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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 2020

FINANCIAL HIGHLIGHTS:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Variance
REVENUE	39,388	79,802	-50.6%
GROSS PROFIT	1,762	3,541	-50.2%
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	(29,347)	(58,624)	-49.9%
LOSS PER SHARE (Expressed in RMB cents per share)			
Basic and diluted	(3.49)	(6.98)	-50.0%

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 2020 (the “Reporting Period”) together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	39,388	79,802
Cost of sales		<u>(37,626)</u>	<u>(76,261)</u>
Gross profit		1,762	3,541
Other income	5	4,412	3,941
Other net loss	6	(14,108)	(34,435)
Selling and distribution expenses		(581)	(713)
General and administrative expenses		(17,755)	(25,412)
Finance costs	7(a)	<u>(3,077)</u>	<u>(3,149)</u>
Loss before taxation	7	(29,347)	(56,227)
Income tax expenses	8	<u>–</u>	<u>(2,397)</u>
Loss for the year attributable to owners of the Company		(29,347)	(58,624)
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments)			
<i>Item that will not be reclassified to profit or loss:</i>			
– Exchange differences on translation of financial statements to presentation currency		<u>4,264</u>	<u>(1,225)</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(25,083)</u>	<u>(59,849)</u>
		<i>RMB cents</i>	<i>RMB cents</i>
LOSS PER SHARE	10		
Basic loss per share		(3.49)	(6.98)
Diluted loss per share		<u>(3.49)</u>	<u>(6.98)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,601	2,203
Right-of-use assets		1,818	903
		<u>3,419</u>	<u>3,106</u>
CURRENT ASSETS			
Trade and other receivables	<i>11</i>	41,825	54,886
Cash and bank balances		1,219,778	1,203,070
		<u>1,261,603</u>	<u>1,257,956</u>
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	96,010	64,190
Corporate bonds		43,321	27,952
Lease liabilities		734	926
Tax payable		2,521	2,521
		<u>142,586</u>	<u>95,589</u>
NET CURRENT ASSETS		<u>1,119,017</u>	<u>1,162,367</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>1,122,436</u>	<u>1,165,473</u>
NON-CURRENT LIABILITIES			
Corporate bonds		2,242	21,302
Lease liabilities		1,106	–
		<u>3,348</u>	<u>21,302</u>
NET ASSETS		<u>1,119,088</u>	<u>1,144,171</u>
CAPITAL AND RESERVES			
Share capital		78,073	78,073
Reserves		1,041,015	1,066,098
TOTAL EQUITY		<u>1,119,088</u>	<u>1,144,171</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 *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 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 2020 and 2019 is set out below:

	EP products and equipment		EP construction engineering services		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Reportable segment revenue from external customers	38,914	78,764	474	1,038	39,388	79,802
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	<u>38,914</u>	<u>78,764</u>	<u>474</u>	<u>1,038</u>	<u>39,388</u>	<u>79,802</u>
Reportable segment (loss)/profit (adjusted EBITDA)	<u>(12,985)</u>	<u>(34,553)</u>	<u>14</u>	<u>31</u>	<u>(12,971)</u>	<u>(34,522)</u>
Depreciation of property, plant and equipment	(486)	(1,978)	-	-	(486)	(1,978)
Net impairment loss (recognised)/reversed on:						
– trade receivables	(11,962)	(29,037)	-	-	(11,962)	(29,037)
– contract assets	733	(1,528)	-	-	733	(1,528)
– prepayments	(2,879)	(3,780)	-	-	(2,879)	(3,780)
Reportable segment assets	<u>42,648</u>	<u>56,039</u>	<u>2</u>	<u>2</u>	<u>42,650</u>	<u>56,041</u>
Reportable segment liabilities	<u>47,016</u>	<u>28,160</u>	<u>8,840</u>	<u>8,188</u>	<u>55,856</u>	<u>36,348</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.

	2020 RMB'000	2019 RMB'000
Mainland China (place of domicile)	<u>39,388</u>	<u>79,802</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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Mainland China (place of domicile)	1,488	2,102
Hong Kong	1,931	1,004
	<u>3,419</u>	<u>3,106</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 2020		
	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	–	474	474
Total	<u>38,914</u>	<u>474</u>	<u>39,388</u>
Timing of revenue recognition			
A point in time	<u>38,914</u>	<u>474</u>	<u>39,388</u>
	For the year ended 31 December 2019		
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	72,308	–	72,308
– Water treatment products and equipment	6,456	–	6,456
Design services	–	1,038	1,038
Total	<u>78,764</u>	<u>1,038</u>	<u>79,802</u>
Timing of revenue recognition			
A point in time	<u>78,764</u>	<u>1,038</u>	<u>79,802</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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income on bank deposits	4,078	3,941
Government grants (<i>Note</i>)	328	–
Sundry income	6	–
	<u>4,412</u>	<u>3,941</u>

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.

6. OTHER NET LOSS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net impairment loss (recognised)/reversed on:		
– trade receivables	(11,962)	(29,037)
– other receivables	–	(92)
– contract assets	733	(1,528)
– prepayments	(2,879)	(3,780)
Net exchange gain	–	2
	<u>(14,108)</u>	<u>(34,435)</u>

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
a) Finance costs:		
Interest expenses on corporate bonds	3,003	3,067
Interest on lease liabilities	<u>74</u>	<u>82</u>
	<u>3,077</u>	<u>3,149</u>
b) Other items:		
Depreciation of property, plant and equipment	692	2,523
Depreciation of right-of-use assets	<u>1,289</u>	<u>1,531</u>

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax		
– Provision for the year	–	–
Deferred tax:		
Under-provision for deferred tax in previous years	<u>–</u>	<u>2,397</u>
Income tax expenses	<u>–</u>	<u>2,397</u>

- i) 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.
- ii) 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 2020 and 2019.
- iii) No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2020 and 2019 as the Group did not have assessable profits arising in Hong Kong during both years.
- iv) 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 2020 (2019: Nil).

10. LOSS PER SHARE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss for the year attributable to owners of the Company for the purposes of calculating basic and diluted loss per share	<u>(29,347)</u>	<u>(58,624)</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>840,000,000</u>	<u>840,000,000</u>

Diluted loss per share for the years ended 31 December 2020 and 2019 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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	58,201	86,433
Less: Impairment loss on trade receivables	<u>(21,939)</u>	<u>(49,597)</u>
Trade receivables, net	<u>36,262</u>	<u>36,836</u>
Other receivables	108	991
Less: Impairment loss on other receivables	<u>-</u>	<u>(901)</u>
Other receivables, net	<u>108</u>	<u>90</u>
Contract assets	36,370	36,926
Prepayments and deposits	5,137	14,591
Other tax recoverables	284	3,335
	<u>34</u>	<u>34</u>
	<u>41,825</u>	<u>54,886</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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Less than six months	2,036	31,730
Over six months but less than one year	22,412	5,106
Over one year but less than two years	11,814	–
	36,262	36,836

12. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	48,005	29,148
Accruals and other payables	14,423	18,468
Amount due to a related company	24,503	7,320
Financial liabilities measured at amortised cost	86,931	54,936
Other PRC tax payables	9,079	9,254
	96,010	64,190

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Less than six months	16,647	17,815
Over six months but less than one year	16,013	2,035
Over one year but less than two years	14,357	8,310
Over two years	988	988
	48,005	29,148

13. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2020:

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.

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 and 31 August 2020 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

FINANCIAL REVIEW

During the year under review, the Group generated a total revenue of RMB39.4 million, where a decline of 50.6% was recorded compared to RMB79.8 million in 2019. The gross profit decreased by 50.2% to RMB1.8 million but gross profit margin increased to 4.5% (2019: 4.4%). With severe cost-control measures in place, net loss substantially narrowed by 49.9%, amounting to RMB29.3 million. The basic loss per share was RMB3.49 cents.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil) as the capital will be reserved for the development of the Group's business operations.

BUSINESS REVIEW

In 2020, the global economy was subjected to unprecedented challenges and uncertainties because of the Coronavirus Disease 2019 (COVID-19) pandemic which spread swiftly across the world. The pandemic adversely affected the work progress of our EP projects.

The year 2020 was also challenging to the broader EP industry. However, the Chinese government announced and implemented many important policies and regulations related to the EP industry, notably the "Guiding Opinions on Establishing a Modern System of Environmental Treatment" (《關於構建現代環境治理體系的指導意見》) during the past year, and with the launches and implementation of these policies, a positive development trend is expected in the EP industry. Pan Asia looks forward to embracing the EP industry's development over the next few years.

Sales of EP Products and Equipment Business

The sales of EP products and equipment remained the major income contributor to the Group during the year ended 31 December 2020. This segment generated revenue of RMB38.9 million (2019: RMB78.8 million) and its gross profit amounted to RMB1.7 million (2019: RMB3.5 million), with a gross profit margin of 4.5% (2019: 4.4%). Details of the types of sales of EP products and equipment are as below.

i) Sales of Flue Gas Treatment Products and Equipment

The Group's comprehensive flue gas treatment supply chain provides related products and equipment. During the year, the Group completed 1 project related to sales of flue gas treatment equipment and a revenue of approximately RMB23.2 million (2019: RMB72.3 million) was recorded, accounting for about 59.0% of the Group's total revenue.

ii) Sales of Water Treatment Products and Equipment

Water treatment systems are mainly used for the treatment of industrial and urban waste water. During the year, the Group completed 1 water treatment-related sales contract, and the business generated a revenue of approximately RMB15.7 million, accounting for about 39.8% of the Group's total revenue.

EP Construction Engineering Projects

With our extensive industry expertise, professional research and development (“R&D”) capabilities and technologies, the Group provides one-stop EP solutions to a diverse range of clients. During the year, the Group completed 1 EP construction engineering-related project, and this segment recorded a revenue of approximately RMB0.5 million, accounting for about 1.2% of the Group’s total revenue.

The Group will continue to explore more opportunities in strategic partnerships, mergers and acquisitions in a prudent manner, despite the challenging nature of the present global economy and market environment. While uncertainties persist in the macroeconomic environment, the Group believes that business diversification is the way to mitigate risks and take advantage of potential growth opportunities. Meanwhile, the Group will continue to implement stringent cost control measures, including the reduction of administrative costs, as well as facilitating optimal resource allocation.

PROSPECTS

Certain positive government policies are favourable to the EP industry, despite that the pandemic has seriously impacted the global economy for over a year. We believe it will take time for the global economy to recover. The pandemic has yet to be completely under control on a global level and it has even rebounded in some places. Therefore, it is difficult to anticipate the exact timing of the global economy’s recovery. Due to the continuous hindrances, including uncertainties from Mainland China and abroad, the management remains cautious towards future developments in the long run. However, it is good to see the launch of vaccines and we foresee that there will be moderate growth in the coming future.

Pan Asia has been exploring potentially profitable projects to enhance its competitiveness. Thus, the Group has more projects planned for the EP products and equipment segment to be completed this year since the resumption of operation in April 2020. Going forward, the Group continues to pursue diversification as part of its strategy. The group will continue to identify potentials in other industries and acquire promising businesses to achieve steady and healthy returns.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2020, the Group’s total assets amounted to RMB1,265.0 million, where an increase of RMB3.9 million was recorded when compared to RMB1,261.1 million in 2019. The Group’s total liabilities as of 31 December 2020 amounted to RMB145.9 million, where an increase of RMB29.0 million was recorded when compared to RMB116.9 million in 2019. The Group’s total equity as of 31 December 2020 was RMB1,119.1 million (2019: RMB1,144.2 million). As of 31 December 2020, the Group’s gearing ratio, based on total borrowings (including corporate bonds) to equity (including all capital and reserves), was 4.1% (2019: 4.3%). The Group’s cash and cash equivalents amounted to RMB1,219.8 million as of 31 December 2020 (2019: RMB1,203.1 million).

Exposure to Exchange Rate Fluctuation

The Group adopts a conservative financial policy. Business transactions and liabilities of the Group are largely denominated in Renminbi and Hong Kong Dollars, as with the majority of its bank deposits. As at 31 December 2020, 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 will continue to monitor the Group's foreign exchange exposure and will take relevant measures with prudence when appropriate. As at 31 December 2020, the Group did not hold any derivatives for hedging against interest rate and foreign exchange risks.

Capital Commitments and Contingent Liabilities

As at 31 December 2020, the Group had no capital expenditure commitment in respect of the acquisition of property, plant and equipment (2019: Nil). The Group has provided product warranties to its customers in respect to 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 same product warranties in respect of those EP products and equipment provided by its suppliers and subcontractors. The directors of the Company believe that the amount of crystallised 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 2020.

Significant Investments, Acquisition and Disposal of Assets

Save as disclosed in this announcement, the Group did not have any other significant investments, acquisitions and disposal of assets during the financial year under review.

Relationship with Employees and Key Shareholders

As at 31 December 2020, the Group had approximately 91 employees. Salaries of employees remained at competitive levels and are reviewed annually with close reference to relevant labour markets and their economic situations. Remuneration of the Directors is determined based on a variety of factors such as market conditions and the specific responsibilities of the individual Directors. Apart from basic remuneration and benefits required by law, the Group also provides discretionary bonuses based on its results and the performance of individual employees. The Group also has an employee share option scheme in place. Total remuneration costs, including Directors' remuneration for the year ended 31 December 2020 were RMB12.6 million (2019: RMB12.6 million). During the year, the Group organised professional and vocational training for its employees. The Directors believe that the Group has maintained cordial and professional relations with its employees. In addition, the Group understands that in order to achieve its long-term goals, it is important to maintain a good relationship with its business partners, shareholders, investors and bankers. Thus, the Group has formulated an investor relations scheme to help foster a close relationship with its shareholders and investors. Specific activities are organised from time to time to communicate with and rally for the support of key stakeholders.

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 2020.

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. Following the passing away of Professor Wang Guozhen on 4 January 2021, the number of independent non-executive directors and members of audit committee of the Company has fallen below the minimum number required under Rule 3.10(1) and 3.21 of the Listing Rules. The Company will take all necessary measures to comply with the above requirements within three months from 4 January 2021 and will make further announcement(s) as and when appropriate.

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020.

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 2020 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 2020, the Company has complied with the code provisions as set out in the CG Code, save for CG code provisions A.1.1, A.2.1 and E.1.2.

At Least Four Regular Board Meetings a Year

Code provision A.1.1 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 2020, the Board held two 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.

Chairman and Chief Executive Officer

Code provision A.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 E.1.2 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 23 June 2020 due to a business trip. 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 3 June 2021. For considering and approving the final results of the Group for the year ended 31 December 2020 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, 31 May 2021 to Thursday, 3 June 2021, 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 Friday, 28 May 2021.

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 2020 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 2021

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