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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)**

## ISSUE OF NEW SHARES UNDER GENERAL MANDATE FOR DEBT CAPITALISATION

### THE DEBT CAPITALISATION AGREEMENT

On 1 December 2023, the Subscriber and the Company entered into the Debt Capitalisation Agreement in relation to the subscription of the Consideration Shares at the Issue Price by the Subscriber, subject to the conditions set out in the Debt Capitalisation Agreement.

### GENERAL

The Consideration Shares will be issued under the general mandate to allot, issue and deal in the Shares granted to the Directors by a resolution of the Shareholders passed at the Company's annual general meeting held on 8 June 2023. Under such general mandate, the Company is authorised to issue up to 168,000,000 Shares (representing 20.0% of the issued share capital in the Company as at the date of the said annual general meeting). Up to the date of this announcement, such general mandate has not been utilised. The issue of the Consideration Shares is not subject to Shareholders' approval.

**Completion of the Debt Capitalisation is subject to the fulfilment of conditions precedent to the Debt Capitalisation, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### THE DEBT CAPITALISATION AGREEMENT

Reference is made to the Company's annual report for the year ended 31 December 2022. During the year ended 31 December 2018, the Company issued a corporate bond with a principal amount of HK\$30,000,000 to the Subscriber. The original maturity date of the corporate bond was on 14 May 2019 and the maturity date has been mutually agreed to be extended to 14 November 2024. As at the date of the announcement, the outstanding interest under the corporate bond amounted to HK\$1,800,000, and the Company was indebted to the Subscriber in the amount of HK\$31,800,000 (i.e. the Debt).

On 1 December 2023, the Subscriber and the Company entered into the Debt Capitalisation Agreement in relation to the subscription of the Consideration Shares at the Issue Price by the Subscriber, subject to the conditions set out in the Debt Capitalisation Agreement.

**Date:** 1 December 2023

**Parties:** (1) the Company; and  
(2) the Subscriber.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are Independent Third Parties.

The Subscriber (or its nominee(s)) shall conditionally subscribe for, and the Company shall conditionally allot and issue to the Subscriber, the Consideration Shares to be credited as fully paid up on issue in two tranches by way of application of the Debt owing by the Company to the Subscriber in full towards paying up the Consideration Shares upon the terms and conditions of the Debt Capitalisation Agreement.

88,679,245 Shares shall be allotted and issued to the Subscriber as first tranche of the Consideration Shares to capitalise HK\$18,800,000 of the Debt; and 61,320,755 Shares shall be allotted and issued to the Subscriber as second tranche of the Consideration Shares to capitalise HK\$13,000,000 of the Debt.

The allotment and issue of the Consideration Shares to the Subscriber shall be full and final settlement of the Debt.

### **The Consideration Shares**

The Consideration Shares represent 17.85% of the existing issued share capital of the Company as at the date of this announcement. Upon Completion, the Consideration Shares shall represent 15.15% of the then issued share capital of the Company as enlarged by the Consideration Shares.

The aggregate nominal value of share capital for the Consideration Shares is HK\$15,000,000. First tranche of the Consideration Shares and second tranche of the Consideration Shares, when allotted and issued, will rank pari passu in all aspects with, and having the same rights in all aspects with the other Shares in issue on the date of allotment and issue of first tranche of the Consideration Shares and second tranche of the Consideration Shares (as the case may be).

### **The Issue Price**

The Issue Price is HK\$0.212 per Consideration Share and represents:

- (a) a discount of approximately 14.86% to the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on 1 December 2023, being the date of the Debt Capitalisation Agreement; and
- (b) a discount of approximately 15.81% to HK\$0.2518, being the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 1 December 2023, being the date of the Debt Capitalisation Agreement.

The Issue Price was determined after arm's length negotiation between the Company and the Subscriber after taking into account the prevailing market price and trading volume of the Shares as well as the current market conditions.

The Debt Capitalisation contemplated under the Debt Capitalisation Agreement involves the capitalisation of the Debt into the Consideration Shares, and the Company will use its internal resources to settle the professional fees and all other related expenses which may be borne by the Company in connection with the Debt Capitalisation. The net issue price per Consideration Share will be HK\$0.211.

There will be no proceeds arising from the issue of the Consideration Shares as all the proceeds from the subscription will be set-off against the Debt owing by the Company to the Subscriber on a dollar-to-dollar basis.

### **Conditions precedent**

The obligations of the parties are conditional upon:

- (i) the obtaining of all necessary consents and approvals in respect of the Debt Capitalisation Agreement and the transactions contemplated thereby; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consideration Shares.

If any of the conditions set out above has not been satisfied on or before 31 December 2023, or such later date as the parties may agree in writing, this Agreement shall cease and determine and none of the parties shall have any obligations and liabilities hereunder save for any prior breaches of the terms of the Debt Capitalisation Agreement.

### **Completion**

Pursuant to the Debt Capitalisation Agreement, First Tranche Completion shall take place on the seventh Business Day after which all conditions precedent have been fulfilled (or any other later date as the parties may agree in writing).

The Subscriber undertakes that, subject to First Tranche Completion, it shall subscribe for the second tranche of the Consideration Shares by giving not less than five Business Days written notice to the Company on or before 31 March 2024. Second Tranche Completion shall take place on the seventh Business Day after written notice was given by the Subscriber (or any other later date as the Parties may agree in writing) in accordance with the Debt Capitalisation Agreement.

The Subscriber also undertakes that it will take appropriate steps to dispose of such number of Consideration Shares then held by it after the First Tranche Completion such that the Company will satisfy the minimum public float required under the Listing Rules upon Second Tranche Completion (assuming there is no change in the number of issued Shares held by other public Shareholders (i.e. 231,432,000 Shares) from the date of the Debt Capitalisation Agreement up to the First Tranche Completion). Second Tranche Completion is subject to the Company's satisfaction of the minimum public float as required under the Listing Rules and that no allotment and issue of the second tranche of the Consideration Shares would result in the Company not meeting the minimum public float as required under the Listing Rules.

## **GENERAL**

The Consideration Shares will be issued under the general mandate to allot, issue and deal in the Shares granted to the Directors by a resolution of the Shareholders passed at the Company's annual general meeting held on 8 June 2023. Under such general mandate, the Company is authorised to issue up to 168,000,000 Shares (representing 20.0% of the issued share capital in the Company as at the date of the said annual general meeting). Up to the date of this announcement, such general mandate has not been utilised. The issue of the Consideration Shares is not subject to Shareholders' approval.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## **REASONS FOR THE DEBT CAPITALISATION**

The Directors consider the Debt Capitalisation will (i) remove the repayment and interest payment pressure of the Debt on the Group; (ii) retain cashflow of the Group for its future business development; and (iii) strengthen the financial position of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the Loan Capitalisation (including the Issue Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

The Group is principally engaged in the sale of environmental protection products and equipment, and the provision of environmental protection construction engineering solutions and services.

The Subscriber, Hongkong Jinggangshan International Co., Limited, is a limited liability company incorporated in Hong Kong principally engaged in investment holding. Its sole shareholder and director is Mr. Wen Zhanfeng, an Independent Third Party.

## **FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS**

The Company has not conducted any issue of equity securities in the past twelve months immediately before the date of this announcement.

## EFFECT OF THE DEBT CAPITALISATION ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at (i) the date of this announcement; (ii) immediately upon First Tranche Completion; and (iii) immediately upon Second Tranche Completion (assuming there is no change in the issued share capital of the Company from the date of this announcement up to the First Tranche Completion and the Second Tranche Completion) are as follows:

Name of Shareholder	As at the date of this announcement		Immediately upon First Tranche Completion		Immediately upon Second Tranche Completion (Note 3)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Praise Fortune Limited (Note 1)	356,568,000	42.45	356,568,000	38.40	356,568,000	36.02
Mr. Jiang Xin (Note 1)	2,000,000	0.24	2,000,000	0.22	2,000,000	0.20
China Sky Global Investment Limited (Note 2)	250,000,000	29.76	250,000,000	26.92	250,000,000	25.25
The Subscriber	–	–	88,679,245	9.55	150,000,000	15.15
Other public Shareholders	231,432,000	27.55	231,432,000	24.92	231,432,000	23.38
<b>Total</b>	<b>840,000,000</b>	<b>100.00%</b>	<b>928,679,245</b>	<b>100.00%</b>	<b>990,000,000</b>	<b>100.00%</b>

### Notes:

1. Mr. Jiang Xin was a former executive Director and chairman of the Board who resigned on 27 November 2023. As at the date of this announcement, Mr. Jiang Xin held 77,615 shares in Praise Fortune Limited, representing approximately 60.07% in its issued share capital and Ms. Qian Yuanying (mother of Mr. Jiang Xin) held 51,600 shares in Praise Fortune Limited. Mr. Jiang Xin was also the beneficial owner of 2,000,000 Shares as at the date of this announcement.
2. As at the date of this announcement, 250,000,000 Shares were held by China Sky Global Investment Limited, which is in turn wholly owned by Mr. Liang Guanfei.
3. This illustrates a hypothetical shareholding structure immediately upon Second Tranche Completion merely for illustration purpose. Pursuant to the Debt Capitalisation Agreement, Second Tranche Completion is subject to the Company's satisfaction of the minimum public float as required under the Listing Rules, the allotment and issue of the second tranche of the Consideration Shares would not result in the Company not meeting the minimum public float as required under the Listing Rules.

**Completion of the Debt Capitalisation is subject to the fulfilment of the conditions precedent to the Debt Capitalisation, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

- “Business Day” means any day (excluding Saturdays and Sundays and public holidays) on which banks are generally open for business in Hong Kong
- “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

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration Shares”	150,000,000 Shares to be allotted and issued to the Subscriber by the Company at the Issue Price pursuant to the Debt Capitalisation Agreement
“Debt”	the amount owed by the Company to the Subscriber of HK\$31,800,000 as at the date of this announcement
“Debt Capitalisation”	the subscription of the Consideration Shares at the Issue Price by the Subscriber in accordance with the terms and conditions of the Debt Capitalisation Agreement for capitalising the entire amount of the Debt
“Debt Capitalisation Agreement”	the conditional agreement dated 1 December 2023 entered into between the Subscriber and the Company in relation to the Debt Capitalisation
“Directors”	the directors of the Company
“First Tranche Completion”	completion of the subscription of the first tranche of the Consideration Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons within the meaning ascribed to such term under the Listing Rules
“Issue Price”	the issue price of the Consideration Shares pursuant to the Debt Capitalisation Agreement, being HK\$0.212 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Second Tranche Completion”	completion of the subscription of the second tranche of the Consideration Shares
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the ordinary Share(s) of HK\$0.1 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber” Hongkong Jinggangshan International Co., Limited, a limited liability company incorporated in Hong Kong

“%” per cent.

By order of the Board  
**Pan Asia Environmental Protection Group Limited**  
**Guo Jiannan**  
*Chairman*

Hong Kong, 1 December 2023

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

*Executive Directors:*

Mr. GUO Jiannan

Ms. PAN Chang

*Independent non-executive Directors:*

Mr. CHEN Xuezheng

Mr. HU Jianjun

Mr. LEUNG Shu Sun, Sunny