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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)

VOLUNTARY ANNOUNCEMENT THE DISPOSAL OF 51% OF THE ISSUED SHARE CAPITAL OF THE DISPOSAL COMPANY

THE DISPOSAL

The Board announces that on 27 March 2019 (after trading hours of the Stock Exchange), the Company (as the transferor) and the Transferee entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to transfer to the Transferee 51% of the issued share capital of the Disposal Company at the cash consideration of HK\$5,100 payable by cash on Completion.

Upon Completion, the Disposal Company will no longer be a subsidiary of the Company and the Company will not hold any of the issued share capital of the Disposal Company.

LISTING RULES IMPLICATIONS

The Transferee is directly wholly owned by Mr. Tsoi, a substantial shareholder of the Disposal Company, which is a subsidiary owned as to 51% by the Company. Therefore, the Transferee is an associate of a connected person of the Company at the subsidiary level and the entering into of the Disposal Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

However, as all of the applicable percentage ratios (other than the profit ratio) are less than 5% and the total consideration is less than HK\$3,000,000, the Disposal constitutes a de minimis connected transaction on the part of the Company and is fully exempted from shareholders' approval, annual review and all disclosure requirements under Rule 14A.74 of the Listing Rules.

Furthermore, as all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are below 5%, the Disposal is not a notifiable transaction under Chapter 14 of the Listing Rules.

THE DISPOSAL

The Board announces that on 27 March 2019 (after trading hours of the Stock Exchange), the Company (as the transferor) and the Transferee entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to transfer the Disposal Shares. Further particulars and the principal terms of the Disposal Agreement are set out below:

DISPOSAL AGREEMENT

Date of the Agreement : 27 March 2019

Parties : (a) the Company (as the transferor);
(b) Active Light Holdings Limited (as the Transferee); and
(c) Prospectous Harvest Finance Limited (as the Disposal Company)

Assets to be disposed of : 51% of the entire issued share capital of the Disposal Company as at the date of the Disposal Agreement

Consideration

The consideration for the Disposal shall be HK\$5,100, equivalent to HK\$1 per issued share of the Disposal Company, which shall be payable by cash on Completion. The consideration for the Disposal was determined after arm's length negotiations between the Company and the Transferee, having regard to the subject matter of the Disposal and the equivalent amount of the paid up capital of the Disposal Company. Therefore, the Board (including all the independent non-executive Directors) considers that the consideration of the Disposal is fair and reasonable.

Conditions Precedent

Completion is subject to the following conditions precedent being fulfilled on or before the Long Stop Date:

1. the Company having obtained all necessary consents and approvals in relation to the Disposal (including but not limited to the approvals from its members, the Stock Exchange, SFC, relevant government departments or regulatory authorities (if required) in relation to the Disposal); and
2. the Transferee having obtained and produced to the Company all necessary consents and approvals in relation to the Disposal (including but not limited to the approvals from its members, the Stock Exchange, SFC, relevant government departments or regulatory authorities (if required) in relation to the Disposal).

The Company may at any time waive any of the conditions precedent on the basis of any terms that the Company might further impose. The Disposal Agreement will lapse if any of the conditions precedent are not met on or before the Long Stop Date.

Completion

Completion shall take place in 3 business days after fulfilment or waiver (as applicable) of the aforesaid conditions precedent (or at any such later date as the Company and the Transferee may agree in writing).

Upon Completion, the Disposal Company will no longer be a subsidiary of the Company and the Company will not hold any of the issued share capital of the Disposal Company. The financial results of the Disposal Company will no longer be consolidated into the Group's financial statements.

INFORMATION ON THE GROUP AND THE DISPOSAL GROUP

The Group is principally engaged in the provision of environmental protection construction engineering solutions and services to customers.

As disclosed in the announcement of the Company dated 31 August 2018, the Disposal Company was acquired by the Company following the completion of the Acquisition on 14 September 2018. For details of the Acquisition, the Shareholders could refer to the announcements of the Company dated 31 August 2018 and 14 September 2018. As at the date of this announcement, the Disposal Company is principally engaged in investment holding activities and is owned by the Company, Mr. Tsoi, Mr. Zeng and Mr. Chan as to 51.00%, 24.99%, 14.70% and 9.31%, respectively. The Disposal Company owns 100% of the issued share capital of Shandong Rongxiang, which is principally engaged in investment holding activities.

INFORMATION ON THE TRANSFEE

As at the date of this announcement, the Transferee is principally engaged in investment holding activities and is directly wholly owned by Mr. Tsoi, a substantial shareholder of the Disposal Company, which is a subsidiary owned as to 51% by the Company. Therefore, the Transferee is an associate of a connected person of the Company at the subsidiary level.

REASONS FOR AND BENEFITS OF THE DISPOSAL

References are made to the announcements of the Company dated 31 August 2018 and 14 September 2018 regarding the Acquisition.

As disclosed in the announcement of the Company dated 31 August 2018, the Company entered into the Share Sale and Purchase Agreement with the Transferee. Pursuant to which, the Company conditionally agreed to purchase 51% of the issued share capital of the Disposal Company at the cash consideration of HK\$24,500,000 payable on or before 31 December 2018.

As further disclosed in the announcement of the Company dated 14 September 2018, completion of the Acquisition took place on even date in accordance with the terms and conditions of the Share Sale and Purchase Agreement. Immediately after the completion of the Acquisition, the Disposal Company was owned as to 51% by the Company and 49% by the Disposal Company Shareholders. However, there were irreconcilable differences between the Company and the Disposal Company Shareholders over the business strategies and objectives of the Disposal Company, and the Directors considered that the Company, as the controlling shareholder of the Disposal Company, cannot exercise any control over Shandong Rongxiang and cannot have any rights or abilities to affect the returns through its power over Shandong Rongxiang since the completion of the Acquisition. Therefore, the Directors were of the view that terminating the business relationship with the Disposal Company Shareholders would be of the best interests of the Company and the Shareholders as a whole.

The Board was also of the view that there are certain business opportunities which, by reallocating the financial resources that were originally contemplated for the Share Sale and Purchase Agreement, would bring better value to the Company and the Shareholders as a whole.

As a result, the Company expressed its intention to transfer the Disposal Shares and entered into negotiation with the Disposal Company Shareholders in November 2018. Subsequent to the negotiation among the parties on 27 March 2019, the Deed of Variation was entered into among the Company, the Transferee and the Disposal Company to ratify, among other things, the consideration for the Acquisition, from cash consideration of HK\$24,500,000 payable on or before 31 December 2018 to HK\$5,100 payable on or before 30 June 2019.

Upon signing of the Deed of Variation, Mr. Tsoi of the Disposal Shareholders agreed to procure the Transferee (of which Mr. Tsoi owns 100% of the issued share capital) to acquire the Disposal Shares with the aforesaid consideration.

Subject to the other aforesaid conditions precedent, the Disposal Shares will be transferred from the Company to the Transferee.

The Board (including the independent non-executive Directors) are of the view that the terms and conditions of the Disposal Agreement are fair and reasonable and the entering into of the Disposal Agreement is in the best interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are below 5%, the Disposal is not a notifiable transaction under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Transferee is directly wholly owned by Mr. Tsoi, a substantial shareholder of the Disposal Company, which is a subsidiary owned as to 51% by the Company. Therefore, the Transferee is an associate of a connected person of the Company at the subsidiary level and the entering into of the Disposal Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

However, as all of the applicable percentage ratios (other than the profit ratio) in respect of the Disposal is/are less than 5% and the total consideration is less than HK\$3,000,000, the Disposal constitutes a de minimis connected transaction on the part of the Company and is fully exempted from shareholders' approval, annual review and all disclosure requirements under Rule 14A.74 of the Listing Rules.

None of the Directors had any material interest in the Disposal and therefore none of them was required to abstain from voting on the Board resolution approving the Disposal Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Acquisition”	the acquisition of 51% of the issued share capital of the Disposal Company by the Company;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Pan Asia Environmental Protection Group Limited (泛亞環保集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 556);
“Completion”	the completion of the Disposal as contemplated under the Disposal Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Deed of Variation”	the deed entered into among the Company, the Transferee and the Disposal Company on 27 March 2019 regarding the variation of certain terms of the Share Sale and Purchase Agreement;
“Director(s)”	the director(s) of the Company;
“Disposal”	the proposed disposal of the Disposal Shares by the Company to the Transferee;
“Disposal Agreement”	the share transfer agreement entered into among the Company, the Transferee and the Disposal Company on 27 March 2019 regarding the Disposal;
“Disposal Company”	Prospectus Harvest Finance Limited (鴻豐信貸融資有限公司), a company incorporated under the laws of Hong Kong with limited liability;

“Disposal Company Shareholders”	Mr. Tsoi, Mr. Zeng and Mr. Chan;
“Disposal Group”	the Disposal Company and its subsidiaries;
“Disposal Shares”	51% of the entire issued share capital of the Disposal Company as at the date of the Disposal Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	27 June 2019 (or at any such later date as the Company and the Transferee may agree in writing);
“Mr. Chan”	Mr. Chan Chun On Joshua (陳振安), a Hong Kong permanent resident and a third party independent of the Company and its connected person(s);
“Mr. Tsoi”	Mr. Tsoi Wai (蔡偉), a Hong Kong permanent resident and an associate of a connected person of the Company at the subsidiary level;
“Mr. Zeng”	Mr. Zeng Xiang Chao (曾祥超), a PRC citizen and a third party independent of the Company and its connected person(s);
“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;
“SFC”	The Securities and Futures Commission;
“Shandong Rongxiang”	Shandong Rongxiang Technology Co., Ltd (山東融象智能科技有限公司), a wholly foreign owned enterprise established in PRC and directly wholly-owned by the Disposal Company with a registered capital of USD20,000,000 as at the date of this announcement;
“Shareholder(s)”	shareholders of the Company;
“Share Sale and Purchase Agreement”	the share sale and purchase agreement in relation to the Acquisition;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;

“substantial shareholders” has the meaning ascribed to it under the Listing Rules;

“Transferee” Active Light Holdings Limited (勤光集團有限公司), a company incorporated under the laws of Hong Kong with limited liability;

“USD” The United States dollar; and

“%” per cent

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

Hong Kong, 27 March 2019

As at the date of this announcement, the Directors are:

Executive Director:

Mr. JIANG Xin

Independent Non-Executive Directors:

Mr. LAI Wing Lee

Mr. LEUNG Shu Sun, Sunny

Professor WANG Guozhen

Non-Executive Director:

Mr. FAN Yajun