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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS:

	2021	2020	Variance
	RMB'000	RMB'000	
REVENUE	38,158	39,388	-3.1%
GROSS PROFIT	2,948	1,762	67.3%
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	8,300	(29,347)	NM
EARNINGS/(LOSS) PER SHARE (Expressed in RMB cents per share)			
Basic and diluted	0.99	(3.49)	NM

NM – not meaningful

RESULTS

The Board (the “Board”) of Directors (the “Directors”) of Pan Asia Environmental Protection Group Limited (the “Company” or “Pan Asia”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2021 (the “Reporting Period”) together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	4	38,158	39,388
Cost of sales		<u>(35,210)</u>	<u>(37,626)</u>
Gross profit		2,948	1,762
Other income	5	4,358	4,412
Other net gain/(loss)	6	21,545	(14,108)
Selling and distribution expenses		(532)	(581)
General and administrative expenses		(17,150)	(17,755)
Finance costs	7(a)	<u>(2,869)</u>	<u>(3,077)</u>
Profit/(loss) before taxation	7	8,300	(29,347)
Income tax	8	<u>–</u>	<u>–</u>
Profit/(loss) for the year attributable to owners of the Company		8,300	(29,347)
Other comprehensive income for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
– Exchange differences on translation of financial statements to presentation currency		<u>2,229</u>	<u>4,264</u>
Total comprehensive income/(loss) for the year attributable to owners of the Company		<u>10,529</u>	<u>(25,083)</u>
		RMB cents	RMB cents
EARNINGS/(LOSS) PER SHARE	10		
Basic earnings/(loss) per share		0.99	(3.49)
Diluted earnings/(loss) per share		<u>0.99</u>	<u>(3.49)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		493	1,601
Right-of-use assets		<u>1,048</u>	<u>1,818</u>
		<u>1,541</u>	<u>3,419</u>
CURRENT ASSETS			
Trade and other receivables	<i>11</i>	6,456	41,825
Cash and bank balances		<u>1,222,063</u>	<u>1,219,778</u>
		<u>1,228,519</u>	<u>1,261,603</u>
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	55,084	96,010
Corporate bonds		25,522	43,321
Lease liabilities		751	734
Tax payable		<u>-</u>	<u>2,521</u>
		<u>81,357</u>	<u>142,586</u>
NET CURRENT ASSETS		<u>1,147,162</u>	<u>1,119,017</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,148,703</u>	<u>1,122,436</u>
NON-CURRENT LIABILITIES			
Corporate bonds		18,762	2,242
Lease liabilities		<u>324</u>	<u>1,106</u>
		<u>19,086</u>	<u>3,348</u>
NET ASSETS		<u><u>1,129,617</u></u>	<u><u>1,119,088</u></u>
CAPITAL AND RESERVES			
Share capital		78,073	78,073
Reserves		<u>1,051,544</u>	<u>1,041,015</u>
TOTAL EQUITY		<u><u>1,129,617</u></u>	<u><u>1,119,088</u></u>

NOTES:

1. GENERAL INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 3702, 37/F, Tower One, Lippo Centre, No. 89 Queensway, Admiralty, Hong Kong, respectively.

The Group are principally engaged in the sales of environmental protection (“EP”) products and equipment, and undertaking of EP construction engineering services in the People’s Republic of China (the “PRC”) and investment holding.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19-related rent concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SEGMENT REPORTING

The Group manages its business by divisions and all those divisions are located in the PRC. In a manner consistent with the way in which information is reported internally to the Group’s Chief Executive Officer, who is the Group’s chief operating decision maker (“CODM”) for the purposes of resources allocation and performance assessment, the Group’s operating and reportable segments under HKFRS 8, *Operating segments*, are organised into two main operating segments including (i) EP products and equipment and (ii) EP construction engineering services. No other operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	EP products and equipment		EP construction engineering services		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Reportable segment revenue from external customers	37,013	38,914	1,145	474	38,158	39,388
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	<u>37,013</u>	<u>38,914</u>	<u>1,145</u>	<u>474</u>	<u>38,158</u>	<u>39,388</u>
Reportable segment profit/(loss) (adjusted EBITDA)	<u>24,221</u>	<u>(12,985)</u>	<u>233</u>	<u>14</u>	<u>24,454</u>	<u>(12,971)</u>
Depreciation of property, plant and equipment	(481)	(486)	—	—	(481)	(486)
Net impairment loss reversed/ (recognised) on:						
– trade receivables	21,790	(11,962)	—	—	21,790	(11,962)
– contract assets	248	733	—	—	248	733
– prepayments	—	(2,879)	—	—	—	(2,879)
Reportable segment assets	<u>6,521</u>	<u>42,648</u>	<u>135</u>	<u>2</u>	<u>6,656</u>	<u>42,650</u>
Reportable segment liabilities	<u>1,752</u>	<u>47,016</u>	<u>8,771</u>	<u>8,840</u>	<u>10,523</u>	<u>55,856</u>

Geographical information

Revenue from external customers

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	2021 RMB'000	2020 RMB'000
Mainland China (place of domicile)	<u>38,158</u>	<u>39,388</u>

Specified non-current assets

The Group's specified non-current assets comprise property, plant and equipment, and right-of-use assets.

The geographical location of these specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, and right-of-use assets.

The following table sets out information about the geographical location of the specified non-current assets.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China (place of domicile)	427	1,488
Hong Kong	<u>1,114</u>	<u>1,931</u>
	<u><u>1,541</u></u>	<u><u>3,419</u></u>

4. REVENUE

Revenue represents the fair value of the amounts received and receivables for goods sold, and services rendered, which excludes value-added and other sales taxes, and is after deduction of any goods returns and trade discounts.

Disaggregation of revenue from contracts with customers during the year are as follows:

Segment	For the year ended 31 December 2021		
	EP products and equipment <i>RMB'000</i>	EP construction engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services			
Sales of goods			
– Water treatment products and equipment	37,013	–	37,013
Design services	–	<u>1,145</u>	<u>1,145</u>
Total	<u><u>37,013</u></u>	<u><u>1,145</u></u>	<u><u>38,158</u></u>
Timing of revenue recognition			
A point in time	<u><u>37,013</u></u>	<u><u>1,145</u></u>	<u><u>38,158</u></u>
For the year ended 31 December 2020			
Segment	EP products and equipment <i>RMB'000</i>	EP construction engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services			
Sales of goods			
– Flue gas treatment products and equipment	23,243	–	23,243
– Water treatment products and equipment	15,671	–	15,671
Design services	–	<u>474</u>	<u>474</u>
Total	<u><u>38,914</u></u>	<u><u>474</u></u>	<u><u>39,388</u></u>
Timing of revenue recognition			
A point in time	<u><u>38,914</u></u>	<u><u>474</u></u>	<u><u>39,388</u></u>

Information about the Group's performance obligation

Sales of EP products and equipment

The performance obligation is satisfied when the control of the EP products and equipment has been transferred to the customers, which is usually upon completion of the installation and on-site testing. The trading terms with customers are mainly on credit and payment in advance is normally required from customers. A certain percentage of payment is retained by customers until the end of the retention period. Warranties associated with the sales of EP products and equipment cannot be purchased separately and they serve as an assurance that the products and equipment sold comply with agreed-upon specifications.

Design services

The performance obligation is satisfied when the customer takes the possession of and accepts the design work performed. Payment is generally due upon acceptance of the design work by customers.

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts with customers such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts as these contracts have an original expected duration of one year or less.

5. OTHER INCOME

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on bank deposits	4,347	4,078
Government grants (<i>Note</i>)	–	328
Sundry income	11	6
	4,358	4,412

Note: The Group was granted subsidies of RMB328,000 under the Employment Support Scheme launched by the Hong Kong Government for the payment of wages of employees during the year ended 31 December 2020 (2021: Nil).

6. OTHER NET GAIN/(LOSS)

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net impairment loss reversed/(recognised) on:		
– trade receivables	21,790	(11,962)
– contract assets	248	733
– prepayments	–	(2,879)
Loss on disposal of property, plant and equipment	(493)	–
	21,545	(14,108)

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging the following:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
a) Finance costs:		
Interest expenses on corporate bonds	2,796	3,003
Interest expenses on lease liabilities	73	74
	<u>2,869</u>	<u>3,077</u>
b) Other items:		
Depreciation of property, plant and equipment	530	692
Depreciation of right-of-use assets	729	1,289
	<u>729</u>	<u>1,289</u>

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Company and its subsidiaries incorporated in the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits of the Company's subsidiaries established in the PRC during the years ended 31 December 2021 and 2020. No provision of PRC Enterprise Income Tax has been made for the years ended 31 December 2021 and 2020 as the Group did not generated any assessable profits in the PRC for both years.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020 as the Group did not have assessable profits arising in Hong Kong during both years.

The PRC Enterprise Income Tax Law also requires withholding tax of 10% upon distribution of profits by the subsidiaries established in the PRC since 1 January 2008 to its overseas shareholders.

9. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit/(loss) for the year attributable to owners of the Company for the purposes of calculating basic and diluted earnings/(loss) per share	<u>8,300</u>	<u>(29,347)</u>
	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>840,000,000</u>	<u>840,000,000</u>

No dilutive potential ordinary shares from share options was presented for the year ended 31 December 2021 as the exercise prices of the Company's outstanding share options were higher than the average market prices of the Company's ordinary shares during the year.

Diluted loss per share for the years ended 31 December 2020 are the same as the basic loss per share because the exercise of the Company's outstanding share options would have anti-dilutive effect.

11. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	2,612	58,201
Less: Impairment loss on trade receivables	<u>(149)</u>	<u>(21,939)</u>
Trade receivables, net	----- 2,463	----- 36,262
Other receivables	<u>—</u>	<u>108</u>
Contract assets	2,463	36,370
Prepayments and deposits	3,766	5,137
Other tax recoverables	216	284
	<u>11</u>	<u>34</u>
	<u>6,456</u>	<u>41,825</u>

The Group generally allows credit period ranging from 0 to 180 days to its trade customers.

Credit is offered to customers following an assessment of their financial abilities and payment track record. Credit limits are set out for all customers and these can be exceeded only with the approval from management. Management also monitors overdue trade receivables, and follows up the collection of these receivables.

The following is an ageing analysis of trade receivables, net of impairment loss, at the end of the Reporting Period, presented based on the invoice date, which approximated the respective revenue recognition dates:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than six months	2,463	2,036
Over six months but less than one year	–	22,412
Over one year but less than two years	–	11,814
	<u>2,463</u>	<u>36,262</u>

12. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	7,838	48,005
Accruals and other payables	12,236	14,423
Amount due to a related company	35,010	24,503
	<u>55,084</u>	<u>86,931</u>
Financial liabilities measured at amortised cost	55,084	86,931
Other tax payables	–	9,079
	<u>55,084</u>	<u>96,010</u>

Ageing analysis of trade payables

The ageing analysis of trade payables at the end of each reporting period based on invoice date is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than six months	4,798	16,647
Over six months but less than one year	2,052	16,013
Over one year but less than two years	–	14,357
Over two years	988	988
	<u>7,838</u>	<u>48,005</u>

13. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2021:

Proposed acquisition of 99.99% of the issued share capital in Maye International Holdings Limited (“Mayee International”)

On 7 November 2018 and 30 January 2019, the Company entered into a sale and purchase agreement, and a supplemental sale and purchase agreement (the “Acquisition Agreement”), respectively, with an independent third party, Zhongying International Limited (“Zhongying”), pursuant to which the Company has conditionally agreed to acquire, and Zhongying has conditionally agreed to sell 99.99% of the issued share capital of Mayee International at a total consideration of approximately HK\$1,253,220,000. The total consideration will be settled by the Company through payment of cash amounting to approximately HK\$1,013,220,000 and issuance of convertible bonds with a principal amount of HK\$240,000,000. Mayee International and its subsidiaries are principally engaged in property management and leasing of shops in a shopping mall located in Kunming, Yunnan, the PRC. This proposed acquisition constitutes a very substantial acquisition under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and is therefore subject to the shareholders’ approval at an extraordinary general meeting of the Company.

On 28 June 2019, the Company and Zhongying entered into the second supplemental agreement to extend the date for fulfillment of the conditions precedent set out in the Acquisition Agreement to 27 June 2020.

On 31 August 2020, the Company and Zhongying entered into the third supplemental agreement to extend the date for fulfillment of the conditions precedent set out in the Acquisition Agreement to 30 September 2021.

On 31 March 2021, the Company and Zhongying entered into the fourth supplemental agreement to extend the date for fulfillment of the conditions precedent set out in the Acquisition Agreement to 30 September 2022.

Further details of this proposed acquisition are set out in the Company’s announcements dated 5 December 2018, 30 January 2019, 29 April 2019, 28 June 2019, 30 September 2019, 29 November 2019, 28 February 2020, 31 August 2020 and 31 March 2021 respectively.

Up to the date of this announcement, the conditions precedent in the Acquisition Agreement have not yet been fulfilled. Accordingly, the proposed acquisition has not yet been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

New waves of the COVID-19 pandemic continued to emerge across the globe in 2021, casting continued uncertainty over the pace of global economic recovery. However, with a high vaccination rate and the implementation of stringent anti-pandemic measures, the PRC sustained continuous and steady economic recovery during the year, recording an 8.1% year-on-year increase in GDP.

In order to address the impacts of global climate change, the PRC government has set the “dual-carbon” goals – achieving peak carbon dioxide emissions by 2030 and carbon neutrality by 2060. As highlighted in the 2021 Government Work Report and the 14th Five-Year Plan, taking solid steps toward the “dual-carbon” goals has been listed as one of the key priorities. In the second half of 2021, the Central Committee of the Chinese Communist Party and the State Council published the *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy* and the *Action Plan for Carbon Dioxide Peaking Before 2030*, which formed the basic policy framework and laid out key specific targets and measures for reaching the two key carbon reduction targets. In particular, the government set reduction targets of 13.5% and 18% for energy consumption and carbon dioxide emissions, respectively, per unit of GDP from the 2020 level. This, in turn, will present great potential business opportunities to the EP industry.

FINANCIAL REVIEW

During the year under review, the Group generated a total revenue of RMB38.2 million, a decline of 3.1% compared with RMB39.4 million recorded in 2020. Gross profit increased significantly by 67.3% to RMB2.9 million (2020: 1.8 million) and the gross profit margin increased to 7.7% (2020: 4.5%). Profit attributable to owners of the Company was RMB8.3 million for the year, a turnaround from the loss attributable to owners of the Company, amounting to RMB29.3 million, recorded in 2020. The improvement was mainly attributable to net impairment loss reversed on trade receivables and contracts assets. Basic earnings per share amounted to RMB0.99 cents, an improvement on the basic loss per share of RMB3.49 cents recorded in 2020.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

BUSINESS REVIEW

The Group is principally engaged in the development, manufacture and sale of EP products and equipment, and the provision of EP construction engineering solutions and services. In 2021, the sale of EP products and equipment remained the Group’s major source of revenue. The segment contributed revenue of RMB37.0 million (2020: RMB38.9 million), accounting for 97.0% (2020: 98.8%) of the Group’s total revenue. The Group completed two water treatment-related projects. EP construction engineering design services generated a revenue of approximately RMB1.1 million (2020: RMB0.5 million), representing 3.0% of the Group’s total revenue (2020: 1.2%).

PROSPECTS

In view of the global trend of “going green” and the relevant supportive environmental policies and actions taken by the PRC government, the Group believes that the EP industry has strong potential for future growth. To broaden its income streams and maintain steady business growth, the Group will continue to explore new market opportunities and diversify its business portfolio. The Group will also strive to expand through potential business acquisitions and tap into other industries with high growth potential. The Group aims to become a highly valuable enterprise, maximizing the returns for shareholders and making positive contributions to the environment and society.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group’s total assets amounted to RMB1,230.1 million, an decrease of RMB34.9 million compared with RMB1,265.0 million in 2020. The Group’s total liabilities as at 31 December 2021 amounted to RMB100.4 million, a decrease of RMB45.5 million compared with RMB145.9 million in 2020. The Group’s total equity as at 31 December 2021 was RMB1,129.6 million (2020: RMB1,119.1 million), and the gearing ratio, calculated on the basis of the total borrowings (including corporate bonds and amount due to a related company) to equity (including all capital and reserves), was 7.0% (2020: 6.3%). The Group’s cash and cash equivalents amounted to RMB1,222.1 million as at 31 December 2021 (2020: RMB1,219.8 million).

EXPOSURE TO FLUCTUATIONS IN FOREIGN EXCHANGE RATES

The majority of the Group’s business transactions and liabilities are denominated in Renminbi and Hong Kong dollars. The Group adopted a conservative financial policy and the majority of its bank deposits are in Renminbi and Hong Kong dollars. As at 31 December 2021, the Group did not have any foreign currency bank liabilities, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes. Nevertheless, the management continues to monitor the Group’s foreign exchange exposure and will take prudent measures as and when appropriate. As at 31 December 2021, the Group did not hold any derivatives for hedging against interest rate or foreign exchange risks.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any capital expenditure commitment in respect of the acquisition of property, plant and equipment (2020: Nil). The Group has provided product warranties to its customers in respect of certain of its EP products and equipment sold for a warranty period ranging from six months to two years after installation. At the same time, the Group has also received product warranties in respect of those EP products and equipment supplied from its suppliers. The Directors believe that the amount of crystalized warranty liabilities will not be significant at the end of the Reporting Period.

PLEDGE OF ASSETS

There was no pledge of assets by the Group as at 31 December 2021.

RELATIONSHIP WITH EMPLOYEES AND KEY STAKEHOLDERS

As at 31 December 2021, the Group had approximately 94 employees. Employee salaries were maintained at competitive levels and are reviewed annually, with close reference to the relevant labor markets and economic situations. Directors' remuneration is determined based on a variety of factors such as market conditions and the specific responsibilities shouldered by the individual directors. In addition to providing the basic remuneration and statutory benefits as required by the law, the Group provides discretionary bonuses based on its results and the performance of the individual employees. The Group also has an employee share option scheme in operation. The total remuneration cost, including Directors' remuneration, for the year ended 31 December 2021 was RMB13.2 million (2020: RMB12.6 million). During the year under review, the Group organized professional and vocational training for its employees. The Directors believe that the Group has an admirable relationship with its employees.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

REVIEW BY AUDIT COMMITTEE

An audit committee comprising three independent non-executive directors has been established by the Company to review the financial reporting process and internal control procedures of the Group.

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2021.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company's auditor, Ascenda Cachet CPA Limited (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

CORPORATE GOVERNANCE

The Board is committed to achieving high corporate governance standards. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, throughout the year ended 31 December 2021, the Company has complied with the code provisions as set out in the CG Code, save for CG code provisions C.2.1 and F.2.2.

Chairman and Chief Executive Officer

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Chairman and Chief Executive Officer of the Company are held by Mr. JIANG Xin since 15 September 2017. The Board believes that Mr. JIANG Xin has the requisite experience and knowledge and that vesting in both roles would maintain efficient business operation which is in the best interest of the Group.

The Chairman of the Board Should Attend the Annual General Meeting

Code provision F.2.2 stipulates that the Chairman of the board should attend the annual general meeting. Mr. JIANG Xin, the Chairman of the Board was unable to attend the annual general meeting held on 3 June 2021 because of attending another meeting that is important to the business of the Company. Mr. JIANG Xin will use his best endeavours to attend all future shareholders' meetings of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("AGM") of the Company is scheduled to be held on 10 June 2022. For considering and approving the final results of the Group for the year ended 31 December 2021 and the recommendation of a final dividend, if any, and transacting any other business.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 June 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.paep.com.cn) and the annual report for the year ended 31 December 2021 will be dispatched to the shareholders and published on the above-mentioned websites in due course.

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

Hong Kong, 30 March 2022

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

Executive Director:

Mr. JIANG Xin

Non-executive Director:

Mr. FAN Yajun

Independent Non-executive Directors:

Mr. CHEN Xuezheng

Mr. LEUNG Shu Sun, Sunny

Mr. HU Jianjun