further information in relation to the Disposal as set out below.

### **Further details in relation to the subject matter of the Disposal and the Asset Transfer**

In accordance with the Sale and Purchase Agreement, the Vendors agreed to sell, and the Purchaser agreed to purchase the entire equity interest in the Target Company. The Pre-reformed Target Company was engaged in three business segments, namely, i) sales of environmental protection products and equipment; ii) environmental protection construction engineering projects; and iii) manufacture and sales of environmental protection construction materials (mainly the wood wool cement board business). Immediately after the Asset Transfer, the Target Company will only be engaged in the wood wool cement board business. The assets of the Target Company will primarily consist of property, plant and equipment for the operation of wood wool cement board business and the related trade and other receivables while its liabilities will primarily consist of trade and other payables and deposits received and receipts in advance which were payable by the Pre-reformed Target Company. The aforesaid assets formed a substantial part of the assets of the manufacture and sales of environmental protection construction materials segment as described in the interim report of the Company for the six months ended 30 June 2017. Consequently, as the Group will no longer own any property, plant and equipment in connection with the manufacture of environmental protection construction materials, it will be treated as ceasing to be engaged in this business segment immediately after the Disposal.

As it was the intention of the Group to restructure its construction materials business, in particular, to discontinue the business of manufacture and sales of environmental protection construction materials, the Pre-reformed Target Company will undergo the Asset Transfer prior to the Completion. The main reason for not directly disposing of the assets of the manufacture and sales of environmental protection construction materials is that the plant equipment supplier may cease to provide technical support and maintenance services should the equipment no longer be owned by the Target Company.

During the course of the Asset Transfer, the Pre-reformed Target Company will transfer the assets and certain liabilities associated with the business of sales of environmental protection products and equipment (the “**Delineated Business**”) to Pan Asia Environmental (Jiangsu) Limited<sup>#</sup> (泛亞環保(江蘇)有限公司) (“**Jiangsu Pan Asia**”).

With reference to the unaudited management account of the Pre-reformed Target Company as at 30 September 2017 prepared by the management of the Company under Hong Kong Financial Reporting Standards, the assets and liabilities to be transferred by the Pre-reformed Target Company amounted to approximately RMB1,463,200,000 and RMB224,500,000, respectively. These assets primarily include plant and equipment, inventories, receivables and liabilities associated with the Delineated Business.

Subsequent to the Asset Transfer, with reference to the unaudited pro forma financial information of the Target Company as at 30 September 2017 prepared by the management of the Company under Hong Kong Financial Reporting Standards, the total assets and liabilities amounted to approximately RMB502,800,000 and RMB459,300,000, respectively.

Immediately after the Disposal, the Group will be principally engaged in i) sales of environmental protection products and equipment; and ii) environmental protection construction engineering projects.

### **Basis for determining the Consideration**

Apart from the factors disclosed in the Announcement, the Board specifically took into account the unaudited net asset value of the Target Company as at 30 September 2017 of approximately RMB43,500,000 when determining the Consideration. Despite the Pre-reformed Target Company had a paid up registered capital amounted to USD54,280,000 (equivalent to approximately HK\$423,300,000) as at the date of the Sale and Purchase Agreement, the Board considers that the Consideration of RMB44,000,000 is fair and reasonable as a substantial portion of assets and liabilities of the Pre-reformed Target Company will be transferred back to the Group prior to the Completion.

### **Delineation of business between the Company and the Target Company**

In the course of the Asset Transfer, the assets and personnel associated with the Delineated Business will be transferred to Jiangsu Pan Asia while the Target Company will retain the resources and personnel connected with the operation of the wood wool cement board business. The Board considers that there will be a clear delineation of business between the Group and the Target Company upon Completion as they will have their own operation resources and personnel for their respective business. Further, the Board does not foresee there would be any interception of business operation and management between the Group and the Target Company.

In light of the circumstances, the Board confirms that the Group will be able to operate independently of the Target Company subsequent to Completion.

## **Future Transactions between the Group and the Target Company**

As at the date of this announcement, the Group does not foresee any future transactions to be entered into with the Target Company after Completion.

## **Financial Information**

The Board would like to inform the public and the shareholders of the Company that the auditors of the Company performed certain procedures on the financial information stated in the Announcement and this announcement and those procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

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

By Order of the Board  
**Pan Asia Environmental Protection Group Limited**  
**Jiang Xin**  
*Chairman*

Hong Kong, 14 November 2017

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

*Executive Directors:*

Mr. JIANG Xin  
Mr. CHO Yu Chung

*Non-Executive Director:*

Mr. FAN Yajun

*Independent Non-Executive Directors:*

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