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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 2023

FINANCIAL HIGHLIGHTS

	2023	2022	Variance
	<i>RMB'000</i>	<i>RMB'000</i>	
REVENUE	220,336	155,568	41.6%
GROSS PROFIT	28,433	20,024	42.0%
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	1,451	(899)	NM
EARNINGS/(LOSS) PER SHARE (Expressed in RMB cents per share)			
Basic and diluted	0.17	(0.11)	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 2023 (the “Reporting Period”) together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Revenue	4	220,336	155,568
Cost of sales		<u>(191,903)</u>	<u>(135,544)</u>
Gross profit		28,433	20,024
Other income	5	2,417	4,459
Other net loss	6	(6,143)	(5,217)
Selling and distribution expenses		(1,024)	(912)
General and administrative expenses		(14,811)	(15,343)
Finance costs	7(a)	<u>(2,753)</u>	<u>(2,855)</u>
Profit before taxation	7	6,119	156
Income tax expenses	8	<u>(4,668)</u>	<u>(1,055)</u>
Profit/(loss) for the year attributable to owners of the Company		1,451	(899)
Other comprehensive loss 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>(1,637)</u>	<u>(8,087)</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(186)</u>	<u>(8,986)</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings/(loss) per share	10		
Basic and diluted		<u>0.17</u>	<u>(0.11)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		311	292
Right-of-use assets		1,107	360
Deferred tax assets		2,944	1,478
		<u>4,362</u>	<u>2,130</u>
CURRENT ASSETS			
Trade and other receivables	11	52,547	47,778
Cash and bank balances		1,235,816	1,202,701
		<u>1,288,363</u>	<u>1,250,479</u>
CURRENT LIABILITIES			
Trade and other payables	12	120,659	81,551
Corporate bonds		11,781	–
Lease liabilities		468	354
Tax payable		729	2,533
		<u>133,637</u>	<u>84,438</u>
NET CURRENT ASSETS		<u>1,154,726</u>	<u>1,166,041</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,159,088</u>	<u>1,168,171</u>
NON-CURRENT LIABILITIES			
Corporate bonds		20,884	47,540
Lease liabilities		711	–
		<u>21,595</u>	<u>47,540</u>
NET ASSETS		<u>1,137,493</u>	<u>1,120,631</u>
CAPITAL AND RESERVES			
Share capital		86,149	78,073
Reserves		1,051,344	1,042,558
TOTAL EQUITY		<u>1,137,493</u>	<u>1,120,631</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 Unit 1506, 15/F, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon, 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 new and amended Hong Kong Financial Reporting Standards (“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 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Amendments to HKFRS 17
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The application of the new and amended 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 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 2023 and 2022 is set out below:

	EP products and equipment		EP construction engineering services		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Reportable segment revenue from external customers	220,336	155,568	-	-	220,336	155,568
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	<u>220,336</u>	<u>155,568</u>	<u>-</u>	<u>-</u>	<u>220,336</u>	<u>155,568</u>
Reportable segment profit (adjusted EBITDA)	<u>21,032</u>	<u>13,747</u>	<u>-</u>	<u>-</u>	<u>21,032</u>	<u>13,747</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.

	2023 RMB'000	2022 RMB'000
Mainland China (place of domicile)	<u>220,336</u>	<u>155,568</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	2023		Total RMB'000
	EP products and equipment RMB'000	EP construction engineering services RMB'000	
Types of goods or services			
Sales of goods			
– Water treatment products and equipment	122,182	–	122,182
– Flue gas treatment products and equipment	98,154	–	98,154
	<u>220,336</u>	<u>–</u>	<u>220,336</u>
Timing of revenue recognition			
A point in time	<u>220,336</u>	<u>–</u>	<u>220,336</u>
Segment	2022		Total RMB'000
	EP products and equipment RMB'000	EP construction engineering services RMB'000	
Types of goods or services			
Sales of goods			
– Water treatment products and equipment	155,568	–	155,568
	<u>155,568</u>	<u>–</u>	<u>155,568</u>
Timing of revenue recognition			
A point in time	<u>155,568</u>	<u>–</u>	<u>155,568</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.

5. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income on bank deposits	2,412	4,324
Government grants (<i>Note</i>)	–	123
Sundry income	5	12
	<u>2,417</u>	<u>4,459</u>

Note: The Group was granted subsidies of RMB123,000 under the Employment Support Scheme launched by the Hong Kong Government for the payment of wages of employees during the year ended 31 December 2022 (2023: Nil).

6. OTHER NET LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net impairment loss recognised on:		
– trade receivables	4,347	4,918
– contract assets	1,515	299
– other receivables	281	–
	<u>6,143</u>	<u>5,217</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
a) Finance costs:		
Interest expenses on corporate bonds	2,706	2,819
Interest expenses on lease liabilities	47	36
	<u>2,753</u>	<u>2,855</u>
b) Other items:		
Depreciation of property, plant and equipment	110	227
Depreciation of right-of-use assets	628	752
	<u>628</u>	<u>752</u>

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

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax – PRC Enterprise Income tax		
– Provision for the year	(6,134)	(2,533)
Deferred taxation		
– Origination and reversal of temporary difference	<u>1,466</u>	<u>1,478</u>
	<u><u>(4,668)</u></u>	<u><u>(1,055)</u></u>

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands, respectively, 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 2023 and 2022.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2023 and 2022 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 2023 (2022: 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit/(loss) for the year attributable to owners of the Company for the purposes of calculating basic and diluted earnings/(loss) per share	<u>1,451</u>	<u>(899)</u>
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	<u>844,373,223</u>	<u>840,000,000</u>

Diluted earnings per share for the year ended 31 December 2023 equals to the basic earnings per share as the Company has no potential dilutive ordinary share outstanding during the year.

Diluted loss per share for the year ended 31 December 2022 was 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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	39,520	37,679
Less: Impairment loss on trade receivables	<u>(9,414)</u>	<u>(5,067)</u>
Trade receivables, net	----- 30,106	----- 32,612
Other receivables	281	1,275
Less: Impairment loss on other receivables	<u>(281)</u>	<u>—</u>
Other receivables, net	----- —	----- —
Contract assets	24,624	14,478
Less: Impairment loss on contract assets	<u>(2,361)</u>	<u>(846)</u>
Contract assets, net	----- 22,263	----- 13,632
Prepayments and deposits	167	248
Other tax recoverable	<u>11</u>	<u>11</u>
	<u><u>52,547</u></u>	<u><u>47,778</u></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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Less than six months	26,622	34,479
Over six months but less than one year	<u>12,898</u>	<u>3,200</u>
	39,520	37,679
Less: Impairment loss	<u>(9,414)</u>	<u>(5,067)</u>
	<u><u>30,106</u></u>	<u><u>32,612</u></u>

12. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	41,672	17,905
Accruals and other payables	12,759	11,325
Amount due to a related company	<u>62,217</u>	<u>51,713</u>
Financial liabilities measured at amortised cost	116,648	80,943
Contract liabilities	3,540	400
Other tax payable	<u>471</u>	<u>208</u>
	<u><u>120,659</u></u>	<u><u>81,551</u></u>

The ageing analysis of trade payables at the end of the Reporting Period based on invoice date is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Less than six months	30,555	13,467
Over six months but less than one year	10,129	3,450
Over two years	<u>988</u>	<u>988</u>
	<u><u>41,672</u></u>	<u><u>17,905</u></u>

13. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2023:

Issue of shares for debt capitalisation

On 22 February 2024, 61,320,755 ordinary shares of the Company were issued to a subscriber to capitalise HK\$13,000,000 of the debt in accordance with debt capitalisation agreement. Details are set out in the Company's announcements dated 1 December 2023, 14 December 2023 and 22 February 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2023, China's economy gradually recovered as the government began to ease COVID-19 containment measures. Amid relatively weak overall market demand and a slower-than-expected recovery, the Chinese government adopted a comprehensive strategy aimed at expanding domestic demand in an effort to promote steady economic growth. Recognizing the importance of consumer spending as a driver of economic recovery, the government promoted economic activity by bolstering domestic demand, building consumer confidence, and encouraging increased spending. In pursuit of this goal, the government implemented a range of monetary policies, including interest rate reductions, designed to incentivize corporate investment and propel further economic development.

The year 2023 was a significant milestone year for China as it embraced the principles outlined in the 20th National Congress of the Communist Party of China and implemented the "14th Five-Year Plan". During the year, the government demonstrated its commitment to energy conservation, waste reduction, and the establishment of an ecological civilization. In order to achieve goals such as peaking carbon emissions, achieving carbon neutrality, and building a beautiful China, the Chinese government implemented macro-planning and various measures to control water resources, and air and noise pollution. These initiatives not only created a favorable condition for businesses operating in the environmental protection ("EP") sector, but also aligned with global sustainability goals, addressing pressing environmental concerns while stimulating economic growth and fostering innovation in eco-friendly technologies. Furthermore, the resumption of many environmental projects that were suspended during the pandemic further contributed to the growth of the EP sector during the year.

FINANCIAL REVIEW

During the year under review, the Group generated total revenue of RMB220.3 million, an increase of 41.6% compared with RMB155.6 million recorded in 2022, which was attributable to the Group's business development efforts as well as the continuous growth in demand for eco-friendly and low-carbon solutions. Gross profit increased significantly by 42.0% to RMB28.4 million (2022: RMB20.0 million) with the gross profit margin of 12.9% (2022: 12.9%) on the back of continuous project portfolio management.

Profit attributable to owners of the Company amounted to RMB1.5 million for the year ended 31 December 2023, turning around from a net loss of RMB0.9 million for the year ended 31 December 2022. Basic and diluted earnings per share was RMB0.17 cents (2022: basic and diluted loss per share of RMB0.11 cents).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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 2023, the sale of EP products and equipment contributed revenue of RMB220.3 million (2022: RMB155.6 million), accounting for 100% (2022: 100%) of the Group's total revenue. The Group completed seven water treatment projects and four flue gas treatment projects.

As at 31 December 2023, the Group had 3 projects on hand with an aggregate value of work to be completed of approximately RMB199.1 million. The Group expects the above projects on hand to be completed by the end of 2024.

In order to strengthen its business diversification and enrich its portfolio by providing accelerated computing services to enterprises adopting modern applications, the Company entered into a strategic cooperation agreement with Chengdu Qingshu Technology Co., Ltd (“Chengdu Qingshu”), a Chinese enterprise focusing on research and application in the fields of big data and intelligent computing, in September 2023. Leveraging the respective technological expertise of both parties, this strategic cooperation is expected to enable the Group to further explore market opportunities in the accelerated computing industry.

In addition, there was a change in the management of the Group during the year as Mr. Jiang Xin tendered his resignation as an Executive Director and Chairman of the Board. Mr. Guo Jiannan, an Executive Director and Chief Executive Officer of the Company, was appointed as the Chairman and Ms. Pan Chang was appointed as an Executive Director.

PROSPECTS

Looking ahead, Pan Asia will continue to strengthen its EP business to capture opportunities arising from the development of an eco-friendly and low-carbon economy and ongoing improvements in policy directives. By leveraging its expertise and experience in these areas, the Group aims to enhance its services, optimize efficiency, and maximize positive outcomes for the Group, its customers, and the environment. Through its strong network of industry partners and leaders, the Group will explore new market opportunities and expand its business portfolio, hoping to broaden income streams and maintain steady business growth.

The Group is also committed to diversifying its business through the provision of accelerated computing services. Accelerated computing utilizes specialized hardware accelerators, such as graphics processing units (GPUs) and tensor processing units (TPUs), to perform computations more efficiently than traditional central processing units (CPUs). With its exceptional computational speed and ability to effectively process large volumes of data, accelerated computing has been widely adopted in various industries. In addition to the strategic cooperation with Chengdu Qingshu, the Group has plans to establish further strategic partnerships with other companies to develop its accelerated computing solutions business in the near future. These collaborations will enable the Group to capitalize on emerging opportunities and tap into the growing demand for advanced computing capabilities across industries.

Embracing the future, the Group has started to leverage the most advanced technologies and applications to boost its business relevance and viability. By combining the strong foundation of its current EP business operations with a proactive approach to identifying and pursuing more eco-friendly and operation-efficient business opportunities in the burgeoning AI market of the rapidly expanding digitalized world, the Group aims to become a highly valuable enterprise that maximizes returns for shareholders and makes a positive contribution to society.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's total assets amounted to RMB1,292.7 million, an increase of RMB40.1 million compared with RMB1,252.6 million in 2022. The Group's total liabilities as at 31 December 2023 amounted to RMB155.2 million, an increase of RMB23.2 million compared with RMB132.0 million in 2022. The Group's total equity as at 31 December 2023 was RMB1,137.5 million (2022: RMB1,120.6 million), and the gearing ratio, calculated on the basis of total borrowings (including corporate bonds and amount due to a related company) to equity (including all capital and reserves), was 8.3% (2022: 8.9%). The Group's cash and cash equivalents amounted to RMB1,235.8 million as at 31 December 2023 (2022: RMB1,202.7 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 has adopted a conservative financial policy, and the majority of its bank deposits are in Renminbi and Hong Kong dollars. As at 31 December 2023, 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 2023, 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 2023, the Group did not have any capital expenditure commitments for the acquisition of property, plant and equipment (2022: Nil). The Group has issued product warranties to its customers for 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 for such 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 2023.

RELATIONSHIP WITH EMPLOYEES AND KEY STAKEHOLDERS

As at 31 December 2023, the Group had approximately 92 employees. Employee salaries are 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 employee. The Group also has an employee share option scheme in operation. Total remuneration costs, including Directors' remuneration, for the year ended 31 December 2023 was RMB13.4 million (2022: RMB13.0 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 2023.

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 2023.

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 2023 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 C1 to the Listing Rules.

In the opinion of the Directors, throughout the year ended 31 December 2023, the Company has complied with the code provisions as set out in the CG Code, save for code provisions C.2.1, C.5.1 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. Mr. Guo Jiannan, an Executive Director and Chief Executive Officer of the Company, has been appointed as the Chairman of the Board with effect from 27 November 2023. Upon appointment of Mr. Guo as Chairman, he assumes both the roles as the Chairman and the Chief Executive Officer of the Company in deviation from the aforesaid code provision. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman and the Chief Executive Officer at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

At Least Four Regular Board Meetings a Year

Code provision C.5.1 stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. During the year ended 31 December 2023, the Board held nine meetings with active participation of majority Directors, either in person or through electronic means of communication. The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary.

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 previous Chairman of the Board was unable to attend the annual general meeting held on 8 June 2023 because of attending another meeting that is important to the business of the Company. Mr. Guo Jiannan, the existing Chairman 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 17 May 2024. For considering and approving the final results of the Group for the year ended 31 December 2023 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 Monday, 13 May 2024 to Friday, 17 May 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 May 2024.

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 2023 will be published on the above-mentioned websites in due course.

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

Hong Kong, 26 March 2024

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

Executive Directors:

Mr. GUO Jiannan

Ms. PAN Chang

Independent non-executive Directors:

Mr. CHEN Xuezheng

Mr. HU Jianjun

Mr. LEUNG Shu Sun, Sunny