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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)

CONTINUING CONNECTED TRANSACTIONS

THE EXCLUSIVE AGENCY AGREEMENT

Reference is made to the Company's announcement dated 12 April 2024 in relation to, among others, the business update of the Company, in relation to the expansion into the Web 3.0 business and AI industry. Regarding AI business, the Company intends to provide technological services and solutions for AI computing.

The Board is pleased to announce that on 5 August 2024 (after trading hours), the Company's subsidiary in the U.S., Pan Asia USA, entered into the Exclusive Agency Agreement with PowerMeta, pursuant to which PowerMeta exclusively authorises Pan Asia USA to conduct agency business in the Southeast Asia and Australia for PowerMeta's GPU computing power rental services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 28% of the ownership interest in Pan Asia USA is owned by Mr. Lucas Wu Perez, who is the sole and ultimate beneficial owner of PowerMeta. Accordingly, PowerMeta is an associate of Mr. Lucas Wu Perez, and is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Exclusive Agency Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the annual caps in respect of the transactions contemplated under the Exclusive Agency Agreement are expected to be higher than HK\$10 million, the transactions contemplated under the Exclusive Agency Agreement are subject to reporting, announcement, circular (including independent financial advice) and Shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Given that (i) the Board has approved the transactions contemplated under the Exclusive Agency Agreement, and the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Exclusive Agency Agreement are fair and reasonable, the transactions contemplated are on normal commercial terms or better, and are in the interests of the Company and the Shareholders as a whole; and (ii) the connected transaction is conducted between the Group and a connected person at the subsidiary level, the transactions contemplated under the Exclusive Agency Agreement are subject to the reporting and announcement requirements only, and are exempt from circular (including independent financial advice) and Shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules.

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Principal terms and conditions of the Exclusive Agency Agreement are set forth below:

Date: 5 August 2024 (after trading hours)

Parties: (1) Pan Asia USA; and
(2) PowerMeta

Term: A term of three years from 5 August 2024 and ending on 4 August 2027

Computing power rental services

PowerMeta exclusively authorises Pan Asia USA to conduct agency business in the Southeast Asia and Australia for PowerMeta's GPU computing power rental services.

GPU computing power rental service is a type of cloud computing offering that allows individuals or organisations to access and use GPUs remotely without having to purchase or maintain the hardware themselves.

Roles and responsibilities

PowerMeta's responsibility is to maintain the optimal operation of the GPU cloud and provide high-quality cloud computing services to customers.

Pan Asia USA's responsibility is to use its best efforts to introduce potential customers in the Southeast Asia and Australia to PowerMeta.

Commission fee

PowerMeta agrees to pay Pan Asia USA 5% of the contract amount from each transaction introduced by Pan Asia USA as commission fee, which is determined and agreed upon between the parties based on arm's length negotiations.

Annual caps

PowerMeta agrees to prepare no more than 47.7 million GPU hours of computing resources for clients introduced by Pan Asia USA each year. Based on PowerMeta's current highest rental rate of US\$4.2 per GPU hour, Pan Asia USA can realise a maximum transaction contract amount of approximately US\$200 million per year.

The annual cap in respect of the commission fee under the Exclusive Agency Agreement for each of the three years ending 5 August 2027 is US\$10 million (equivalent to approximately HK\$78 million), which is determined based on the percentage of the contract amount from each transaction introduced by Pan Asia USA as commission fee, i.e. 5%, times the total maximum contract amount of transactions, i.e. US\$200 million (equivalent to approximately HK\$1,560 million) per year.

INFORMATION OF THE PARTIES

The Group is principally engaged in the sale of environmental protection products and equipment, and the provision of environmental protection construction engineering solutions and services. The Group is expanding its business into the Web 3.0 business and AI industry. Regarding AI business, the Company intends to provide technological services and solutions for AI computing.

PowerMeta is a company incorporated in the U.S. with limited liability. It is a technology conglomerate that provides AI large model fine-tuning infrastructure, GPU computing power rental services, as well as decentralized disaster recovery infrastructure and data storage solutions. As at the date of this announcement, Mr. Lucas Wu Perez is the sole and ultimate beneficial owner of PowerMeta.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EXCLUSIVE AGENCY AGREEMENT

While focusing on its principal business, the Group has also been constantly exploring business opportunities to expand its existing business segments and to diversify its business portfolio, which is part of the Company's business strategy.

References are made to the Company's (i) announcement on 12 April 2024; (ii) annual report for the year ended 31 December 2023; and (iii) announcement on 31 May 2024, the Group demonstrated its keen insight into the immense potential of AI and made a strategic decision to enter this rapidly growing market. With a vision to diversify its business, the Group actively pursued opportunities to leverage AI technology, driving innovation and opening up new avenues of growth.

Regarding AI business, the Company intends to provide technological services and solutions for AI computing. The Group made a significant achievement by establishing a strategic cooperation agreement with Chengdu Qingshu Technology Co., Ltd, a high-tech enterprise in the PRC specialising in the research and application of big data and intelligent computing, with a computing cloud platform that provides comprehensive infrastructure and application programming interface (API) services. In the U.S., the Company had set up a subsidiary Pan Asia USA for the development of Web 3.0 business and AI business.

Computing power, as a new form of productivity, is the underlying driving force for social and economic development. The contradiction between its limited supply and exponentially growing demand is becoming increasingly prominent. Traditional computing paradigms are becoming obsolete, and the computing paradigm is evolving from centralisation towards distributed and cloud computing. With its enhanced speed in performing computations and the ability to process massive volumes of data efficiently, GPU computing power is widely adopted in various industries, especially in the AI sector.

The entering into the Exclusive Agency Agreement would offer an opportunity for the parties to deepen their mutual understanding, and would allow the Company to gain relevant industry knowledge and expertise in the GPU computing power and AI industries. Moreover, the entering into the Exclusive Agency Agreement will expand the Company's business portfolio to broaden income streams and maintain steady business growth.

Considering the increasing trend and importance in the adoption of GPU computing power, the Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Exclusive Agency Agreement are in the ordinary and usual course of business of the Group, the transactions are on normal commercial terms or better, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole. None of the Directors had a material interest in the transactions contemplated under the Exclusive Agency Agreement or was required to abstain from voting on the relevant board resolutions.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 28% of the ownership interest in Pan Asia USA is owned by Mr. Lucas Wu Perez, who is the sole and ultimate beneficial owner of PowerMeta. Accordingly, PowerMeta is an associate of Mr. Lucas Wu Perez, and is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Such transactions will continue and constitute continuing connected transactions under the Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Exclusive Agency Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the annual caps in respect of the transactions contemplated under the Exclusive Agency Agreement are expected to be higher than HK\$10 million, the transactions contemplated under the Exclusive Agency Agreement are subject to reporting, announcement, circular (including independent financial advice) and Shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Given that (i) the Board has approved the transactions contemplated under the Exclusive Agency Agreement, and the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Exclusive Agency Agreement are fair and reasonable, the transactions contemplated are on normal commercial terms or better, and are in the interests of the Company and the Shareholders as a whole; and (ii) the connected transaction is conducted between the Group and a connected person at the subsidiary level, the transactions contemplated under the Exclusive Agency Agreement are subject to the reporting and announcement requirements only, and are exempt from circular (including independent financial advice) and Shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

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| “AI” | artificial intelligence |
| “Board” | the board of Directors |
| “Company” | Pan Asia Environmental Protection Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange |
| “Director(s)” | the director(s) of the Company |

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| “Exclusive Agency Agreement” | the exclusive agency agreement dated 5 August 2024 entered into between Pan Asia USA and PowerMeta in relation to the exclusive authorisation of Pan Asia USA to conduct agency business in the Southeast Asia and Australia for PowerMeta’s GPU computing power rental services |
| “GPU(s)” | Graphics Processing Units(s) |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administration Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Pan Asia USA” | Pan Asia Environmental Protection Group USA LLC, a company incorporated in the U.S. with limited liability and a non-wholly owned subsidiary of the Company |
| “PowerMeta” | PowerMeta Corporation, a company incorporated in the U.S. with limited liability and a connected person of the Company |
| “PRC” | the Peoples’ Republic of China |
| “Share(s)” | ordinary share(s) in the share capital of the Company of HK\$0.1 each |
| “Shareholder(s)” | the holder(s) of the issued Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “U.S.” | the United States of America |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “%” | per cent. |

In this announcement, amounts in US\$ have been translated into HK\$ at the rate of US\$1 = HK\$7.8.

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

Hong Kong, 5 August 2024

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

Executive Directors:

Mr. GUO Jiannan (*Chairman*)

Mr. ZHU Duke Li (*Chief Executive Officer*)

Ms. PAN Chang

Independent Non-executive Directors:

Mr. CHEN Xuezheng

Mr. HU Jianjun

Mr. LEUNG Shu Sun, Sunny