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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)

(I) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 99.99% ISSUED SHARE CAPITAL OF THE TARGET COMPANY; (II) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND (III) RESUMPTION OF TRADING

THE ACQUISITION AGREEMENT

The Board announces that on 7 November 2018 and 30 January 2019, the Company (as the purchaser) and the Vendor entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares at a total consideration of approximately HK\$1,253,220,000, which will be satisfied by (i) payment in cash; and (ii) allotment and issuance of the Convertible Bonds. The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules in respect of the Acquisition Agreement exceed(s) 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval by the Shareholders at the EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. As such, no Shareholder is required to abstain from voting at the EGM.

THE LISTING COMMITTEE'S DECISION

The Listing Committee has determined that the Acquisition is an extreme very substantial acquisition which is not subject to reverse takeover rules. The Company will prepare a transaction circular with enhanced disclosure comparable to prospectus standard and appoint a financial adviser to conduct due diligence in accordance with Practice Note 21 of the Listing Rules on the Target Group.

GENERAL

A circular with enhanced disclosure comparable to prospectus standard containing, among other matters, (i) further details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) further information on the Specific Mandate; (iv) financial information of the Target Company; (v) valuation report of the PRC Property and HK Property; and (vi) a notice of the EGM, is expected to be despatched to the Shareholders on or before 30 April 2019 in order to allow sufficient time for the Company to prepare for the information to be included in the circular.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company with effect from 1:00 p.m. on 7 November 2018 pending release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 31 January 2019.

Completion of the Acquisition is subject to fulfillment of the conditions precedent set out in the Acquisition Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 7 November 2018 and 30 January 2019, the Company (as the purchaser) and the Vendor entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares at a total consideration of approximately HK\$1,253,220,000 and will be satisfied by (i) payment in cash; and (ii) allotment and issuance of the Convertible Bonds.

THE ACQUISITION AGREEMENT

Date:

7 November 2018 and 30 January 2019

Parties:

- (i) The Company, being the purchaser; and
- (ii) Zhongying International Limited, being the Vendor.

Subject matter

Pursuant to the Acquisition Agreement, the Company agreed to purchase, and the Vendor agreed to sell the Sale Shares, representing 99.99% of the entire issued share capital of the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor (including its connected persons and ultimate beneficial owner), Ms. Lin (including her connected persons) and Tibet Hongyun (including its connected persons and ultimate beneficial owner) are third parties independent of the Company and its connected persons.

For detailed information of the Target Group, please refer to the section headed "Information of the Target Group" below.

Consideration

The Consideration for the Acquisition is approximately HK\$1,253,220,000, which will be settled by the Company to the Vendor in accordance with the following manners:

- (1) as to RMB900,000,000 (equivalent to approximately HK\$1,013,220,000), subject to the Board's assessment on the working capital needs of the business of the Company from time to time, it is expected that:
 - (i) the amount of RMB600,000,000 (equivalent to approximately HK\$675,480,000), shall be payable by the Company to the Vendor in cheque, bank transfer or other ways as designated by the Company within the first anniversary of the date of Completion; and
 - (ii) the amount of RMB300,000,000 (equivalent to approximately HK\$337,740,000), shall be payable by the Company to the Vendor in cheque, bank transfer or other ways as designated by the Company within the second anniversary of the date of Completion.
- (2) as to HK\$240,000,000, it shall be payable by the Company by issue of the Convertible Bonds in the principal amount of HK\$240,000,000 to the Vendor (or its nominees) on the date of Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor, and taken into account the preliminary valuation of the PRC Property and the HK Property as at 31 May 2018 of approximately RMB2,188,000,000 (equivalent to approximately HK\$2,467,000,000) and HK\$25,000,000, respectively, based on a preliminary valuation report prepared by an independent valuer.

Taking into account the above-mentioned, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms and the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion is subject to fulfilment or waiver of the following conditions being satisfied or waived before the Longstop Date:

- (i) the Target Company, the Vendor and the Company having obtained all necessary consents and approvals for the Acquisition, including (but not limited to) all consents and approvals from the Stock Exchange, the SFC and any government and/or regulatory authorities and all consent and approvals as required under the laws of Cayman Islands, the PRC, Hong Kong or the Stock Exchange (as the case may be) or the SFC (if required) or having granted a waiver concerning compliance with any relevant rules or regulations;
- (ii) the Shareholders having passed the resolutions approving the Acquisition Agreement and the transactions contemplated thereunder at the EGM;
- (iii) the Company having carried out and completed the Due Diligence Review and being satisfied with the results thereof in all respect in its sole and entire discretion;
- (iv) the Company having obtained a valuation report issued by an independent valuer and being satisfied with the form and substance thereof in all respect in its sole and entire discretion;
- (v) the Company being satisfied that no events, facts or circumstances having occurred which constitute or may constitute any serious breach of the Acquisition Agreement or any of the warranties stipulated therein, and the Vendor having fulfilled and complied with all of their respective obligations under the Acquisition Agreement;
- (vi) the Company having obtained a PRC legal opinion issued by a PRC legal adviser and being satisfied with the contents thereof in all respect;
- (vii) the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares;
- (viii) the Target Company having performed an equity interest restructuring to the effect that it will only hold 57.44% of the entire equity interest in the PRC Company;
- (ix) the Target Company having repaid the outstanding amount of RMB700,000,000 to China Huarong Asset Management Holdings Limited Shanghai Branch* (中國華融資產管理股份有限公司上海市分公司); and
- (x) Ms. Lin having signed a deed of charge in relation to the provision of 20% equity interest of Kunming Luosi to secure payment of the outstanding sum by Kunming Luosi to the PRC Company within five years upon Completion.

Except (i), (ii) and (vii) of the above, conditions precedents as set out above may be waived in writing by the Company at its sole and absolute discretion. If any of the conditions precedent set out above are not fulfilled or waived on or before the Longstop Date, the Acquisition Agreement shall lapse and be of no further effect (except the confidentiality and certain clauses as specified therein), and no party to the Acquisition Agreement shall have liability and obligation to the other party, save in respect of any antecedent breaches of the Acquisition Agreement.

The Company undertakes that conditions numbered (viii), (ix) and (x) will not be waived.

Completion

Subject to the conditions precedent being fulfilled or waived (as the case may be), Completion is to take place on the third Business Day (or such later date as may be mutually agreed between the parties). Upon Completion, the Vendor shall deliver all relevant documents to the Company.

Immediately after Completion, the Target Company will become a direct non wholly-owned subsidiary of the Company. Accordingly, the financial status of the Target Company will be consolidated into the Company's financial statements upon Completion.

ISSUE OF THE CONVERTIBLE BONDS

The Convertible Bonds shall be issued by the Company on the date of Completion to settle part of the Consideration for the purchase of the Sale Shares.

The principal terms of the Convertible Bonds are as follows:

Issuer	:	The Company
Principal amount	:	HK\$240,000,000
Maturity date	:	The date falling on the second anniversary of the date of issue of the Convertible Bonds, provided that if such date is not a Business Day, the first Business Day immediately after such date.
Interest	:	Nil
Conversion rights	:	Subject to the Company's approval, the Bondholder may convert in whole or in part of the principal amount of the Convertible Bonds into Shares subject to the restrictions imposed on the Convertible Bonds on the first anniversary of the issue date, provided that if such date is not a Business Day, the first Business Day immediately after such date. The whole or the remaining (if applicable) principal amount of the Convertible Bonds shall be converted into Shares on the maturity date subject to the restrictions imposed in the Convertible Bonds mentioned hereinafter. In the event that the outstanding principal amount of the Convertible Bonds cannot be converted into Shares due to the restrictions imposed in the Convertible Bonds, the Convertible Bonds shall be automatically renewed on the maturity date. Subject to the restrictions imposed on the Convertible Bonds mentioned hereinafter, the Bondholder has the conversion rights to convert the renewed Convertible Bonds to Conversion Shares on the date falling on the third anniversary of the issue date, provided that if such date is not a Business Day, the first Business Day immediately after such date. The Conversion Rights shall be expired and become invalid after such extended maturity date. Under the terms of the Convertible Bonds, after such extended maturity date, the Convertible Bonds shall lapse and they shall not be converted or redeemed or purchased or cancelled by either the Company or the Bondholder.

- Conversion price : The Initial Conversion Price shall be HK\$2.00 per Conversion Share, subject to adjustment.
- Conversion Shares : Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the Initial Conversion Price of HK\$2.00 per Conversion Share, a maximum of 120,000,000 new Shares will be issued upon conversion of the Convertible Bonds (subject to adjustments), which represent (a) approximately 14.29% of the existing issued share capital of the Company; and (b) approximately 12.5% of the issued share capital of the Company as enlarged by the allotment and issuance of the Conversion Shares upon full conversion of the Convertible Bonds at the Initial Conversion Price.
- The aggregate nominal value of the Conversion Shares (with a par value of HK\$0.10 each) will be HK\$12,000,000.
- The Conversion Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.
- Conversion restrictions : The Bondholder shall not be allowed to exercise the conversion rights relating to any of the Convertible Bonds held by such Bondholder if the issue of Conversion Shares following such exercise would result in:
- (i) the Company being unable to meet the public float requirement under the Listing Rules; and
 - (ii) a mandatory general offer obligation under the Takeovers Code being triggered on the part of the Bondholder and/or its nominee(s) together with the parties acting in concert with it.
- Transferability : The Convertible Bonds may be assigned or transferred at any time provided that (a) prior written consent of the Company has been obtained; or (b) the respective assignee or transferee of the Convertible Bonds is a member of the Vendor group, and such assignment or transfer shall be in compliance with the terms and conditions of the Convertible Bonds hereunder and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under:
- (i) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) and the SFC or its rules and regulations; and
 - (ii) the Listing Rules, the Takeovers Code and all applicable laws and regulations.
- Voting Rights : The Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds.

Listing : No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchanges.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds.

Status : The obligations of the Company arising under the Convertible Bonds constitute general, unconditional, unsecured and unsubordinated obligations of the Company, and shall rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

No application shall be made for a listing of the Convertible Bonds in any jurisdiction.

The Initial Conversion Price of HK\$2.00 per Conversion Share represents:

- (i) a premium of approximately 100% to the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a premium of approximately 39.86% to the average closing price of approximately HK\$1.43 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Acquisition Agreement.

INFORMATION OF THE TARGET GROUP

As at the date of this announcement, the Target Company is a company incorporated under the laws of Hong Kong with limited liability and is principally engaged in investment holding. It holds the title of the HK Property. As at the date of this announcement and upon Completion, the Target Company holds and will hold 76.86% and 57.44% of the entire equity interest of the PRC Company, respectively, which is principally engaged in property investment in Kunming, the PRC. The PRC Company holds the title of the PRC Property. As at the date of this announcement, the PRC Company holds the entire equity interest in the Management Company and Kunming Shuanglong Julong Huiding Industrial Development Limited* (昆明雙龍聚龍匯鼎實業發展有限公司), and 85% of the entire equity interest in Yunnan Kanghui Ruilong Tourism Business Investment Limited* (雲南康輝瑞龍旅遊商業投資發展股份有限公司). As informed by the Vendor, the Management Company is principally engaged in the property management and leasing of the PRC Company; and as at the date of this announcement, Kunming Shuanglong Julong Huiding Industrial Development Limited and Yunnan Kanghui Ruilong Tourism Business Investment Limited have not commenced any business and the registered capital for both companies have not been paid up.

As at the date of this announcement, Tibet Hongyun holds 23.14% of the entire equity interest of the PRC Company. The ultimate beneficial owner of Tibet Hongyun is the State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government (雲南省人民政府國有資產監督管理委員會).

Pursuant to the agreement dated 29 November 2017 between the PRC Company and Tibet Hongyun, it was agreed that a sum of RMB1,140,000,000 (equivalent to approximately HK\$1,283,412,000) will be injected into the PRC Company in exchange for an aggregate of 42.56% of the entire equity interest of the PRC Company. As at the date of this announcement, a total of RMB463,000,000 (equivalent to approximately HK\$521,245,400) has been injected to the PRC Company, and it is expected that the remaining capital of RMB677,000,000 (equivalent to approximately HK\$762,166,600) will be contributed by Tibet Hongyun in the first half of the year 2019. As such, Tibet Hongyun will hold 42.56% of the entire equity interest of the PRC Company upon Completion.

In December 2017, through the capital injection by the Tibet Hongyun, the PRC Company repaid approximately RMB340,000,000 (equivalent to approximately HK\$382,772,000) to China Huarong Asset Management Holdings Limited Shanghai Branch pursuant to an on-lending arrangement, and it is expected that the capital injection will continue to be used as repayment in accordance to the arrangement. For further details, please refer to the section headed “On-lending Arrangement” below.

The PRC Property and the HK Property

The principal assets of the Target Group are the PRC Property and the HK Property.

The PRC Property is located at No. 985, South Ring Road, Kunming, Yunnan, the PRC. It is situated in the railway station district in Kunming, and is a 6-storey (including the basement floor) retail complex with a gross floor area of approximately 71,455.84 square meters. As at the date of this announcement, the PRC Company owns the title and the underlying land use rights of the PRC Property. In accordance to the terms of the land use rights, which will expire in 2049, the PRC Property shall be used for wholesale and retail purposes. The majority portion of the PRC Property has been leased to third party vendors for operation of fashion retails stores and brands display centre. As at the date of this announcement, a total number of 1,235 business tenants have signed a tenancy agreement with the PRC Property with a leasing period ranging from 1 to 10 years. The rent for the majority of the agreements is settled by annual payments, and the remaining agreements are settled by one-off payments. As informed by the Vendor, the PRC Property has a rentable gross floor area of approximately 44,453.20 sq.m., among which approximately 42,740.39 sq.m. has been rented out, representing an occupancy rate of approximately 96.15%.

The HK Property is located at Room 7C, Tower 3, The Austin, 8 Wui Cheung Road, Kowloon, Hong Kong and has a gross floor area of appropriately 93.09 square meters. As at the date of this announcement and informed by the Vendor, the HK Property is leased to and occupied by an Independent Third Party for residential purposes. It is expected that the HK Property will continue to be leased out after Completion. As at the date of the announcement, the Target Company holds the title of the HK Property.

Based on the preliminary valuation of the PRC Property and HK Property as at 31 May 2018, the PRC Property and the HK Property are valued at approximately RMB2,188,000,000 (equivalent to approximately HK\$2,463,250,400) and HK\$25,000,000, respectively. An independent valuer has been engaged to conduct an independent valuation of the PRC Property and the HK Property.

On-lending Arrangement

As at the date of this announcement, it was informed by the Vendor that the PRC Company has been engaging in an on-lending arrangement since December 2012 and the details are as follows:

On 3 December 2012, the PRC Company entered into a specific property revenue assignment agreement* (特定物業收益權轉讓合同) with Xiamen International Trust Limited* (廈門國際信託有限公司), pursuant to which, the PRC Company assigned to the latter the revenue receivable of the PRC Property for a period of 10 years in exchange for an amount of RMB1,300,000,000. The relevant interest rate was 10.5% per annum.

Subsequently, on 10 December 2012, a loan was made by the PRC Company to Kunming Luosi, a then related party of the Target Company. The interest rate was 10.5% per annum based on the actual amount lent by the PRC Company. From 6 December 2012 to 19 March 2013, a total sum of RMB1,300,000,000 was transferred from the PRC Company to Kunming Luosi. The reason for providing such loan was to financially support the construction of Kunming Luosiwan Joy City* (昆明螺螄灣大悅城), which is in close proximity to the PRC Property and wholly owned by Kunming Luosi. It is expected that the opening of Kunming Luosiwan Joy City will significantly boost economic growth in the surrounding business district by attracting more customers to the area, hence benefiting both the Target Group and Kunming Luosi.

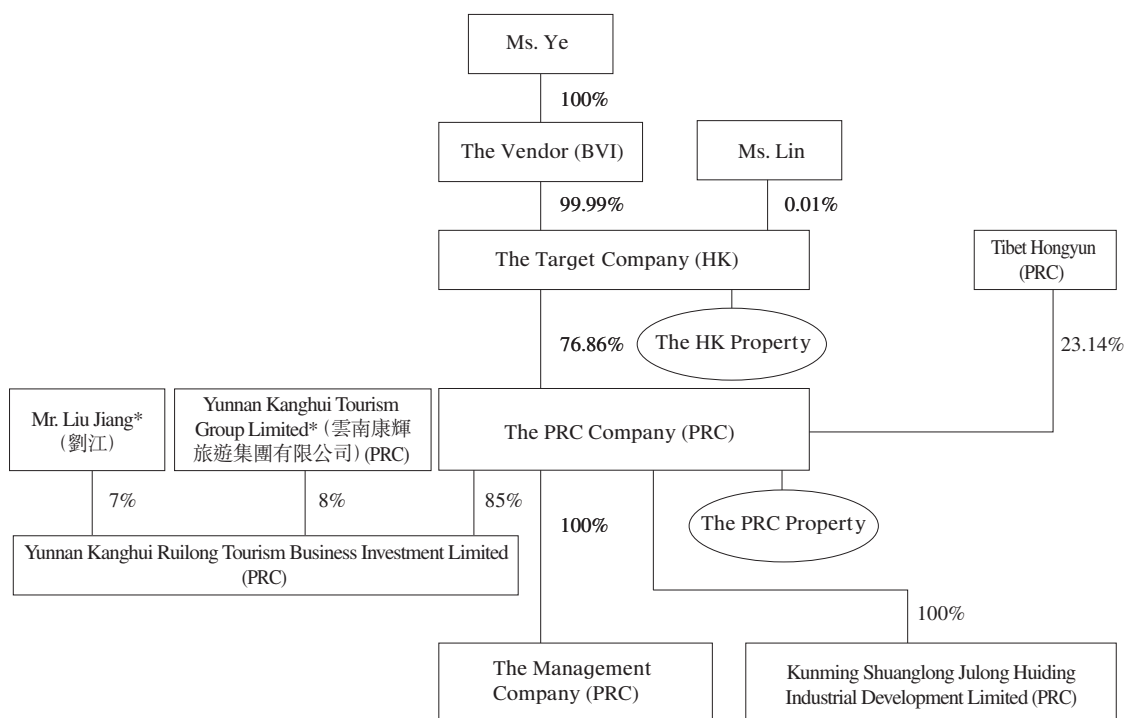
On 1 December 2017, the PRC Company entered into a loan assignment agreement* (債權轉讓協議) with Xiamen International Trust Limited* (廈門國際信託有限公司) and China Huarong Asset Management Holdings Limited Shanghai Branch, pursuant to which, Xiamen International Trust Limited assigned the outstanding amount, being RMB700,000,000 owed by the PRC Company, to China Huarong Asset Management Holdings Limited Shanghai Branch. Accordingly, China Huarong Asset Management Holdings Limited Shanghai Branch was assigned with the rights and obligations under the said specific property revenue assignment agreement.

On 15 March 2018, the PRC Company entered into a loan assumption agreement* (債務承擔協議) with Yunnan Capital, a shareholder of Tibet Hongyun, pursuant to which Yunnan Capital will act as a joint creditor under the aforesaid specific property revenue assignment agreement starting from 20 March 2018, and will assist the PRC Company to repay the said amount by way of injection of capital into the Target Company as a part of the proposed equity interest restructuring.

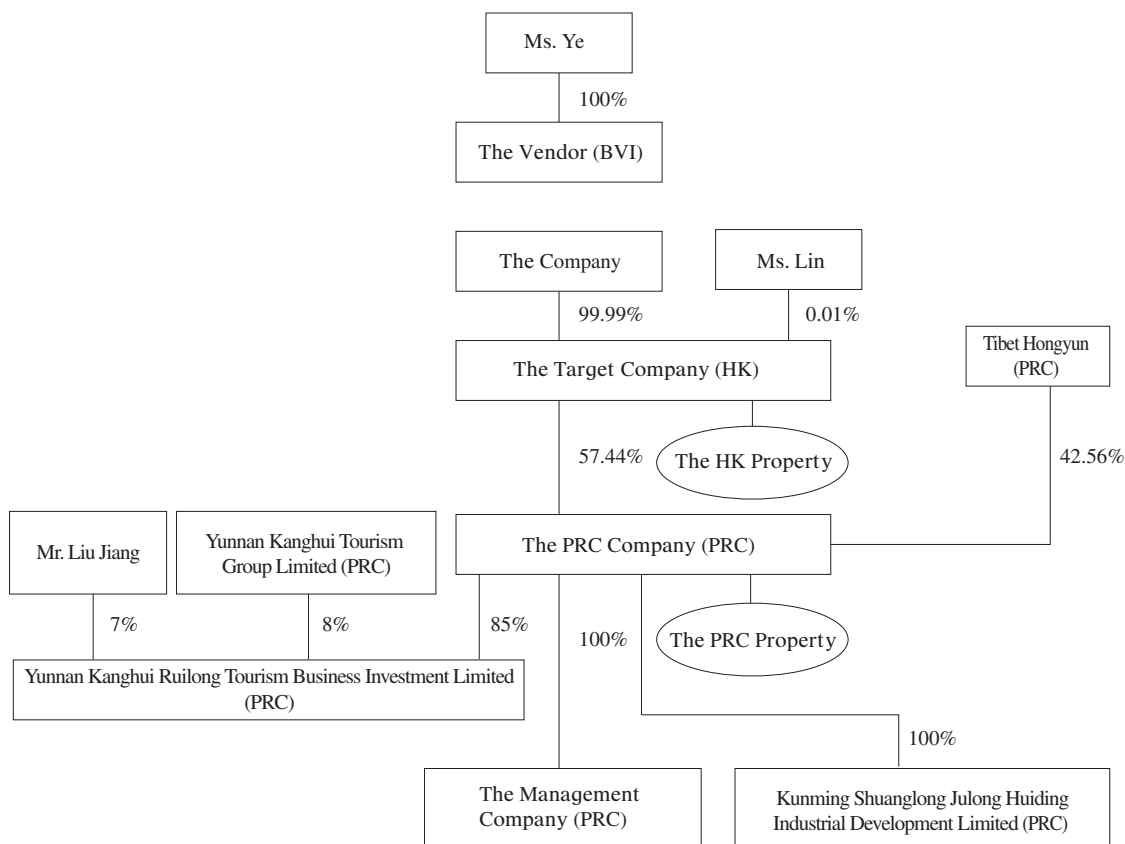
As at 31 December 2018, based on the information provide by the Vendor, the outstanding amount owing to China Huarong Asset Management Holdings Limited Shanghai Branch by the PRC Company is approximately RMB700,000,000 and the outstanding amount owed by Kunming Luosi to the PRC Company is approximately RMB1,012,600,000.

In light of Ms. Lin's provision of 20% of the entire equity interest in Kunming Luosi, representing her entire interest in Kunming Luosi, to secure repayment of the outstanding amount from Kunming Luosi to the PRC Company after Completion as a condition precedent of the Acquisition Agreement, the Board was of the view that the recoverability of the outstanding amount is high due to the fact that (i) given the background and financial position of Kunming Luosi, the risk of default in payment is low; and (ii) there will be sufficient collateral from Ms. Lin to secure payment from Kunming Luosi.

As at the date of this announcement, the structure of the Target Group and its major assets are as follows:



Immediately after the Completion, the structure of the Target Group and its major assets are as follows:



* For identification purpose only

Financial information of the Target Group

Set out below is the summary of the key unaudited consolidated information of the Target Company for the two years ended 31 December 2017:

	For the year ended 31 December 2016 (HK\$'000)	For the year ended 31 December 2017 (HK\$000)
Revenue	70,670	107,594
Profit/(Loss) before tax	35,303	63,498
Profit/(Loss) after tax	35,303	63,498

	As at 31 December 2016 (HK\$'000)	As at 31 December 2017 (HK\$'000)
Net assets value	2,088,478	2,696,682

Note: The revenue for the year ended 31 December 2016 was approximately HK\$70,670,000, being the gross rental income generated in the ordinary course of business of the Target Group.

The revenue for the year ended 31 December 2017 was approximately HK\$107,594,000, being the gross rental income generated in the ordinary course of business of the Target Group.

Specific Mandate

The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM. The Company will make an application to the Stock Exchange for the listing of and permission to deal in the Conversion Shares. The Conversion Shares, when issued and fully paid, will rank *pari passu* in all respects with each other and with other Shares in issue at the time of issue of the Conversion Shares.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 840,000,000 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon full conversion of the Convertible Bonds based on the best knowledge, information and belief of the Directors:

	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds (for illustrative purpose)		Immediately upon conversion of the Convertible Bonds if restriction applies (for illustrative purpose)	
	Number of Shares	% (Approx.)	Number of Shares	% (Approx.)	Number of Shares	% (Approx.)
Substantial Shareholders						
Praise Fortune Limited	356,568,000	42.45	356,568,000	37.14	356,568,000	38.26
Caitong International Asset Management Co., Limited (Note 1)	250,000,000	29.76	250,000,000	26.04	250,000,000	26.82
The Vendor (as substantial shareholder)	–	–	120,000,000 (Note 2)	12.50 (Note 1)	–	–
Subtotal:	<u>606,568,000</u>	<u>72.71</u>	<u>726,568,000</u>	<u>75.68</u>	<u>606,568,000</u>	<u>65.08</u>
Public Shareholders						
Other Public Shareholders	233,432,000	27.79	233,432,000	24.32	233,432,000	25.05
The Vendor (as public shareholder)	–	–	–	–	92,000,000 (Note 2)	9.87
Subtotal:	<u>233,432,000</u>	<u>27.79</u>	<u>233,432,000 (Note 2)</u>	<u>24.32 (Note 1)</u>	<u>325,432,000 (Note 2)</u>	<u>34.92</u>
Total:	<u><u>840,000,000</u></u>	<u><u>100.00</u></u>	<u><u>960,000,000 (Note 2)</u></u>	<u><u>100.00</u></u>	<u><u>932,000,000 (Note 2)</u></u>	<u><u>100.00</u></u>

Notes:

1. The 250,000,000 shares were beneficially owned by Caitong Strategic SPC (formerly known as “Avenue Multi-Strategy Fund SPC”) on behalf of CTI Environmental Protection Industrial Fund SP (formerly known as “Avenue Multi-Strategy Fund Segregated Portfolio 1”). Caitong International Asset Management Co., Limited was interested in these 250,000,000 shares in the capacity of investment manager.
2. The conversion of the Conversion Shares is subject to the restrictions as imposed on the Convertible Bonds. For details, please refer to the section headed “Issue of the Convertible Bonds”.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in the provision of environmental protection construction engineering solutions and services to customers (the “**Main Business**”), and has been constantly exploring business opportunities to expand its existing business segment and other opportunities. For example, back in the year ended 31 December 2012, the Group introduced environmental protection wallboard production lines from the Netherlands which enabled the Group to expand into the construction materials business.

Further, as stated in the Company's announcement dated 30 November 2018, the Company has entered into a memorandum of understanding on the same date intending to establish a joint venture partnership with Universe Asia Develop Limited to jointly develop environmental-friendly climate control products ("MOU"). The Company expects to continue focusing on its existing principal business in the environmental protection segment upon Completion. The Group has been actively submitting tenders for projects. In the year of 2018, it has submitted over 50 tenders and successfully entered into over 30 contracts with an aggregate contract value of over RMB200 million and certain portions of which would be recognised in the year ended 31 December 2018. The Company intends to continue submitting tenders in which the board believes to be an opportunity for expanding its Main Business.

Regarding the Acquisition, as disclosed in the section "Information of the Target Group", the PRC Property is a shopping centre situated in the prime location in Kunming with over 96% of the rentable gross floor areas being rented out to third parties, bringing in stable income to the Target Group as at the date of this announcement. In view of: (i) the PRC Property being accompanied with convenient transportation, comprehensive facilities and great development potential; (ii) Kunming being one of the most important transportation hubs and trade centres in the Yunnan province in southwest China with good development trend in the property investment market; (iii) the increasing trend in the property prices of the prime locations in Kunming; and (iv) the stable rental to be generated by the PRC Property and the HK Property, the Directors are of the opinion that the Acquisition offers the Group an invaluable opportunity to expand its business scope into the property investment industry, as well as achieving capital preservation, capital appreciation and stable rental income in the future.

Further, the Company considers that the business carried on by the Target Group generates stable income which does not require substantial involvement by the Company's management and the Acquisition will not vary the Company's existing principal business on the environmental protection industry. The Company expects that the Acquisition can foster and further enhance the development of the business segments being carried on by the Group, in turn broaden and strengthen the revenue of the Group.

In view of the foregoing, the Directors consider that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

EQUITY FUND-RAISING ACTIVITIES OF THE COMPANY FOR THE PAST 12 MONTHS

As at the date of this announcement, the Group has not engaged in any equity fund-raising activities for the past 12 months.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules in respect of the Acquisition Agreement exceed(s) 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval by the Shareholders at the EGM.

The allotment and issue of the Consideration Shares are subject to the Specific Mandate to be sought from the Shareholders at the EGM.

THE LISTING COMMITTEE'S DECISION

The Listing Committee has determined that the Acquisition is an extreme very substantial acquisition which is not subject to reverse takeover rules. The Company will prepare a transaction circular with enhanced disclosure comparable to prospectus standard and appoint a financial adviser to conduct due diligence in accordance with Practice Note 21 of the Listing Rules on the Target Group.

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A circular with enhanced disclosure comparable to prospectus standard containing, among other matters, (i) further details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) further information on the Specific Mandate; (iv) financial information of the Target Company; (v) valuation report of the PRC Property and HK Property; and (vi) a notice of the EGM, is expected to be despatched to the Shareholders on or before 30 April 2019 in order to allow sufficient time for the Company to prepare for the information to be included in the circular.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company with effect from 1:00 p.m. on 7 November 2018 pending release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 31 January 2019.

Completion of the Acquisition is subject to fulfilment of the conditions precedent set out in the Acquisition Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Acquisition”	the acquisition of the Sale Shares in the Target Company by the Company from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement entered into between the Company and the Vendor dated 7 November 2018 in relation to the Acquisition as supplemented by a supplemental agreement entered into between the Company and the Vendor dated 30 January 2019
“Board”	the board of Directors
“Bondholder”	the holder of the Convertible Bonds
“Business Day(s)”	A day, excluding public holidays, Saturdays and Sundays, on which banks in Hong Kong 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 Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 556)
“Completion”	completion of the acquisition of 99.99% issued share capital of the Target Company pursuant to the terms of the Acquisition Agreement
“Consideration”	the total amount of consideration payable, including the allotment and issue of Convertible Bonds, by the Company to the Vendor pursuant to the Acquisition Agreement
“Conversion Share(s)”	the Share(s) to be allotted and issued upon exercise of the rights attached to the Convertible Bonds to convert the principal amount of the Convertible Bonds into Shares pursuant to the terms and conditions of the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$240,000,000 (subject to adjustment) to be issued by the Company to the Vendor or its nominee(s) to settle part of the Consideration and are convertible into Conversion Shares at an Initial Conversion Price of HK\$2.00 per Conversion Share pursuant to the terms and conditions of the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Due Diligence Review”	the due diligence review conducted by the Company on the business, financial status, assets, liabilities and other aspects of the Target Group as set out in the Acquisition Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among others, the Acquisition Agreement and the transactions contemplated thereunder, and the Specific Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Property”	Room 7C, Tower 3, The Austin, 8 Wui Cheung Road, Kowloon, Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties independent of the Company and its connected persons
“Initial Conversion Price”	HK\$2.00 per Conversion Share, being the initial conversion price of the Convertible Bonds, subject to adjustments as agreed in the Acquisition Agreement

“Kunming Luosi”	Kunming Luosi Bay Investment Development Holdings Limited* (昆明螺螄灣投資發展股份有限公司), a company established under the laws of PRC with limited liability
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	the date falling on six(6) months after the date of the Acquisition Agreement, or such other date as may be agreed by the Company and the Vendor in writing
“Management Company”	Kunming Shuang Lung Run Ben Commercial Management Company limited* (昆明雙龍潤本商業管理有限公司), a company established under the laws of PRC with limited liability, the entire equity interest of which is held by the PRC Company as at the date of the Acquisition Agreement
“Ms. Ye”	Ms. Ye Xiaohua (葉肖華), a PRC citizen and an Independent Third Party
“Ms. Lin”	Ms. Lin Mei (林微), a PRC citizen and an Independent Third Party
“Netherlands”	The Kingdom of the Netherlands
“PRC”	the People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company”	Kunming Shuang Lung Shopping Centre Company Limited* (昆明雙龍商場有限公司), a company established under the laws of PRC with limited liability, in which 76.86% of the entire equity interest is held by the Target Company as at the date of the Acquisition Agreement
“PRC Property”	Kunming Shuanglong Mall* (昆明雙龍商場), situated at No. 985, South Ring Road, Kunming, Yunnan, PRC* (中國雲南省昆明市環城南路985號)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share(s)”	the shares of the Target Company held by the Vendor, representing 99.99% issued share capital of the Target Company on the date of Completion
“SFC”	the Securities and Futures Commission of Hong Kong

“Share(s)”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the EGM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Mayee International Holdings Limited (美怡國際投資有限公司), a company incorporated under the laws of Hong Kong with limited liability
“Target Group”	Target Company and its subsidiaries
“Tibet Hongyun”	Tibet Hongyun Venture Capital Partnership* (西藏弘雲創業投資合夥企業), a partnership enterprise established under the laws of PRC which holds 23.14% of the entire equity interest of the PRC Company as at the date of this announcement
“Vendor”	Zhongying International Limited, a company established in the British Virgin Islands with limited liability and an Independent Third Party
“Yunnan Capital”	Yunnan Province State-owned Capital Operation Holdings Limited* (雲南省國有資本營運金控有限公司), a company established under the laws of PRC with limited liability
“%”	per cent

* For identification purpose only

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

Hong Kong, 30 January 2019

As at the date of this announcement, the members of the Board are:

Executive Director:
Mr. JIANG Xin

Non-executive Director:
Mr. FAN Yajun

Independent non-executive Directors:
Mr. LAI Wing Lee
Mr. LEUNG Shu Sun, Sunny
Professor WANG Guozhen