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 2018

FINANCIAL HIGHLIGHTS:

	2018 *RMB'000*	2017 *RMB'000*	**Variance**
REVENUE	**162,188**	588,549	**-72%**
GROSS PROFIT	**20,353**	115,907	**-82%**
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Continuing operations	**(17,353)**	36,103	
– Discontinued operation	**(2,004)**	(183,462)	
	(19,357)	(147,359)	**-87%**
LOSS PER SHARE (Expressed in RMB cents per share)			
Basic (loss)/earnings per share			
– From continuing operations	**(2.06)**	4.30	
– From discontinued operation	**(0.24)**	(21.84)	
	(2.30)	(17.54)	**-87%**
Diluted (loss)/earnings per share			
– From continuing operations	**(2.06)**	4.30	
– From discontinued operation	**(0.24)**	(21.84)	
	(2.30)	(17.54)	**-87%**

RESULTS

The Board (the "Board") of Directors (the "Directors") of Pan Asia Environmental Protection Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** **RMB'000**	2017 RMB'000
Continuing operations:			
Revenue	*3*	**162,188**	588,549
Cost of sales		**(141,835)**	(472,642)
Gross profit		**20,353**	115,907
Other income	*4(a)*	**2,865**	5,543
Other net loss	*4(b)*	**(7,473)**	(63,795)
Gain on disposal of a subsidiary	*13(b)*	**28,702**	–
Impairment loss on property, plant and equipment, and prepaid lease payments	*12(b)*	**(30,300)**	–
Selling and distribution expenses		**(702)**	(274)
General and administrative expenses		**(25,891)**	(31,436)
Other operating expenses		**(191)**	(944)
Finance costs		**(1,600)**	(314)
(Loss)/profit before taxation	*5*	**(14,237)**	24,687
Income tax (expenses)/credit	*7*	**(3,116)**	11,416
(Loss)/profit for the year from continuing operations		**(17,353)**	36,103
Discontinued operation:			
Loss for the period/year from discontinued operation	*6*	**(2,004)**	(183,462)
Loss for the year attributable to owners of the Company		**(19,357)**	(147,359)
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
– Exchange differences on translation of financial statements to presentation currency		**(1,802)**	1,593
Total comprehensive loss for the year attributable to owners of the Company		**(21,159)**	(145,766)

	Note	**2018**	2017
		RMB'000	*RMB'000*
(Loss)/profit for the year attributable to owners of the Company arises from:			
– Continuing operations		**(17,353)**	36,103
– Discontinued operation		**(2,004)**	(183,462)
		(19,357)	(147,359)
		RMB cents	*RMB cents*
LOSS PER SHARE	*9*		
Basic (loss)/earnings per share			
– From continuing operations		**(2.06)**	4.30
– From discontinued operation		**(0.24)**	(21.84)
		(2.30)	(17.54)
Diluted (loss)/earnings per share			
– From continuing operations		**(2.06)**	4.30
– From discontinued operation		**(0.24)**	(21.84)
		(2.30)	(17.54)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Prepaid lease payments		**–**	49,767
Property, plant and equipment		**4,715**	187,364
Available-for-sale financial asset		**–**	–
Deferred tax assets		**2,397**	160
		7,112	237,291
CURRENT ASSETS			
Prepaid lease payments		**–**	1,191
Inventories		**–**	46,579
Trade and other receivables	*10*	**246,123**	620,439
Cash and bank balances		**1,037,883**	368,213
		1,284,006	1,036,422
Assets of a disposal company classified as held for sale	*12*	**–**	480,477
		1,284,006	1,516,899
CURRENT LIABILITIES			
Trade and other payables	*11*	**36,542**	52,461
Corporate bonds		**26,487**	–
Tax payable		**2,521**	11,125
		65,550	63,586
Liabilities directly associated with the assets classified as held for sale	*12*	**–**	436,489
		65,550	500,075
NET CURRENT ASSETS		**1,218,456**	1,016,824
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,225,568**	1,254,115
NON-CURRENT LIABILITIES			
Corporate bonds		**21,548**	20,440
NET ASSETS		**1,204,020**	1,233,675
CAPITAL AND RESERVES			
Share capital		**78,073**	78,073
Reserves		**1,125,947**	1,155,602
TOTAL EQUITY		**1,204,020**	1,233,675

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 1101, 11/F, Tower One, Lippo Centre, No. 89 Queensway, 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.

The Group's manufacture and sales of EP construction materials business was discontinued during the prior year and was disposed of during the year. Details of which are set out in note 6.

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity as at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and HKFRS 15:

	As at 31 December 2017 *RMB'000*	Impact on initial application of HKFRS 9 *RMB'000*	Impact on initial application of HKFRS 15 *RMB'000*	As at 1 January 2018 *RMB'000*
Deferred tax assets	160	2,832	–	2,992
Equity instrument at fair value through other comprehensive income	–	–	–	–
Available-for-sale financial asset	–	–	–	–
Trade receivables	543,862	(11,328)	–	532,534
Contract assets (included in trade and other receivables)	–	–	43,166	43,166
Retention receivables (included in trade and other receivables)	43,166	–	(43,166)	–
Contract liabilities (included in trade and other payables)	–	–	(1,091)	(1,091)
Receipts in advance (included in trade and other payables)	(1,091)	–	1,091	–
Other assets and liabilities	647,578	–	–	647,578
Net assets	1,233,675	(8,496)	–	1,225,179
Share capital	78,073	–	–	78,073
Share premium	466,844	–	–	466,844
Special reserve	94,225	–	–	94,225
Enterprise expansion reserve	71,492	–	–	71,492
Statutory surplus reserve	80,765	–	–	80,765
Translation reserve	(7,484)	–	–	(7,484)
Share option reserve	14,949	–	–	14,949
Fair value reserve (non-recycling)	–	(9,000)	–	(9,000)
Retained profits	434,811	504	–	435,315
Total equity	1,233,675	(8,496)	–	1,225,179

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. The adoption of HKFRS 15 and HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group. Details of the changes in accounting policies are discussed in notes 3(b) to 3(d).

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed as at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity as at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on the Group's retained profits, reserves and the related tax impact as at 1 January 2018.

	RMB'000
Retained profits	
Transferred to fair value reserve (non-recycling) relating to an equity instrument now measured at fair value through other comprehensive income ("FVOCI")	9,000
Recognition of additional expected credit losses on financial assets measured at amortised cost	(11,328)
Related deferred tax impact	2,832
Net increase in retained profits as at 1 January 2018	504
Fair value reserve (non-recycling)	
Transferred from retained profits relating to an equity instrument now measured at FVOCI and decrease in fair value reserve (non-recycling) as at 1 January 2018	(9,000)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The Group's financial assets measured at amortised cost represent those financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and instrument. Applying HKFRS 9 does not change the previous classification and measurement of these assets.

For the equity instrument previously classified as available-for-sale financial asset that is not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL as at 1 January 2018.

(ii) ***Credit losses***

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables); and

– contract assets as defined in HKFRS 15

The following table reconciles the closing impairment loss on trade and other receivables determined in accordance with HKAS 39 as at 31 December 2017 with the opening impairment loss determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Impairment loss on trade and other receivables as at 31 December 2017 under HKAS 39	123,698
Additional credit loss recognised as at 1 January 2018 on trade receivables	11,328
Impairment loss on trade and other receivables as at 1 January 2018 under HKFRS 9	135,026

(iii) ***Transition***

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current year.

– The following assessments have been made on the basis of the facts and circumstances that existed as at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  • the determination of the business model within which a financial asset is held; and

  • the designation of an investment in equity instrument not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods and services rendered. The Group has elected to use the cumulative effect transition method and concluded that the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018 was insignificant. Comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

(ii) ***Presentation of contract assets and liabilities***

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. As a result, certain reclassification of contract assets and contract liabilities were made as at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2018:

	HKAS 18 Carrying amount as at 31 December 2017	**Reclassification**	**HKFRS 15 Carrying amount as at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Retention receivables (included in trade and other receivables)	43,166	(43,166)	–
Contract assets (included in trade and other receivables)	–	43,166	43,166
Receipts in advance (included in trade and other payables)	(1,091)	1,091	–
Contract liabilities (included in trade and other payables)	–	(1,091)	(1,091)

(d) HK(IFIC) 22, ***Foreign currency transactions and advance consideration***

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency. The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

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.

An operating segment regarding the manufacture and sales of EP construction materials was discontinued during the year ended 31 December 2017. The segment information reported in this note does not include any amounts for the discontinued operation, which are described in more details in note 6.

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 2018 and 2017 is set out below:

From continuing operations:	**EP products and equipment**		**EP construction engineering services**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue from external customers	**159,861**	588,549	**2,327**	–	**162,188**	588,549
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**159,861**	588,549	**2,327**	–	**162,188**	588,549
Reportable segment profit (adjusted EBITDA)	**24,509**	58,812	**1,004**	–	**25,513**	58,812
Depreciation and amortisation	**(119)**	(61)	**–**	–	**(119)**	(61)
Impairment loss on trade receivables	**(374)**	(61,168)	**–**	–	**(374)**	(61,168)
Impairment loss on other receivables	**(53)**	–	**–**	–	**(53)**	–
Reversal of impairment loss on trade receivables	**1,759**	462	**–**	–	**1,759**	462
Reversal of impairment loss on other receivables	**3,578**	–	**–**	–	**3,578**	–
Reportable segment assets	**85,545**	649,851	**361**	6	**85,906**	649,857
Reportable segment liabilities	**15,354**	29,240	**8,189**	10,520	**23,543**	39,760

Note:

There were no additions to non-current segment assets to both reportable segments during the years ended 31 December 2018 and 2017.

Geographical information

(i) ***Revenue from external customers***

The following table sets out information about the geographical location of the Group's revenue from external customers arising from continuing operations. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	2018	2017
	RMB'000	*RMB'000*
Mainland China (place of domicile)	**162,188**	588,549

(ii) ***Specified non-current assets***

The Group's specified non-current assets comprise property, plant and equipment, and prepaid lease payments.

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 prepaid lease payments.

The following table sets out information about the geographical location of the specified non-current assets.

	2018	2017
	RMB'000	*RMB'000*
Mainland China (place of domicile)	**4,532**	237,013
Hong Kong	**183**	118
	4,715	237,131

4. OTHER INCOME AND OTHER NET LOSS

(a) Other income

	2018	2017
	RMB'000	*RMB'000*
From continuing operations:		
Interest income on bank deposits	**1,692**	1,093
Imputed interest on trade receivables with extended credit terms	**1,067**	4,397
Rental income from operating lease	**27**	53
Sundry income	**79**	–
	2,865	5,543

(b) Other net loss

	2018	2017
	RMB'000	*RMB'000*
From continuing operations:		
Gain on disposal of property, plant and equipment, and prepaid lease payments *(Note 12(b))*	**25**	–
Gain on disposals of property, plant and equipment	**–**	149
Impairment loss on trade receivables	**(374)**	(61,168)
Impairment loss on other receivables	**(403)**	–
Loss from litigation claim	**–**	(3,783)
Loss on write-off of property, plant and equipment	**(12,403)**	–
Reversal of impairment loss on trade receivables	**1,759**	462
Reversal of impairment loss on other receivables	**3,925**	–
Net exchange (loss)/gain	**(2)**	545
	(7,473)	(63,795)

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation from continuing operations is arrived at after charging the following:

	2018	2017
	RMB'000	*RMB'000*
Amortisation of prepaid lease payments	**549**	59
Depreciation of property, plant and equipment	**6,006**	3,536

6. DISCONTINUED OPERATION

On 31 October 2017, Wuxi Pan Asia Environmental Protection Technologies Limited ("Wuxi Pan Asia"), a wholly-owned subsidiary of the Company, entered into an asset transfer agreement with Pan Asia Environmental Protection (Jiangsu) Company Limited ("Jiangsu Pan Asia"), a wholly-owned subsidiary of the Company, pursuant to which Wuxi Pan Asia agreed to sell certain assets associated with the operation of sales of EP products and equipment to Jiangsu Pan Asia (the "Asset Transfer"). The Asset Transfer was completed on 16 January 2018 and, Wuxi Pan Asia retained the assets and liabilities associated with the operation of manufacture and sales of EP construction materials.

On 31 October 2017, the Group entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party (the "Purchaser"), pursuant to which the Group conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in Wuxi Pan Asia after the completion of the Asset Transfer at a consideration of RMB44,000,000 (the "Disposal").

Details of the Asset Transfer and the Disposal were set out in the Company's announcements dated 31 October 2017, 14 November 2017 and 18 January 2018 respectively.

The Directors were of the opinion that the Disposal was highly probable because the Board formally approved the Disposal and there was no need to obtain the approval from the Company's shareholders as the Disposal constituted a disclosable transaction under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In addition, the conditions precedent under the S&P Agreement were fulfilled on 16 January 2018 and the Disposal was completed on 16 January 2018 accordingly. The Directors were of the view that the disposal company constituted a separate major line of the Group's business and accordingly, the Group's operation of manufacture and sales of EP construction materials was classified as a discontinued operation as at 31 December 2017.

The results from the discontinued operation for the period/year were analysed as follows.

	2018	2017
	RMB'000	*RMB'000*
Results from discontinued operation:		
Revenue	**–**	18,249
Cost of sales	**–**	(78,001)
Gross loss	**–**	(59,752)
Other income	**27**	658
Other loss	**–**	(84,546)
Selling and distribution expenses	**(1,816)**	(38,281)
General and administrative expenses	**(995)**	(1,442)
Loss before taxation	**(2,784)**	(183,363)
Income tax expenses	**(4)**	(99)
Gain on disposal of a subsidiary *(Note 13(a))*	**784**	–
Loss for the period/year from discontinued operation	**(2,004)**	(183,462)

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

Taxation relating to continuing operations in the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax		
– Provision for the year	**2,521**	8,683
Deferred tax:		
Origination and reversal of temporary differences	**595**	(20,099)
Income tax expenses/(credit)	**3,116**	(11,416)

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 2018 and 2017.

iii) No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2018 and 2017 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.

8. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

9. LOSS PER SHARE

From continuing and discontinued operations:

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

	2018	2017
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company for the purposes of calculating basic and diluted loss per share	**(19,357)**	(147,359)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**840,000,000**	840,000,000

Diluted loss per share for the years ended 31 December 2018 and 2017 are the same as the basic loss per share because the exercise of the Company's outstanding share options would have anti-dilutive effect.

From continuing operations:

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

	2018	2017
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company from continuing and discontinued operations	**(19,357)**	(147,359)
Adjusted for: Loss for the period/year from discontinued operation attributable to owners of the Company	**2,004**	183,462
(Loss)/earnings for the purposes of calculating basic and diluted (loss)/earnings per share from continuing operations	**(17,353)**	36,103

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

From discontinued operation:

Basic loss per share

Basic loss per share from discontinued operation for the year ended 31 December 2018 was RMB0.24 cents (2017: RMB21.84 cents) per share, based on the loss for the year from discontinued operation attributable to owners of the Company amounting to approximately RMB2,004,000 (2017: RMB183,462,000) during the year and the denominators detailed above for basic loss per share from continuing and discontinued operations.

Diluted loss per share

Diluted loss per share from discontinued operation for the years ended 31 December 2018 and 2017 are the same as the basic loss per share from discontinued operation because the exercise of the Company's outstanding share options would have anti-dilutive effect.

10. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables with normal credit terms	**153,815**	583,696
Trade receivables with extended credit terms	**–**	79,533
	153,815	663,229
Less: Impairment loss on trade receivables	**(100,671)**	(119,367)
Trade receivables, net	**53,144**	543,862
Other receivables	**3,501**	18,247
Less: Impairment loss on other receivables	**(809)**	(4,331)
Other receivable, net	**2,692**	13,916
Consideration receivable from disposal of property, plant and equipment, and prepaid lease payments *(Note 12(b))*	**160,000**	–
	215,836	557,778
Contract assets	**22,701**	–
Retention receivables	**–**	43,166
Prepayments and deposits	**7,552**	19,468
Other tax recoverables	**34**	27
	246,123	620,439

The Group generally allows credit period ranging from 0 to 180 days to its trade customers with normal credit terms and credit period up to three years to its trade customers with extended credit terms which is based on the contractual repayment schedule.

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 with normal credit terms and trade receivables with extended credit terms, net of impairment loss, respectively, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	Normal credit terms		Extended credit terms		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Less than six months	**42,015**	40,274	**–**	–	**42,015**	40,274
After six months but less than one year	**11,129**	119,513	**–**	–	**11,129**	119,513
After one year but less than two years	**–**	235,369	**–**	–	**–**	235,369
Over two years	**–**	69,173	**–**	79,533	**–**	148,706
	53,144	464,329	**–**	79,533	**53,144**	543,862

11. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**16,342**	32,555
Accruals and other payables	**11,111**	12,035
Amount due to a former director	**–**	1,200
Amount due to a related company	**–**	4,163
Financial liabilities measured at amortised cost	**27,453**	49,953
Receipts in advance	**–**	1,091
Other PRC tax payables	**9,089**	1,417
	36,542	52,461

The ageing analysis of trade payables at the end of each reporting period based on invoice date is as follows:

	2018	2017
	RMB'000	*RMB'000*
Less than six months	**15,354**	3,570
After six months but less than one year	–	25,670
Over one year	**988**	3,315
	16,342	32,555

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(a) As disclosed in note 6, the Directors were of the opinion that the Disposal was highly probable and was expected to be completed in next twelve months from 31 December 2017. Accordingly, the assets and liabilities attributable to Wuxi Pan Asia after the completion of the Asset Transfer were classified as a disposal company held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2017. The consideration of the Disposal was expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss was recognised during the year ended 31 December 2017.

The major classes of assets and liabilities comprising the assets and liabilities of a disposal company classified as held for sale as at 31 December 2017 were as follows:

	RMB'000
Assets held for sale	
Property, plant and equipment	185,380
Prepayments for consultation, marketing and promotional services	43,700
Deferred tax assets	410
Inventories	105,395
Trade and other receivables	61,526
Pledged bank deposits	6,543
Tax recoverable	77,523
	480,477
Liabilities directly associated with the assets classified as held for sale	
Trade and other payables	432,536
Deferred tax liabilities	1,218
Deferred government grants	2,735
	436,489

(b) On 30 June 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose certain of the Group's property, plant and equipment and prepaid lease payments at a total consideration of RMB190,000,000. The disposal was completed on 17 July 2018.

The Group received an installment of RMB30,000,000 during the year ended 31 December 2018 and the remaining balance of RMB160,000,000 (Note 10) was received by the Group in January 2019.

The assets classified as held for sale as at 30 June 2018 were as follows:

	RMB'000
Property, plant and equipment	164,073
Prepaid lease payments	50,362
Less: Impairment loss recognised *(Note)*	(30,300)
Net carrying amount	184,135
Gain on disposal:	
Cash consideration	190,000
Less: Net carrying amount of the assets to be disposed of	(184,135)
Less: Incremental costs directly attributable to the disposal of the assets	(5,840)
Gain on disposal of property, plant and equipment, and prepaid lease payments	25

Note: Impairment loss of approximately RMB30,300,000 was recognised during the year ended 31 December 2018 as the assets classified held for sale were measured at fair value less costs to sell which included the incremental costs directly attributable to the disposal of the assets.

13. DISPOSAL OF SUBSIDIARIES

a) Disposal of equity interest in Wuxi Pan Asia

As disclosed in note 6, the Disposal was completed on 16 January 2018. The gain from the Disposal is analysed as follows:

	RMB'000
Cash consideration received	**44,000**
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**184,823**
Prepayments for consultation, marketing and promotional services	**42,050**
Deferred tax assets	**406**
Inventories	**115,657**
Trade and other receivables	**68,974**
Pledged bank deposits	**6,543**
Tax recoverable	**77,523**
Trade and other payables	**(448,834)**
Deferred tax liabilities	**(1,218)**
Deferred government grants	**(2,708)**
Net assets disposed of	**43,216**
Gain on disposal of a subsidiary:	
Cash consideration received	**44,000**
Net assets disposed of	**(43,216)**
Gain on disposal of a subsidiary *(Note 6)*	**784**

b) Disposal of equity interest in Lianyungang Minxin Investment Limited ("Lianyungang Minxin")

On 23 April 2018, the Group entered into a share transfer agreement with an independent third party to dispose of its 100% equity interest in Lianyungang Minxin at a cash consideration of RMB10,150,000. Lianyungang Minxin was principally engaged in undertaking of EP construction engineering services. The disposal was completed on 30 April 2018. The gain from the disposal is analysed as follows:

	RMB'000
Cash consideration received	**10,150**
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**–**
Equity instrument at FVOCI	**–**
Other receivables	**388**
Bank balances	**7**
Trade and other payables	**(8,059)**
Tax payable	**(10,888)**
Net liabilities disposed of	**(18,552)**
Gain on disposal of a subsidiary:	
Cash consideration received	**10,150**
Net liabilities disposed of	**18,552**
Gain on disposal of a subsidiary	**28,702**

14. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2018:

(a) Acquisition of 51% of the issued share capital of Prospectous Harvest Finance Limited ("Prospectous Harvest")

As announced by the Company on 1 March 2018, the Company entered into a share sale and purchase agreement (the "First Agreement") with an independent third party, Active Light Holdings Limited ("Active Light"), pursuant to which the Company has conditionally agreed to purchase and Active Light has conditionally agreed to sell 51% of the issued share capital of Prospectous Harvest (the "Acquisition") at a consideration of HK$122,400,000 (subject to downward adjustment of profit guarantee from Active Light). Prospectous Harvest is an investment holding company and its subsidiary, namely Shandong Rongxiang Technology Co., Ltd. (山東融象智能科技有限公司) (the "Operating Company") is engaged in negotiating and handling customers for the sales of personal care products.

The Company further announced that on 12 July 2018, the Company entered into a termination agreement with Active Light to terminate the First Agreement, and also entered into the new share sale and purchase agreement (the "Second Agreement"), pursuant to which the consideration for the Acquisition was adjusted downward to HK$96,900,000 (subject to downward adjustment of profit guarantee from Active Light). The Company also entered into a joint capital injection agreement with the other existing shareholders of Prospectous Harvest (the "Minority Shareholders") and agreed to make a total capital contribution of HK$50,000,000 to Prospectous Harvest on a pro-rata basis.

On 31 August 2018, the Company further announced that the Company entered into a termination agreement with Active Light to terminate the Second Agreement, and also entered into the revised share sale and purchase agreement (the "Third Agreement"), pursuant to which the consideration for the Acquisition was further adjusted downward to HK$24,500,000 (subject to downward adjustment of profit guarantee from Active Light). The consideration of HK$24,500,000 shall be payable by the Company on or before 31 December 2018.

On 31 August 2018, the Company and the Minority Shareholders entered into the new joint capital injection agreement and agreed to make a total capital contribution of HK$50,000,000 to Prospectous Harvest on a pro-rata basis. The Company and the Minority Shareholders are required to contribute HK$25,500,000 and HK$24,500,000 to Prospectous Harvest, respectively, on or before 31 December 2018.

On 14 September 2018, the Company announced that the Acquisition was completed on that day as the conditions precedent under the Third Agreement were fulfilled.

After the completion of the Acquisition, the Company has experienced irreconcilable differences between the Company and the Minority Shareholders over the business strategies and objectives of Prospectous Harvest and the Operating Company. The Directors considered that the Company, as the controlling shareholder of Prospectous Harvest, cannot exercise any control over the Operating Company and cannot have any rights or abilities to affect the returns through its power over the Operating Company since the completion of the Acquisition. The Directors were also of the view that terminating the business relationship with the Minority Shareholders would be of the best interest of the Company and the Company's shareholders as a whole. As a result, the Company expressed its intention to transfer 51% of the issued share capital of Prospectous Harvest back to Active Light and entered into negotiations with Active Light and the Minority Shareholders in November 2018.

Subsequent to the negotiations among the parties on 27 March 2019, the deed of variation was entered into among the Company, Active Light and Prospectous Harvest to ratify, among other things, the following terms and conditions (the "Revised Terms and Conditions") in the Third Agreement.

(i) The subject matter of the Acquisition is only 51% of the issued share capital of Prospectous Harvest which excludes the entire equity interest in the Operating Company held by Prospectous Harvest;

(ii) The consideration for the Acquisition is revised from cash consideration of HK$24,500,000 payable on or before 31 December 2018 to cash consideration of HK$5,100 (equivalent to approximately RMB4,000) payable on or before 30 June 2019; and

(iii) The profit guarantee from Active Light is terminated.

No consideration or capital contribution has been paid or made by the Company during the year ended 31 December 2018 and up to the date of this announcement.

The following is the financial information of the Acquisition (as adjusted) at the date of the Acquisition.

	RMB'000
Consideration payable	4
Assets acquired at the date of the Acquisition:	
Cash	8
Consideration payable	4
Plus: Non-controlling interests (49%)	4
Less: Assets acquired	(8)
	–

Note: At the date of the Acquisition, Prospectous Harvest has not yet contributed any capital in the Operating Company.

In order to account for the Acquisition in the Group's consolidated financial statements for the year ended 31 December 2018, the Directors are of the opinion that it is appropriate to account for the Acquisition based on the Revised Terms and Conditions which excludes to account for the Operating Company as a subsidiary because the Group has not control over the Operating Company since the completion of the Acquisition, and the Acquisition is determined to be acquisition of assets and liabilities through acquisition of a subsidiary rather than a business combination as the assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 (Revised) "Business Combinations". The Directors are also of the view that due to the immaterial amounts of assets to be acquired at the date of the Acquisition, the Acquisition has not be accounted for in the Group's consolidated financial statements for the year ended 31 December 2018.

On 27 March 2019, the Company entered into a disposal agreement with Active Light and pursuant to which the Company has conditionally agreed to sell and Active Light has conditionally agreed to purchase 51% of the issued share capital of Prospectous Harvest at a cash consideration of HK$5,100. The completion of the disposal will be taken place in three business days after fulfilment or wavier (as applicable) of the conditions precedent in the disposal agreement. Prospectous Harvest will be ceased to be a non-wholly owned subsidiary of the Company upon completion of the disposal.

Further details of the Acquisition are set out in the Company's announcements dated 1 March 2018, 12 July 2018, 31 August 2018 and 14 September 2018. Further details of the disposal are set out in the Company's announcement dated 27 March 2019.

(b) 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.

Further details of this acquisition are set out in the Company's announcements dated 7 November 2018 and 30 January 2019.

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

For the year ended 31 December 2018, the Group achieved a total revenue from continuing operations of RMB162.2 million, declining by 72% as compared to RMB588.5 million in 2017. Gross profit decreased to about RMB20.4 million (2017: RMB115.9 million) and gross profit margin was 12.5% (2017: 19.7%). The Group recorded a net loss of RMB19.4 million (2017: RMB147.4 million), mainly due to decrease in loss from discontinued operation from RMB183.5 million in 2017 to RMB2.0 million in 2018. The basic loss per share was RMB2.30 cents (2017: RMB17.54 cents).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil) as the capital will be reserved for the development of the Group's business operations.

Business Review

The Group has reviewed its business structure to identify any potential businesses that could benefit its overall performance. The Group has also sought to diversify its business portfolio by investing in other industries to bring the greatest benefits to the Group.

Sales of EP Products and Equipment Business – Continuing Operation

Sales of EP products and equipment remained the major income contributor of the Group during the year. This segment recorded a revenue of RMB159.9 million (2017: RMB588.5 million) and the gross profit amounted to RMB19.4 million (2017: RMB115.9 million), with a gross profit margin of 12.1% (2017: 19.7%). Details of the types of the sales of EP products and equipment are set out 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 19 projects related to sales of flue gas treatment equipment and the Group recorded a revenue of approximately RMB124.5 million, accounting for about 76.8% of the Group's total revenue.

ii) Sales of Water Treatment Products and Equipment

Water treatment systems are mainly used for treating industrial and urban waste water. During the year, the Group completed 9 water treatment-related sales contracts, and generated a revenue of approximately RMB35.4 million, accounting for approximately 21.8% of the Group's total revenue.

EP Construction Engineering services – Continuing Operation

Leveraging its extensive industry expertise, advanced technologies and professional research and development capabilities, the Group provides one-stop EP solutions to a wide range of clients. During the year, the Group completed 5 projects related to construction engineering services and the Group recorded a revenue of approximately RMB2.3 million, accounting for about 1.4% of the Group's total revenue.

Proposed Business Segment – Disposal of Personal Care Products

As further disclosed in the announcement of the Company dated 27 March 2019, the Group (as the transferor) and the Transferee entered into the Disposal Agreement, pursuant to which the Group has conditionally agreed to transfer to the Transferee 51% of the issued share capital of Prospectous Harvest Finance Limited (鴻豐信貸融資有限公司), (the "Disposal Company") at the cash consideration of HK$5,100 payable by cash on Completion. Upon Completion, the Disposal Company will no longer be a subsidiary of the Group and the Group will not hold any of the issued share capital of the Disposal Company.

However, the Directors of the Group were of the view that terminating the business relationship with the Disposal Company shareholders would be of the best interests of the Group and the Shareholders as a whole. The Board was also of the view that there are certain business opportunities which, by reallocating the financial resources that were originally contemplated for the Share Sale and Purchase Agreement, would bring better value to the Group and the Shareholders as a whole.

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are below 5%, the Disposal is not a notifiable transaction under Chapter 14 of the Listing Rules. As at the date of the announcement dated 27 March 2019, the Transferee is directly wholly owned by Mr. Tsoi, a substantial shareholder of the Disposal Company, which is a subsidiary owned as to 51% by the Group. Therefore, the Transferee is an associate of a connected person of the Group at the subsidiary level and the entering into of the Disposal Agreement constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules.

However, as all of the applicable percentage ratios (other than the profit ratio) in respect of the Disposal is/are less than 5% and the total consideration is less than HK$3,000,000, the Disposal constitutes a de minimis connected transaction on the part of the Group and is fully exempted from shareholders' approval, annual review and all disclosure requirements under Rule 14A.74 of the Listing Rules.

Furthermore, as all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are below 5%, the Disposal is not a notifiable transaction under Chapter 14 of the Listing Rules.

Proposed Business Segment – Environmental Friendly Climate Control Products

The Group will actively respond to the market trends, particularly in exploring new investment opportunities so as to diversify its business. The Group has entered into a memorandum of understanding (the "Memorandum of Understanding") with Universe Asia Develop Limited ("Universe Asia") on 30 November 2018. Universe Asia is principally engaged in designing, building and implementing energy management projects in Hong Kong, Macau, the PRC, Southeast Asia and Middle East Asia. The Group will intend to establish a joint venture partnership with Universe Asia to further develop the environmental-friendly climate control products of the latter. The Directors believe that this is a good potential development in PRC and will bring financial benefits to the Group.

Prospects

EP Construction Engineering Projects Business

In 2019, Chinese Government will follow the guidance developed at the 19th National Congress to fight against the seven major pollution problems, the blue sky battle, diesel truck pollution control, urban black and odor water treatment, comprehensive sea management of the Bohai Sea, the Yangtze River protection and restoration, water source protection, and agricultural and rural pollution control. The PRC government will establish an integrated monitoring system on environmental elements, environmental quality, ecosystem and ecological environmental conditions to upgrade the automatic monitoring system and data evaluation that would provide more accurate forecasts and alerts on pollution. Therefore, the institutions could scientifically analyze the environmental conditions and take actions to address the problems.

The establishment of a modern ecological network system will comprehensively carry scrutiny on groundwater, ocean, rural and greenhouse gas; the network would allow data collection and information management on the environmental parameters, which could be upgraded and ultimately converted to environmental satellite monitoring and aviation remote sensing and monitoring. It will come to a new age for environmental protection with the better use of science, technology and network integration. The development advancement and commitment indicate the irreplaceable top priority of environmental protection and how determined the country is to put effort in this area. The Group is ready to grasp the opportunity to work together with the government to fight against pollutions, and further explore the business opportunities in the EP industry.

Business Diversification Strategy

The Group diversified its business through acquisitions and a series of strategic partnerships, including (i) entering into a Memorandum of Understanding with Universe Asia on 30 November 2018 in relation to the exploration of the co-operation in designing, building and implementing environmental-friendly climate control projects and products of Universe Asia, (ii) entering into a Memorandum of Understanding on 15 January 2019 in relation to forming a long-term strategic partnership with FBB Catering Group Co Limited ("FBB Catering Group") for business development in the catering industry, (iii) the acquisition of Mayee International to develop an income source from rental, and (iv) entering into a Memorandum of Understanding in relation to forming a long-term strategic partnership with MSC (Hong Kong) Limited ("MSC") on 15 January 2019 for business development in the internet services business.

The Group sees the market demand and potential of those businesses, and thus determined to take action in acquisition and establish strategic partnerships. Regardless of the uncertainties, irregularities and instabilities that exist in the operating environment, diversification of the Group's business would protect it from drastic market changes in any given industry. The move do not only give us the chance to grasp additional market opportunities, but also enable the Group to find a breakthrough in its development. Looking forward, the Group will enter more industries that have attractive potentials, in order to allow it to enjoy steady business growth and revenues from multiple channels.

Liquidity and Financial Resources

As at 31 December 2018, total assets of the Group amounted to RMB1,291.1 million, a decrease of RMB463.1 million as compared with RMB1,754.2 million in 2017. The decrease was mainly due to derecognised the assets of a disposal company classified as held for sale upon completion of disposal of a subsidiary. The Group's total liabilities as at 31 December 2018 amounted to RMB87.1 million, a decrease of RMB433.4 million as compared with RMB520.5 million in 2017. The main reason for this decrease in total liabilities was due to derecognised the liabilities directly associated with the assets classified as held for sales upon completion of disposal of a subsidiary. The Group's total equity as at 31 December 2018 was RMB1,204.0 million (2017: RMB1,233.7 million). As at 31 December 2018, the gearing ratio of the Group, based on total borrowings (including corporate bonds) to the equity (including all capital and reserves) was 4% (2017: 1.6%). The Group's cash and cash equivalents amounted to RMB1,037.9 million as at 31 December 2018 (2017: RMB368.2 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 Dollar, and so is the majority of the Group's bank deposits. As at 31 December 2018, 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 as and when appropriate. As at 31 December 2018, 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 2018, the Group had no capital expenditure commitment in respect of the acquisition of property, plant and equipment (2017: RMB9.7 million). 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 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

No bank deposit of the Company's subsidiary as at 31 December 2018 was pledged to a bank to secure a facility granted to the subsidiary.

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.

Events After the Reporting Period

Save as disclosed in note 14 to this announcement, the Group did not have any other significant events after the reporting period.

Relationship with Employees and Key Stakeholders

As at 31 December 2018, the Group had approximately 120 employees. Salaries of employees maintained at competitive levels and are reviewed annually, with close reference to the relevant labour market and 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 Director. Apart from the basic remuneration and benefits required by law, the Group also provides discretionary bonuses based on its results and the performance of the individual employee. The Group also has an employee share option scheme in place. Total remuneration costs, including Directors' remuneration, for the year ended 31 December 2018 were RMB13.9 million (2017: RMB11.5 million). During the year, the Group organized professional and vocational trainings 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 business partners, shareholders, investors and bankers. Thus, the Group has formulated an investor relations scheme to help in fostering a close relationship with shareholders and investors. Specific activities are organized from time to time to communicate with and rally rapport 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 2018.

Audit Committee

An audit committee comprising three Independent Non-executive Directors has been established by the Company to review the financial reporting process, risk management and internal control systems of the Group. The audit committee had reviewed the consolidated financial statements of the Group for the year ended 31 December 2018.

Corporate Governance

In the opinion of the Board, throughout the year ended 31 December 2018, the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, save for code provision A.2.1 which 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.

Annual General Meeting and Closure of Register of Members

The annual general meeting ("AGM") of the Company is scheduled to be held on 6 June 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2019.

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 2018 Annual Report 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 2019

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