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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 2022

FINANCIAL HIGHLIGHTS:

	2022	2021	Variance
	RMB'000	RMB'000	
REVENUE	155,568	38,158	307.7%
GROSS PROFIT	20,024	2,948	579.2%
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	(899)	8,300	NM
(LOSS)/EARNINGS PER SHARE (Expressed in RMB cents per share)			
Basic and diluted	(0.11)	0.99	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 2022 (the “Reporting Period”) together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	4	155,568	38,158
Cost of sales		<u>(135,544)</u>	<u>(35,210)</u>
Gross profit		20,024	2,948
Other income	5	4,459	4,358
Other net (loss)/gain	6	(5,217)	21,545
Selling and distribution expenses		(912)	(532)
General and administrative expenses		(15,343)	(17,150)
Finance costs	7(a)	<u>(2,855)</u>	<u>(2,869)</u>
Profit before taxation	7	156	8,300
Income tax expenses	8	<u>(1,055)</u>	<u>–</u>
(Loss)/profit for the year attributable to owners of the Company		(899)	8,300
Other comprehensive (loss)/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>(8,087)</u>	<u>2,229</u>
Total comprehensive (loss)/income for the year attributable to owners of the Company		<u>(8,986)</u>	<u>10,529</u>
		<i>RMB cents</i>	<i>RMB cents</i>
(LOSS)/EARNINGS PER SHARE	10		
Basic and diluted		<u>(0.11)</u>	<u>0.99</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		292	493
Right-of-use assets		360	1,048
Deferred tax assets		1,478	–
		<u>2,130</u>	<u>1,541</u>
CURRENT ASSETS			
Trade and other receivables	<i>11</i>	47,778	6,456
Cash and bank balances		1,202,701	1,222,063
		<u>1,250,479</u>	<u>1,228,519</u>
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	81,551	55,084
Corporate bonds		–	25,522
Lease liabilities		354	751
Tax payable		2,533	–
		<u>84,438</u>	<u>81,357</u>
NET CURRENT ASSETS		<u>1,166,041</u>	<u>1,147,162</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,168,171</u>	<u>1,148,703</u>
NON-CURRENT LIABILITIES			
Corporate bonds		47,540	18,762
Lease liabilities		–	324
		<u>47,540</u>	<u>19,086</u>
NET ASSETS		<u><u>1,120,631</u></u>	<u><u>1,129,617</u></u>
CAPITAL AND RESERVES			
Share capital		78,073	78,073
Reserves		1,042,558	1,051,544
TOTAL EQUITY		<u><u>1,120,631</u></u>	<u><u>1,129,617</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 HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 2022 and 2021 is set out below:

	EP products and equipment		EP construction engineering services		Total	
	2022 RMB’000	2021 RMB’000	2022 RMB’000	2021 RMB’000	2022 RMB’000	2021 RMB’000
Reportable segment revenue from external customers	155,568	37,013	–	1,145	155,568	38,158
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	<u>155,568</u>	<u>37,013</u>	<u>–</u>	<u>1,145</u>	<u>155,568</u>	<u>38,158</u>
Reportable segment profit (adjusted EBITDA)	<u>13,747</u>	<u>24,221</u>	<u>–</u>	<u>233</u>	<u>13,747</u>	<u>24,454</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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China (place of domicile)	<u><u>155,568</u></u>	<u><u>38,158</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	EP products and equipment <i>RMB'000</i>	2022 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	<u><u>155,568</u></u>	<u><u>–</u></u>	<u><u>155,568</u></u>
Timing of revenue recognition			
A point in time	<u><u>155,568</u></u>	<u><u>–</u></u>	<u><u>155,568</u></u>
Segment	EP products and equipment <i>RMB'000</i>	2021 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	–	1,145	1,145
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>

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.

5. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income on bank deposits	4,324	4,347
Government grants (<i>Note</i>)	123	–
Sundry income	12	11
	<u>4,459</u>	<u>4,358</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 (2021: Nil).

6. OTHER NET (LOSS)/GAIN

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net impairment loss (recognised)/reversed on:		
– trade receivables	(4,918)	21,790
– contract assets	(299)	248
Loss on disposal of property, plant and equipment	–	(493)
	<u>(5,217)</u>	<u>21,545</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
a) Finance costs:		
Interest expenses on corporate bonds	2,819	2,796
Interest expenses on lease liabilities	36	73
	<u>2,855</u>	<u>2,869</u>
b) Other items:		
Depreciation of property, plant and equipment	227	530
Depreciation of right-of-use assets	752	729
	<u>979</u>	<u>1,259</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – PRC Enterprise Income tax		
– Provision for the year	(2,533)	–
Deferred taxation		
– Origination and reversal of temporary difference	<u>1,478</u>	<u>–</u>
	<u>(1,055)</u>	<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 year ended 31 December 2022. No provision of PRC Enterprise Income Tax has been made for the years ended 31 December 2021 as the Group did not generated any assessable profits in the PRC for that year.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2022 and 2021 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 2022 (2021: Nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit for the year attributable to owners of the Company for the purposes of calculating basic (loss)/earnings per share	<u>(899)</u>	<u>8,300</u>
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>840,000,000</u>	<u>840,000,000</u>

Diluted (loss)/earnings per share

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.

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.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	37,679	2,612
Less: Impairment loss on trade receivables	<u>(5,067)</u>	<u>(149)</u>
Trade receivables, net	----- 32,612	----- 2,463
Other receivables	<u>1,275</u>	<u>–</u>
	----- 33,887	----- 2,463
Contract assets	14,478	4,313
Less: Impairment loss on contract assets	<u>(846)</u>	<u>(547)</u>
Contract assets, net	----- 13,632	----- 3,766
Prepayments and deposits	248	216
Other tax recoverable	<u>11</u>	<u>11</u>
	----- 47,778	----- 6,456

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than six months	34,479	2,612
Over six months but less than one year	<u>3,200</u>	<u>–</u>
	----- 37,679	----- 2,612
Less: Impairment loss on trade receivables	<u>(5,067)</u>	<u>(149)</u>
	----- 32,612	----- 2,463

12. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	17,905	7,838
Accruals and other payables	11,325	12,236
Amount due to a related company	51,713	35,010
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	80,943	55,084
	<hr/>	<hr/>
Contract liabilities	400	–
Other tax payable	208	–
	<hr/>	<hr/>
	81,551	55,084
	<hr/> <hr/>	<hr/> <hr/>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than six months	13,467	4,798
Over six months but less than one year	3,450	2,052
Over one year but less than two years	–	–
Over two years	988	988
	<hr/>	<hr/>
	17,905	7,838
	<hr/> <hr/>	<hr/> <hr/>

13. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2022:

Proposed acquisition of 99.99% of the issued share capital in Mayee 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 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.

On 30 September 2022, the Company required more time to further negotiate the terms of the Acquisition Agreement due to decline in financial performance of the Mayee International. The despatch of the circular will be further postponed to a date on or before 30 April 2023.

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, 31 March 2021 and 30 September 2022 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

In 2022, the COVID-19 pandemic continued to cripple the global economy. To contain the spread of the virus, the People's Republic of China (the "PRC") implemented mandatory quarantines and suspended businesses and production in many cities, resulting in significant downward pressure on economic development. As the pandemic eased in December, the PRC's State Council issued the "New Ten Measures" to optimize its pandemic control measures, and various cities launched a series of policies to resume production and promote consumption, the economy picked up momentum, driven by positive economic expectations. The gross domestic product ("GDP") of the country increased by 3.0% for the year.

Despite repeated outbreaks of COVID-19 and a slowdown in economic growth, the PRC placed considerable emphasis on environmental protection and energy efficiency throughout the year. The state and ministries and commissions promulgated a wide range of policies and regulations such as, "Guiding Opinions on Accelerating the Construction of Urban Environmental Infrastructure", "Notice on Strengthening the Safety of Urban Water Supply", and "Implementation Plan for Accelerating the Establishment of a Unified and Standardized Statistical and Accounting System for Carbon Emissions" to strengthen environmental protection by improving the efficiency of energy and resource utilization, reducing air and water pollution, and contributing toward the achievement of the goal of carbon neutrality at the peak of carbon production. These directives, in turn, presented substantial potential business opportunities for the environmental protection ("EP") industry. On the other hand, the EP industry faced multiple pressures from raw material prices hikes, operation disruptions due to the sporadic pandemic control measures and further escalated competition in the industry.

FINANCIAL REVIEW

The Group generated a total revenue of RMB155.6 million during the year under review, a surge of 307.7% compared with RMB38.2 million recorded in 2021. Gross profit leaped by 579.2% to RMB20.0 million (2021: RMB2.9 million) and the gross profit margin increased to 12.9% (2021: 7.7%) on the back of improved efficiency achieved from an enhanced project portfolio management. Nevertheless, the Group's other net gain of RMB21.5 million for 2021 turned into other net loss of RMB5.2 million for 2022, mainly due to net impairment loss recognised on trade receivables and contract assets for the year 2022 for RMB5.2 million (2021: net impairment loss reversed of RMB22.0 million). The Group posted loss attributable to owners of the Company of RMB0.9 million (2021: profit attributable to owners of the Company of RMB8.3 million). Basic loss per share amounted to RMB0.11 cents (2021: basic earnings per share of RMB0.99 cents).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

BUSINESS REVIEW

The Group is principally engaged in sale of EP products and equipment, and the provision of EP construction engineering solutions and services. In 2022, the sale of EP products and equipment remained the Group's major source of revenue. The segment contributed revenue of RMB155.6 million (2021: RMB37.0 million), accounting for 100% (2021: 97.0%) of the Group's total revenue. The Group completed nine water treatment-related projects. No revenue generated from EP construction engineering design services in 2022 (2021: RMB1.1 million).

As at 31 December 2022, the Group had 4 projects on hand with the aggregate value of work to be completed amounting to approximately RMB94.9 million (tax inclusive). The Group expects that the above projects on hand will be completed by the end of 2023.

PROSPECTS

Early in 2023, the PRC released the white paper "China's Green Development in the New Era", which clearly stated that the government would unwaveringly cultivate an ecologically conscious culture, the realization of higher quality, more efficient, and more sustainable development, as well as the creation of harmonious coexistence between humans and the environment, contributing Chinese experience to promote global sustainable development. In response to a raising demand for environmental protection because of the national policies, the Group will leverage its expertise and resources to explore new market opportunities and expand its business. The Group will also strive to look at potential acquisitions and tap into other industries with high growth potential. The Group aims to become a highly valuable enterprise, maximizing returns for shareholders and making positive contributions to the environment and society.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's total assets amounted to RMB1,252.6 million, an increase of RMB22.5 million compared with RMB1,230.1 million in 2021. The Group's total liabilities as at 31 December 2022 amounted to RMB132.0 million, an increase of RMB31.6 million compared with RMB100.4 million in 2021. The Group's total equity as at 31 December 2022 was RMB1,120.6 million (2021: RMB1,129.6 million), and the gearing ratio, calculated on the basis of the total borrowings (including corporate bonds) to equity (including all capital and reserves), was 8.9% (2021: 7.0%). The Group's cash and cash equivalents amounted to RMB1,202.7 million as at 31 December 2022 (2021: RMB1,222.1 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 2022, 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 2022, 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 2022, the Group did not have any capital expenditure commitment in respect of the acquisition of property, plant and equipment (2021: 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 2022 and 2021.

RELATIONSHIP WITH EMPLOYEES AND KEY STAKEHOLDERS

As at 31 December 2022, the Group had approximately 90 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 2022 was RMB13.0 million (2021: RMB12.5 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 2022.

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 2022.

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 2022 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 2022, the Company has complied with the code provisions as set out in the CG Code, save for 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.

On 16 March 2023, Mr. JIANG Xin ceased to act as the Chief Executive Officer, and Mr. GUO Jiannan was appointed as Chief Executive Officer. Since then, the roles of Chairman and Chief Executive Officer have been properly separated and the Company is comply with code provision C.2.1.

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 7 June 2022 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 8 June 2023. For considering and approving the final results of the Group for the year ended 31 December 2022 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, 5 June 2023 to Thursday, 8 June 2023, 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, 2 June 2023.

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 2022 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, 29 March 2023

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

Executive Directors:

Mr. JIANG Xin
Mr. GUO Jiannan

Independent Non-executive Directors:

Mr. CHEN Xuezheng
Mr. LEUNG Shu Sun, Sunny
Mr. HU Jianjun