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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 PROPERTIES AND LAND USE RIGHTS

The Board is pleased to announce that, on 30 June 2018, the Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the Properties and the Land Use Rights at the Consideration of RMB190,000,000.

IMPLICATION UNDER THE LISTING RULES

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 30 June 2018, the Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the Properties and the Land Use Rights at the Consideration of RMB190,000,000. Principle terms of the Sale and Purchase Agreement are set out below:

THE SALE AND PURCHASE AGREEMENT

Date

30 June 2018

Parties

- (1) Pan Asia Environmental Protection (Jiangsu) Limited* (泛亞環保(江蘇)有限公司), being the Vendor; and
- (2) Jiangsu Gan Hong Energy Technology Company Limited* (江蘇乾宏能源科技有限公司), 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 Vendor agreed to sell, and the Purchaser agreed to purchase, Property A and Land Use Right A located at Chuanbu Village, Dingshu Town, Yixing City, Jiangsu Province, PRC (中國江蘇省宜興市丁蜀鎮川埠村) and Property B and Land Use Right B located at Qianluo Village, Dingshu Town, Yixing City, Jiangsu Province, PRC (中國江蘇省宜興市丁蜀鎮潛洛村).

As at the date of this announcement, the Properties and the Land Use Rights were owned by the Vendor. The Properties and the Land Use Rights were previously transferred from Wuxi Pan-Asia Environmental Protection Technologies Limited* (無錫泛亞環保科技有限公司), a former subsidiary of the Company, pursuant to a sale and purchase agreement dated 31 October 2017. Property A has been used as a general office while Property B was used in the production of wood wool cement board business in the past. Since to the completion of the aforesaid sale and purchase agreement, Property A has been used as general office and Property B has been used for the operation of related environmental protection business.

Consideration

The Consideration for the Disposal is RMB190,000,000, which will be settled by the Purchaser to the Vendor in cash within twenty (20) Business Days from the date of the Sale and Purchase Agreement.

The Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Parties with reference to (i) the valuation calculation done by an independent property valuer engaged by the Vendor which indicated that as at 31 May 2018, the market value of the Properties and the Land Use Rights was approximately RMB216,894,000 and (ii) the limited number of available offers in the market and the respective pricing. The unaudited net book value of the Properties and the Land Use Rights as at 30 June 2018 was approximately RMB214,435,000.

INFORMATION OF THE GROUP AND THE VENDOR

The Group and the Vendor, which is an indirect wholly-owned subsidiary of the Company, are principally engaged in the sales of environmental protection products and equipment, and undertaking of environmental protection construction engineering projects in the PRC.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC which is principally engaged in the business of research and development of new energy and environmental protection technologies and provision of environmental protection construction services.

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.

REASONS FOR AND BENEFITS OF THE DISPOSAL

With reference to the announcements of the Company dated 31 October 2017, 14 November 2017 and 2 January 2018, the Group, by disposing of Wuxi Pan-Asia Environmental Protection Technologies Limited, sold the majority of the assets relating to the operation of the wood wool cement board business pursuant to a sale and purchase agreement dated 31 October 2017. As a result, the Group ceased to be engaged in the operation of the wood wool cement board business.

The Properties and the Land Use Rights, which previously belonged to Wuxi Pan-Asia Environmental Protection Technologies Limited, were transferred to the Vendor as part of the asset transfer prior to the completion of the said sale and purchase agreement. At that time, the Group intended to keep the Properties and the Land Use Rights to be used for business development. However, after conducting a further planning and review of the use of the Properties, the Group decided to relocate its general office to another leased property in May 2018 and had been searching for suitable offers from potential buyers. In light of these, the Group is of the view that the Disposal would lead to a better allocation of resources and improve its cashflow position.

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.

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEED

The carrying amount of the Properties and the Land Use Rights as at 30 June 2018, as shown in the unaudited consolidated accounts of the Vendor as at 30 June 2018, was approximately RMB214,435,000.

The Group is expected to record an unaudited estimated loss of approximately RMB24,435,000 (before deducting relevant expenses and tax), and such loss is determined with reference to the total Consideration net of the unaudited net book value of the Properties and the Land Use Rights as at 30 June 2018 of RMB214,435,000.

The net proceeds from the Disposal of are intended to be used by the Group for general working capital and to finance other future potential investment opportunities of the Group.

Shareholders should note that the above figures are for illustrative purposes only. The actual loss on the Disposal may be different from the above and will be determined based on the book value of the Properties and the Land Use Rights and the relevant expenses incurred on the date of Completion and subject to the review by the Group's auditors.

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:

“Board”	board of Directors
“Business Day(s)”	a day, 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)
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration payable by the Purchaser to the Vendor for the Properties and the Land Use Rights in accordance with the terms and conditions of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Properties and the Land Use Rights 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
“Land Use Rights”	Land Use Right A and Land Use Right B, collectively
“Land Use Right A”	the land use rights in relation to a parcel of land to be disposed pursuant to the Sale and Purchase Agreement, being the land use rights (Yi Guo Yong [2004] No.001039) in relation to a parcel of land with a total land area of 12,679 square metres where Property A is located at
“Land Use Right B”	the land use rights in relation to three parcels of land to be disposed pursuant to the Sale and Purchase Agreement, being the land use rights (Yi Guo Yong [2011] No.36600800) in relation to a parcel of land with a total land area of 106,336.70 square metres; the land use rights (Yi Guo Yong [2012] No.36600760) in relation to a parcel of land with a total land area of 6,326.30 square metres; and the land use rights (Yi Guo Yong [2014] No.602552) in relation to a parcel of land with a total land area of 43,078.2 square meters where Property B is located at
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Properties”	Property A and Property B, collectively
“Property A”	a group of seven buildings, all located at Chuanbu Village, Dingshu Town, Yixing City, Jiangsu Province, PRC
“Property B”	a group of seven buildings/workshops and a building being constructed, all located at Qianluo Village, Dingshu Town, Yixing City, Jiangsu Province, PRC
“Purchaser”	Jiangsu Gan Hong Energy Technology Company Limited* (江蘇乾宏能源科技有限公司), 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 30 June 2018 entered into by the Vendor 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
“Vendor”	Pan Asia Environmental Protection (Jiangsu) Limited* (泛亞環保(江蘇)有限公司), an indirect wholly-owned subsidiary of the Company

* *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, 2 July 2018

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