

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# 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)**

## **TOP-UP PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES**

**Placing Agent**



**Essence International Securities (Hong Kong) Limited**

### **TOP-UP PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES**

On 8 July 2014 after trading hours, (1) the Vendor and the Placing Agent entered into the Placing Agreement pursuant to which the Vendor agreed to place, through the Placing Agent, an aggregate up to 60,000,000 existing Shares, on a best effort basis, to certain Placees at a price of HK\$1.63 per Placing Share; and (2) the Company and the Vendor entered into the Top-up Subscription Agreement pursuant to which the Vendor conditionally agreed to subscribe for such number of new Shares equivalent to the number of Placing Shares actually placed by the Placing Agent.

It is a term of the Placing Agreement that the Placees to be procured by the Placing Agent shall be professional, institutional and/or individual investors who and whose ultimate beneficial owners are independent of and not connected with or acting in concert with the Company and the Vendor and their connected persons or any of their respective associates or any parties acting in concert with any of them.

The maximum number of the Placing Shares (or the maximum number of Top-up Subscription Shares) represent (i) approximately 7.5% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.98% of the issued share capital of the Company as enlarged by the Top-up Subscription, assuming the Placing Shares are placed in full and no further new Shares will be issued or repurchased before the completion of the Top-up Subscription.

The number of the Top-up Subscription Shares will be equal to the number of Placing Shares successfully placed under the Top-up Placing. The Top-up Subscription is conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Top-up Subscription Shares; and (ii) completion of the Top-up Placing. Assuming that 60,000,000 Placing Shares are placed to the Placees in full, the maximum gross proceeds from the Top-up Subscription will be HK\$97,800,000 and the maximum net proceeds will be approximately HK\$95,250,000. The Company intends to use such net proceeds for future development of wood wool cement board business and as general working capital of the Group.

## **ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE**

The Top-up Subscription Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 6 June 2014. As such, the allotment and issue of the Top-up Subscription Shares are not subject to additional Shareholders' approval.

The Board is pleased to announce that on 8 July 2014 after trading hours, (1) the Vendor and the Placing Agent entered into the Placing Agreement; and (2) the Company and the Vendor entered into the Top-up Subscription Agreement. The principal terms of each of which are summarised below.

### **(A) PRINCIPAL TERMS OF THE PLACING AGREEMENT**

#### **Date**

8 July 2014.

#### **Parties**

- (1) the Vendor; and
- (2) Essence International Securities (Hong Kong) Limited, the Placing Agent.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owners is independent of and not connected with the Company, the Vendor and any of its connected persons or their respective associates.

#### **Placing Shares**

The Placing Agent has agreed to place, in aggregate, up to 60,000,000 Shares at HK\$1.63 per Share on a best effort basis. The maximum number of the Placing Shares represents approximately (i) 7.5% of the existing issued share capital of the Company; and (ii) 6.98% of the issued share capital of the Company as enlarged by the issue of the Top-up Subscription Shares.

#### **Placing Price**

The Placing Price is HK\$1.63 per Placing Share, representing:

- (i) a discount of approximately 10.4% to the closing price of HK\$1.82 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 9.3% to the average closing price of HK\$1.798 per Share as quoted on the Stock Exchange for the last ten trading days immediately preceding the Last Trading Day.

The Placing Price (or the Top-up Subscription Price) was arrived at after arm's length negotiations between the Vendor, the Company and the Placing Agent with reference to the recent market price of the Shares. The Directors consider that the Placing Price is fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## **Placees**

The Placing Agent has agreed to procure purchasers on a best effort basis for the Placing Shares at the Placing Price.

It is expected that the Placing Shares will be placed to not fewer than six Placees who are professional, institutional and/or individual investors approved, selected and/or procured by or on behalf of the Placing Agent. The Placees and/or their respective ultimate beneficial owners are independent of and not connected with the Vendor, any of the directors, substantial shareholders and chief executive of the Company or its subsidiaries or any of their respective associates or any parties acting in concert with any of them (as those terms are defined in the Listing Rules or the Takeovers Code (as the case may be)). It is not expected that any Placee will become a substantial shareholder of the Company immediately after the Top-up Placing.

## **Independence of the Placing Agent**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent is an Independent Third Party.

## **Placing Commission**

The Placing Agent will be entitled to receive a placing commission of 2.5% (inclusive of sellers brokerage) on the gross proceeds of the Placing Shares being placed. Such commission was negotiated on arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the prevailing commission rate charged by other placing agents. The Directors consider that the commission is fair and reasonable based on the current market conditions and is in the interests of the Company and the Shareholders as a whole.

## **Ranking of the Placing Shares**

The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue as at the date of this announcement.

## **Rights of the Placing Shares**

The Placing Shares will be sold by the Vendor free from all liens, charges and encumbrances and together with all rights attaching to the Placing Shares as at the Completion Date and, including the right to receive all dividends declared, made or paid in respect of the Placing Shares on or after the Completion Date.

## **Completion of the Placing**

Completion of the Top-up Placing shall take place at on 9 July 2014 or such later time as the Vendor and the Placing Agent may agree.

## **Non-disposal Undertaking**

In consideration of the obligations of the Placing Agent:

1. the Vendor undertakes to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) for the period commencing from the date of the Placing Agreement and ending 30 days from the Completion Date, it will not, without the prior written approval of the Placing Agent, offer for sale, sell, transfer, agree or contract to sell or otherwise dispose of, any Shares or any interest therein; and
2. the Vendor undertakes to procure the Company that it will not, without the prior written approval of the Placing Agent, allot or issue or agree to allot or issue any Shares (other than pursuant to the existing arrangements) or other securities or grant or agree to grant any options (other than options granted pursuant to an existing shares option scheme), convertible bonds or securities, warrants or other rights to subscribe for Shares or other securities or to repurchase any securities of the Company, for the period commencing from the date of the Placing Agreement and ending 30 days from the Completion Date.

## **(B) PRINCIPAL TERMS OF THE TOP-UP SUBSCRIPTION AGREEMENT**

### **Date**

8 July 2014.

### **Parties**

- (1) the Company; and
- (2) the Vendor.

### **Number of Placing Shares**

The number of Top-up Subscription Shares is equivalent to the number of Placing Shares actually placed by the Placing Agent, being a maximum number of 60,000,000 new Shares.

### **Top-up Subscription Price**

The Top-up Subscription Price is HK\$1.63 per Top-up Subscription Share, which is equivalent to the Placing Price. A comparison of the Top-up Subscription Price with the prevailing market prices of the Shares is set out in the sub-paragraph headed “Principal Terms of Placing Agreement – Placing Price” above.

### **Ranking of the Top-up Subscription Shares**

The Top-up Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue or to be issued by the Company at the time of issue and allotment of the Top-up Subscription Shares including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

## **Conditions of the Top-up Subscription**

The Top-up Subscription is condition upon:

1. completion of the Top-up Placing having occurred pursuant to the terms of the Placing Agreement; and
2. listing of and permission to deal in the Top-up Subscription Shares being granted by the Stock Exchange.

The Top-up Subscription Agreement has not provided for the right of the parties to waive the above conditions.

## **Closing of the Top-up Subscription**

Subject to the fulfilment of the above conditions and subject to the performance by the Vendor of its obligations under the Top-up Subscription Agreement, closing of the Top-up Subscription shall take place at 4:00 p.m. (Hong Kong time) on the second business day after the conditions referred to above are fulfilled or such other date as the parties may agree provided that such day shall be within 14 days of the date of the Placing Agreement.

In the event that completion of the Placing Agreement does not occur in accordance with its terms, the Top-up Subscription Agreement shall terminate and neither of the parties thereto shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breaches of the Top-up Subscription Agreement.

Under Rule 14A.31(3)(d) of the Listing Rules, the Top-up Subscription must be completed within 14 days from the date of the Placing Agreement.

## **ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE**

The Top-up Subscription Shares will be allotted and issued under the General Mandate granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 6 June 2014. Under the General Mandate, the Directors are allowed to allot and issue up to 60,000,000 Shares. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate.

The allotment and issue of the Top-up Subscription Shares is not subject to any additional Shareholders' approval.

## **APPLICATION FOR LISTING**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Top-up Subscription Shares to be issued.

## REASONS FOR THE TOP-UP PLACING AND USE OF PROCEEDS

The Directors have considered various ways of raising funds and consider that the Top-up Placing and the Top-up Subscription represent a good opportunity to raise capital for the Company while broadening the Shareholder base and strengthening the capital base of the Company. Accordingly, the Directors consider each of the Placing Agreement and the Top-up Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

Assuming the maximum number of 60,000,000 Placing Shares are placed by the Placing Agent and the equivalent number of Top-up Subscription Shares are subscribed for under the Top-up Subscription, the gross proceeds and net proceeds from the Top-up Subscription to be received by the Company will be approximately HK\$97,800,000 and approximately HK\$95,250,000 respectively. On such basis, the net price to the Company of each Top-up Subscription Share is approximately HK\$1.588. The Group intends to utilise the net proceeds from the Top-up Subscription for development of the wood wool cement board business and as general working capital of the Group.

The Directors consider that each of the terms of the Placing Agreement and the Top-up Subscription Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and its Shareholders as a whole.

## EFFECTS ON SHAREHOLDING STRUCTURE

The following table illustrates (i) the shareholding structure of the Company as at the date of this announcement; (ii) the shareholding structure of the Company immediately after completion of the Top-up Placing but before the Top-up Subscription; and (iii) the shareholding structure of the Company immediately after completion of the Top-up Subscription (assuming there will not be any change in the issued share capital of the Company from the date of this announcement to the completion of the Top-up Subscription save for the allotment and issue of the Top-up Subscription Shares):

Shareholders <i>(Note 1)</i>	(1) As at the date of this announcement		(2) Immediately after completion of the Top-up Placing (assuming the Placing Shares are placed in full) but before the Top-up Subscription		(3) Immediately after completion of the Top-up Subscription (assuming the Top-up Subscription Shares are subscribed in full)	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>	<i>No. of shares (approximately)</i>	<i>%</i>
Praise Fortune Limited <i>(Note 2)</i>	550,000,000	68.75	490,000,000	61.25	550,000,000	63.95
Mr. Jiang Quanlong <i>(Note 3)</i>	30,000,000	3.75	30,000,000	3.75	30,000,000	3.49
Mr. Jiang Xin <i>(Note 4)</i>	20,000,000	2.5	20,000,000	2.5	20,000,000	2.33
Placees	Nil	Nil	60,000,000	7.5	60,000,000	6.98
Public Shareholders	200,000,000	25	200,000,000	25	200,000,000	23.25
<b>Total</b>	<b>800,000,000</b>	<b>100</b>	<b>800,000,000</b>	<b>100</b>	<b>860,000,000</b>	<b>100</b>

*Notes:*

1. The number of existing Shares held by the Shareholders mentioned in the table above is based on the information as shown on the website of the Stock Exchange as at 8 July 2014.
2. These Shares were registered in the name of and beneficially owned by Praise Fortune Limited. The total number of issued shares in Praise Fortune Limited as at 31 December 2013 was 601 shares of US\$1 each. These 601 shares were owned as to 300 shares being approximately 49.92% by Mr. Jiang Lei, an executive Director, 300 shares being approximately 49.92% by Mr. Jiang Xin and 1 share being approximately 0.16% by Ms. Qian Yuanying. The sole director of Praise Fortune Limited is Mr. Jiang Quanlong, an executive Director. Under the SFO, Mr. Jiang Lei (*Note 5*), Mr. Jiang Xin and Mr. Jiang Quanlong were deemed to be interested in the Shares held by Praise Fortune Limited.
3. Ms. Qian Yuanying is the spouse of Mr. Jiang Quanlong and was therefore deemed to be interested in all the Shares and underlying shares in which Mr. Jiang Quanlong was deemed to be interested.
4. Ms. Li Jingru is the spouse of Mr. Jiang Xin and was therefore deemed to be interested in all the Shares in which Mr. Jiang Xin was deemed to be interested.
5. Ms. Chai Yongping is the spouse of Mr. Jiang Lei and was therefore deemed to be interested in all the Shares and underlying shares in which Mr. Jiang Lei was deemed to be interested.

**FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT**

The Company has not conducted any fund raising activity in the past 12 months immediately before the date of this announcement.

**GENERAL**

The Group is an integrated environmental protection services provider in the People's Republic of China. The Group is principally engaged in designing and manufacturing water and flue gas treatment products and equipment, selling pipes, as well as undertaking environment protection construction engineering projects and providing environment protection related professional services. The Group also engaged in the production and sale of wood wool cement board.

Further announcement will be made by the Company upon completion of both the Top-up Placing and Top-up Subscription.

**DEFINITIONS**

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

- |                     |  |
|---------------------|--|
| “acting in concert” | has the meaning as ascribed to it in the Takeovers Code  |
| “associate(s)”      | has the meaning as ascribed to it in the Listing Rules   |
| “Board”             | the board of Directors   |
| “Company”           | Pan Asia Environmental Protection Group Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on Main Board of the Stock Exchange (stock code: 556) |



“Completion Date”	9 July 2014 or such later time and/or date as the Vendor and the Placing Agent may agree where completion of the Top-up Placing shall take place
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 6 June 2014 to allot, issue or otherwise deal with additional shares not exceeding 20% of the issued share capital of the Company as at the date of annual general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	8 July 2014
“Placee(s)”	any individual(s), institutional and other professional investor(s) or any of their respective subsidiaries or associates (including the Placing Agent) procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Essence International Securities (Hong Kong) Limited, a company incorporated in Hong Kong and a licensed corporation to carry on businesses in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 8 July 2014 entered into between the Vendor and the Placing Agent in relation to the Top-up Placing
“Placing Price”	HK\$1.63 per Placing Share
“Placing Shares”	a maximum of 60,000,000 existing Shares held by the Vendor and to be placed pursuant to the terms of the Placing Agreement
“SFO”	the Securities and Futures Ordinance of Hong Kong
“Shares”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong



“Top-up Placing”	the placing, on a best effort basis, of a maximum of 60,000,000 existing Shares held by the Vendor pursuant to the terms of the Placing Agreement
“Top-up Subscription”	the subscription by the Vendor for the Top-up Subscription Shares pursuant to the terms of the Top-up Subscription Agreement
“Top-up Subscription Agreement”	the subscription agreement dated 8 July 2014 entered into between the Vendor and the Company in relation to the Top-up Subscription
“Top-up Subscription Price”	HK\$1.63 per Top-up Subscription Share
“Top-up Subscription Shares”	a number of new Shares to be subscribed by the Vendor pursuant to the Top-up Subscription Agreement, which number shall be equal to the number of Placing Shares actually placed under the Placing Agreement and shall not in any event exceed 60,000,000 new Shares
“Vendor”	Praise Fortune Limited, a limited company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**Pan Asia Environment Protection Group Limited**  
**Jiang Quanlong**  
*Chairman*

Hong Kong, 9 July 2014

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

*Executive Directors:*

*Mr. JIANG Quanlong*  
*Mr. JIANG Lei*  
*Mr. FAN Yajun*

*Independent Non-Executive Directors:*

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