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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)**

## **DISCLOSEABLE TRANSACTION DISPOSAL OF A SUBSIDIARY**

The Board is pleased to announce that, on 31 October 2017, after trading hours, the Vendors entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendors agreed to sell, and the Purchaser agreed to purchase the entire equity interest in the Target Company, at the Consideration of RMB44,000,000 (equivalent to approximately HK\$51,643,000).

Immediately after Completion, the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial status of the Target Company will no longer be consolidated into the Company's financial statements upon Completion.

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements but exempted from the circular, Shareholder's approval and accountant's report requirements under the Listing Rules.

### **THE DISPOSAL**

The Board is pleased to announce that, on 31 October 2017, after trading hours, the Vendors entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendors agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in the Target Company, at the Consideration of RMB44,000,000 (equivalent to approximately HK\$51,643,000). Principal terms of the Sale and Purchase Agreement are set out below:

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

31 October 2017 (after trading hours)

### **Parties**

- (1) the Company, being one of the Vendors;
- (2) Pan Asia Environmental Protection Technologies Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company, being another Vendor; and
- (3) Mr. Zhang Wei, being the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons.

### **Subject Matter**

Pursuant to the Sale and Purchase Agreement, the Vendors agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in the Target Company.

As at the date of this announcement, the Pre-reformed Target Company is indirectly and wholly-owned by the Company, and its registered capital amounts to USD54,280,000 (equivalent to approximately HK\$423,332,000) which has been fully paid-up.

### **Consideration**

The Consideration for the Disposal is RMB44,000,000 (equivalent to approximately HK\$51,643,000), which will be settled by the Purchaser to the Vendors in cash and in accordance with the following manners:

- (1) as to RMB12,969,000 (equivalent to approximately HK\$15,222,000) and RMB9,031,000 (equivalent to approximately HK\$10,600,000) shall be payable in cash by the Purchaser to the Company and Pan Asia Environmental Protection Technologies Limited, respectively, within 10 Business Days from the date of signing of the Sale and Purchase Agreement; and
- (2) the remaining balance of RMB12,969,000 (equivalent to approximately HK\$15,222,000) and RMB9,031,000 (equivalent to approximately HK\$10,600,000) shall be payable in cash by the Purchaser to the Company and Pan Asia Environmental Protection Technologies Limited, respectively, within 10 Business Days from the date of the Completion.

In the event that the Purchaser fails to pay the Consideration (whether in whole or in part) in accordance with the terms and conditions of the Sale and Purchase Agreement, the Purchaser shall pay liquidated damages to the Vendors. The liquidated damages are calculated based on the unpaid Consideration plus a daily penalty of 0.05% of the unpaid Consideration, and the Purchaser is required to pay such damages until the related losses of the Vendors are sufficiently covered.

## **The Basis of the Consideration**

The Consideration was determined after arm's length negotiations between the Parties after taking into consideration of various factors, including (i) the reasons for the Disposal as discussed in the paragraph headed "Reasons For and Benefits of the Disposal" in this announcement; and (ii) the current financial position of the Target Company.

## **Conditions Precedent**

The Completion is subject to fulfilment or waiver of the following conditions:

- (1) the Vendors, the Purchaser and the Target Company having obtained all necessary consents or approvals (including but not limited to the approvals from the Stock Exchange, relevant government departments or regulatory authorities (if required)), and such consents or approvals have not been cancelled or revoked before the Completion; and
- (2) the completion of the Asset Transfer, in which the Pre-reformed Target Company will transfer part of its assets (including the entire equity interest in Lianyungang Minxin, its subsidiary and other assets unrelated to the operation of the wood wool cement board business) to Pan Asia Environmental (Jiangsu) Limited<sup>#</sup> in accordance with an asset transfer agreement dated 31 October 2017. Pan Asia Environmental (Jiangsu) Limited<sup>#</sup> is a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company.

## **Completion**

Subject to the conditions precedent being fulfilled or waived (as the case may be), the Completion is to take place within 10 Business Days (or such later date as may be mutually agreed between the Parties). Within 10 Business Days from the Completion, the Vendor shall deliver all relevant documents to the relevant authorities for the purpose of completing the relevant registration procedures in relation to the Disposal.

Immediately after Completion, the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial status of the Target Company will no longer be consolidated into the Company's financial statements upon Completion.

## **INFORMATION OF THE GROUP, THE PRE-REFORMED TARGET COMPANY AND THE TARGET COMPANY**

The Group is principally engaged in the provision of environmental protection construction engineering solutions and services to customers, and the development, manufacturing and sales of new eco-friendly construction materials.

The Pre-reformed Target Company is a jointly foreign-owned enterprise established under the laws of the PRC, and is principally engaged in sales of environmental protection products and equipment, undertaking of environmental protection construction engineering projects, and manufacture and sales of environmental protection construction materials in the PRC. As at the date of the Sale and Purchase Agreement, the Pre-reformed Target Company is owned by the Company as to 58.95% and by Pan Asia Environmental Protection Technologies Limited as to 41.05%.

The Pre-reformed Target Company currently owns the entire equity interest in Lianyungang Minxin, a domestic invested limited liability company established under the laws of PRC and an indirect wholly owned subsidiary of the Company. It is principally engaged in undertaking of environmental protection construction engineering projects in the PRC.

Set out below are the unaudited financial information of the Pre-reformed Target Company prepared under Hong Kong Financial Reporting Standards and extracted from the audited consolidated financial statements of the Group for the financial years ended 31 December 2015 and 2016:

	<b>For the year ended 31 December 2016</b> <i>RMB'000</i>	<b>For the year ended 31 December 2015</b> <i>RMB'000</i>
Profit before tax	113,033	87,847
Profit after tax	92,563	55,374

As the Completion is conditional upon, among other things, the completion of the Asset Transfer, set out below are the unaudited financial information of the Target Company prepared under Hong Kong Financial Reporting Standards and extracted from the audited consolidated financial statements of the Group for the financial years ended 31 December 2015 and 2016:

	<b>For the year ended 31 December 2016</b> <i>RMB'000</i>	<b>For the year ended 31 December 2015</b> <i>RMB'000</i>
Profit/(Loss) before tax	12,498	(16,354)
Profit/(Loss) after tax	10,234	(12,266)

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

In view of the slow-paced development of the wood wool cement board market and the technical and implementation issues, particularly the difference in weather in different regions of the PRC which had led to the contraction and structural alterations of some building panels after delivery, the Group encountered difficulty in operating this business line. As such, the Directors consider that the Disposal represents a good opportunity for the Group to restructure its construction materials business and shift the focus to environmental protection construction engineering business. Further, the Disposal can also increase and maximise the cash resources of the Group for the further development. The Board intends to use the proceeds from the Disposal as general working capital and/or to fund future investment opportunities of the Group as and when appropriate.

As a result of the Disposal, subject to further audit procedures to be performed by the auditor of the Company, it is expected that the Group would record an unaudited gain on the Disposal of approximately RMB500,000 (equivalent to approximately HK\$587,000) with reference to (i) the carrying value of the Target Company as at 30 September 2017 of approximately RMB43,500,000 and (ii) the Consideration of RMB44,000,000.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements but exempted from the circular, Shareholder's approval and accountant's report requirements under the Listing Rules.

## DEFINITIONS

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

“Asset Transfer”	the transfer of part of the assets (including the entire equity interest in Lianyungang Minxin and other assets unrelated to the operation of wood wool cement board business) of the Pre-reformed Target Company to Pan Asia Environmental (Jiangsu) Limited# (泛亞環保(江蘇)有限公司) pursuant to a business transfer agreement dated 31 October 2017
“Board”	Board of Directors
“Business Day(s)”	a day(s), excluding public holidays, Saturdays and Sundays, on which banks in the PRC are open for business throughout their normal business hours
“Company”	Pan Asia Environmental Protection Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 556)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration payable by the Purchaser to the Vendors for the entire equity interest in the Target Company in accordance with the terms and conditions of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the entire equity interest in the Target Company pursuant to the Sale and Purchase Agreement
“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

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lianyungang Minxin”	Lianyungang Minxin Investment Limited <sup>#</sup> (連雲港民心投資有限公司), a domestic invested limited liability company established under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Party(ies)”	the party(ies) to the Sale and Purchase Agreement
“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
“Pre-reformed Target Company”	the Target Company prior to the proposed Asset Transfer
“Purchaser”	Mr. Zhang Wei (張蔚), a third party independent of the Company and its connected persons
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 31 October 2017 entered into by the Vendors and the Purchaser in relation to the Disposal
“Shareholder(s)”	holder(s) of the issued Shares from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Wuxi Pan-Asia Environmental Protection Technologies Limited <sup>#</sup> (無錫泛亞環保科技有限公司) after the proposed Asset Transfer, a jointly foreign owned enterprise established under the laws of the PRC and an indirect wholly owned subsidiary of the Company. Immediately after the proposed Asset Transfer, it will be principally engaged in the operation of wood wool cement board business
“USD”	United States dollars, the lawful currency of the United States
“Vendor(s)”	the Company and Pan Asia Environmental Protection Technologies Limited

<sup>#</sup> *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, 31 October 2017

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

*Executive Directors:*

Mr. JIANG Xin  
Mr. CHO Yu Chung

*Independent Non-Executive Directors:*

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

*Non-Executive Director:*

Mr. FAN Yajun