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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)

PROFIT WARNING

This announcement is made by Pan Asia Environmental Protection Group Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that the Company together with its subsidiaries (the “**Group**”) might record a net loss for the year ended 31 December 2017 as opposed to a net profit for the year ended 31 December 2016.

Shareholders and potential investors are advised to exercise caution when dealing in the shares in the Company.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

After a preliminary review of the unaudited consolidated management accounts of the Group, the Board wishes to inform the Shareholders and potential investors that the Group might record a net loss for the year ended 31 December 2017 as opposed to a net profit for the year ended 31 December 2016.

The Board considers that the adverse change for the year ended 31 December 2017 was mainly due to:

- (i) a decrease in revenue as the Group has ceased to be engaged in the manufacture and sales of environmental protection construction materials segment during the financial year;
- (ii) an increase in the bad debts of trade receivables;
- (iii) an increase in the impairment loss on the Group’s inventories, in particular, the written down of the inventories relating to the Group’s wood wool cement board business to net realisable value during the financial year; and
- (iv) an increase in the amount of replenishment of building panels which increased the cost of sales.

This profit warning announcement is only based on the preliminary review by the Company's management on the unaudited consolidated management accounts of the Group.

The Company is still in the process of finalising the annual results of the Group for the year ended 31 December 2017. The overall financial results of the Group for the year ended 31 December 2017 will only be ascertained when all the relevant results and treatments are finalised. The annual results announcement of the Group for the year ended 31 December 2017 is expected to be announced before the end of March 2018.

Shareholders and potential investors are advised to exercise caution when dealing in the shares in the Company.

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

Hong Kong, 19 March 2018

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. LAI Wing Lee

Mr. LEUNG Shu Sun, Sunny

Professor WANG Guozhen