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)

ANNOUNCEMENT OF 2007 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS:

	2007	2006	Variance
	RMB'000	RMB'000	
TURNOVER	**703,946**	**508,628**	**+38.4%**
GROSS PROFIT	**301,680**	**209,330**	**+44.1%**
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS	**210,500**	**165,273**	**+27.4%**
EARNINGS PER SHARE – BASIC (RMB CENTS)	**34.73 cents**	**27.55 cents**	**+26.1%**
PROPOSED FINAL DIVIDEND PER SHARE (HK CENTS)	**5 cents**	**-**	**N.A.**

RESULTS

The Board of Directors (the “Directors” or the “Board”) of Pan Asia Environmental Protection Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 RMB’000	2006 RMB’000
TURNOVER	4	703,946	508,628
COST OF SALES		(402,266)	(299,298)
GROSS PROFIT		301,680	209,330
OTHER REVENUE	4	5,197	1,960
Selling and distribution expenses		(16,701)	(11,853)
General and administrative expenses		(11,745)	(8,888)
Other operating expenses		(1,217)	(2,722)
PROFIT BEFORE TAXATION	5	277,214	187,827
TAXATION	6	(67,766)	(22,701)
PROFIT FOR THE YEAR		209,448	165,126
ATTRIBUTABLE TO:			
Equity holders of the Company		210,500	165,273
Minority interests		(1,052)	(147)
		209,448	165,126
DIVIDENDS	7	59,436	108,000
EARNINGS PER SHARE - BASIC	8	34.73 cents	27.55 cents

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Prepaid lease payment		7,082	7,249
Property, plant and equipment		53,930	57,153
Available-for-sale financial asset		1,950	1,950
Goodwill		-	-
		62,962	66,352
CURRENT ASSETS			
Inventories		16,234	147
Trade receivables	9	49,877	43,714
Prepayments, deposits and other receivables		9,059	13,133
Prepaid lease payment		169	169
Amounts due from related companies		2,153	771
Amounts due from minority shareholders		-	1,838
Amounts due from customers for contract work		65,230	72,946
Pledged bank deposits		6,880	8,014
Cash and bank balances		1,016,595	307,865
		1,166,197	448,597
CURRENT LIABILITIES			
Trade payables	10	65,001	60,908
Accruals and other payables		35,866	29,327
Dividend payable		-	48,000
Amount due to a minority shareholder		233	-
Amount due to a director		460	2,979
Amount due to a related company		-	227
Amount due to a fellow subsidiary		-	4,529
Trade deposits received		52,793	6,368
Tax payables		45,626	5,581
		199,979	157,919
NET CURRENT ASSETS		966,218	290,678
NET ASSETS		1,029,180	357,030
CAPITAL AND RESERVES			
Share capital		74,872	2
Reserves		953,058	354,726
Equity attributable to equity holders of the Company		1,027,930	354,728
Minority interests		1,250	2,302
TOTAL EQUITY		1,029,180	357,030

NOTES:

1. GENERAL INFORMATION

a) Principal activities and reorganisation

The Company was incorporated in the Cayman Islands on 16 August 2006 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands in preparation for the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (collectively referred to as the "Group") has undertaken a group reorganisation (the "Reorganisation"). The Company became the holding company of the Group as result of the Reorganisation completed on 1 December 2007, which involved the transfer to the Company by YY Holdings Limited ("YY Holdings") of an aggregate of 200 shares of US$1 each, being the entire issued share capital of Pan Asia Environmental Protection Technologies Limited ("Pan Asia BVI") , the intermediate holding company of the Group which acquired 100% interest in Wuxi Pan-Asia Environmental Protection Technologies Limited ("Wuxi Pan-Asia") on 9 September 2006, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, 99 million new shares of the Company to YY Holdings, and (ii) credited as fully paid at par the 1 million nil-paid shares of the Company then held by YY Holdings.

The shares of the Company were listed on the Stock Exchange on 21 December 2007.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group.

The Group is principally engaged in the manufacture and sale of environmental protection ("EP") products and equipment, undertaking of EP construction engineering projects, provision of EP related professional services and investment holding.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

b) Basis of preparation

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), under which the consolidated financial statements have been prepared as if the Company had been the holding company of the subsidiaries comprising the Group throughout the year ended 31 December 2007, rather than from the date on which the Reorganisation was completed. The comparative figures as at 31 December 2006 and for the year ended 31 December 2006 have been presented on the same basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment of Hong Kong Accounting Standards ("HKAS"s) and interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRS"s) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)* – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

**** IFRIC represents the International Financial Reporting Interpretations Committee.***

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[3]
HK(IFRIC) – INT 12	Service concession arranagements[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[4]

1. Effective for annual periods beginning on or after 1 January 2009.
2. Effective for annual periods beginning on or after 1 July 2009.
3. Effective for annual periods beginning on or after 1 March 2007.
4. Effective for annual periods beginning on or after 1 January 2008.
5. Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. TURNOVER AND OTHER REVENUE

Turnover represents the net amounts received and receivable for goods sold and rendering of services by the Group.

Turnover and other revenue consist of:

	2007 RMB'000	2006 RMB'000
Turnover		
Sale of EP products and equipment	622,788	343,838
Revenue from EP construction engineering projects	79,569	164,616
Revenue from EP related professional services	1,589	174
	703,946	508,628
Other revenue		
Exchange gain	1,736	-
Interest income	3,441	1,810
Sundry income	20	150
	5,197	1,960
Total revenue	709,143	510,588

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following:

	2007 RMB'000	2006 RMB'000
Amortisation of prepaid lease payment	167	169
Auditor's remuneration	755	-
Cost of inventory	353,122	186,354
Depreciation	5,286	4,747
Exchange loss	-	629
Impairment of goodwill	-	1,814
Impairment on other receivables	64	25
Impairment on trade receivables	501	-
Operation lease payment	192	595
Staff costs (including directors' remuneration)		
Salaries and wages	20,840	14,551
Retirement benefit costs	705	456
	21,545	15,007

Note:

Auditor's remuneration for the years ended 31 December 2005 and 2006 of approximately

RMB50,000 and RMB50,000 respectively were paid and accounted for in March 2007. The remaining balance of approximately RMB655,000 represents the auditor's remuneration of the Group for the year 2007.

6. TAXATION

	2007	2006
	RMB'000	RMB'000
Current Tax		
PRC enterprise income tax	67,766	22,701

i) Wuxi Pan-Asia, which was formerly a sino-foreign joint venture enterprise, was subject to PRC enterprise income tax at a rate of 24% applicable to the company on the assessable profits for the year and is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses being the year ended 31 December 2002, followed by a 50% reduction for the next three years. Commencing from 2004, the profit generated from Wuxi Pan-Asia was subject to an income tax rate of 12%, being half of the corporate income tax rate applicable, such tax exemption expired on 31 December 2006. With effect from 2 August 2000, Wuxi Pan-Asia was changed from a sino-foreign joint venture enterprise to a wholly-foreign-owned enterprise, and the tax concession remained unchanged.

   Wuxi Zhong Dian Kong Leng Technology Limited ("Wuxi Zhong Dian"), which is a PRC domestic-invested company, is subject to the PRC enterprise income tax at a rate of 33% applicable to the company on the assessable profits for the year.

   Shanghai Environmental Engineering Design & Research Institute Limited ("SEEDRI"), which is a joint stock limited company, is subject to the PRC enterprise income tax at a rate of 33% applicable to the company on the assessable profits for the year.

   By a legislation passed by the National People's Congress in 2007, a uniform enterprise income tax of 25% will become generally applicable to all domestic and foreign investment enterprises established in the PRC, subject to certain exceptions or exemptions with effect from 1 January 2008. It is currently expected that with effect from 1 January 2008, the enterprise income tax rate applicable to the Group's PRC subsidiaries will be 25%.

ii) No provision for Hong Kong profits tax has been made for the years ended 31 December 2006 and 2007 as the Group's income neither arises in, nor is derived from Hong Kong.

iii) As at 31 December 2006 and 2007 respectively, the Group had no significant unprovided deferred tax assets or liabilities.

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2007	2006
	RMB'000	RMB'000
Profit before taxation	277,214	187,827
Tax calculated at the applicable tax rate	66,184	44,871
Effect of tax exemption	-	(22,701)
Tax effect of non-deductible expenses	1,582	531
	67,766	22,701

7. DIVIDENDS

	2007	2006
	RMB'000	RMB'000
Dividends paid to the then shareholders	22,000	108,000
Final dividend proposed after the balance sheet date of HK 5 cents per share	37,436	-
	59,436	108,000

Note:

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Dividends of RMB22,000,000 (2006: RMB108,000,000) were declared and paid by the Company's subsidiaries to their then shareholders during the year ended 31 December 2007.

Final dividends of RMB60,000,000 for 2005 was declared and paid in 2006.

8. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately RMB210,500,000 (2006: approximately RMB165,273,000) and the weighted average number of 606,027,000 shares (2006: 600,000,000 shares) in issued during the year.

Weighted average number of ordinary shares

	2007	2006
	'000	'000
Issued ordinary shares at 1 January	600,000	600,000
Issue of shares	6,027	-
Weighted average number of ordinary shares at 31 December	606,027	600,000

In determining the weighted average number of ordinary shares in issue, a total of 600,000,000 ordinary shares were deemed to be in issue since 1 January 2006.

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2006 and 2007 are not presented as there were no dilutive potential ordinary shares.

9. TRADE RECEIVABLES

	2007 RMB'000	2006 RMB'000
Trade receivables	50,514	43,850
Impairment loss for bad and doubtful debts	(637)	(136)
	49,877	43,714

The ageing analysis of trade receivables is as follows:

	2007 RMB'000	2006 RMB'000
0 to 30 days	6,080	728
31 to 60 days	9,476	7,155
61 to 90 days	16,226	1,612
91 to 180 days	7,303	10,929
181 to 365 days	10,792	6,246
Over 365 days	-	17,044
	49,877	43,714

Trade receivables generally include the balances yet to be due such as the quality retention monies (typically 5% to 10% of the total contracted value) that retained by the customers until the fulfillment of the warranty period of generally 1 to 2 years, receivable pursuant to the payment terms of the respective contracts. The Group normally grants credit terms from 1 to 2 months to its customers. Apart from those mentioned retention monies, trade receivables are expected to be recovered or recognised as expense within one year.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	136	-
Impairment loss recognised	501	-
Acquisition of a subsidiary, SEEDRI	-	136
At 31 December	637	136

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

10. TRADE PAYABLES

The Group normally receives credit terms of 30 days from its suppliers. The aging analysis of trade payables is as follows:

	2007 RMB'000	2006 RMB'000
0 to 30 days	3,081	55,040
31 to 60 days	4,020	626
61 to 90 days	12,995	1,557
91 to 180 days	3,582	3,167
181 to 365 days	36,204	393
Over 365 days	5,119	125
	65,001	60,908

11. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises sale of EP products and equipment, EP construction engineering projects and provision of EP related professional services business segments.

	For the year ended 31 December 2007			
	Sale of EP products and equipment	EP construction engineering projects	Provision of EP related professional services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue				
Sales to external customers	622,788	79,569	1,589	703,946
Segments results	269,666	32,037	(23)	301,680
Other revenue				5,197
Unallocated corporate expenses				(29,663)
Profit before taxation				277,214
Taxation				(67,766)
Profit for the year				209,448
Segment assets	74,435	75,420	2,603	152,458
Unallocated corporate assets	-	-	-	1,076,701
Total assets	74,435	75,420	2,603	1,229,159
Segment liabilities	59,423	51,779	6,592	117,794
Unallocated corporate liabilities	-	-	-	82,185
Total liabilities	59,423	51,779	6,592	199,979
Other segment information:				
Depreciation	4,838	-	448	5,286
Capital expenditure	35	-	2,028	2,063

11. SEGMENT REPORTING (Continued)

	For the year ended 31 December 2006			
	Sale of EP products and equipment	EP construction engineering projects	Provision of EP related professional services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue				
Sales to external customers	343,838	164,616	174	508,628
Segments results	157,484	52,143	(297)	209,330
Other revenue				1,960
Unallocated corporate expenses				(21,649)
Impairment of goodwill				(1,814)
Profit before taxation				187,827
Taxation				(22,701)
Profit for the year				165,126
Segment assets	53,519	87,763	2,389	143,671
Unallocated corporate assets	-	-	-	371,278
Total assets	53,519	87,763	2,389	514,949
Segment liabilities	3,665	59,988	3,623	67,276
Unallocated corporate liabilities	-	-	-	90,643
Total liabilities	3,665	59,988	3,623	157,919
Other segment information:				
Depreciation	4,708	-	39	4,747
Capital expenditure	3,677	-	-	3,677

Geographical segments

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as they are substantially generated from or situated in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2007, the Group achieved a total turnover of RMB703.9 million, which represented a year on year growth of 38.4%. Overall gross profit increased by RMB92.4 million or 44.1% from the previous year to approximately RMB301.7 million. Gross profit margin slightly improved to 42.9% from 41.2% in the previous year. In 2007, surging steel costs had pushed up material costs. To cope, the Group passed on the cost increase to customers and thereby kept its gross profit margin at a satisfactory level. During the year, profit attributable to equity holders was approximately RMB210.5 million, up 27.4% over the pervious year.

Business Review

The Group is an integrated environmental protection ("EP") services provider in the PRC engaging principally in the design, sale and manufacturing of water and flue gas treatment products and equipment, sale of pipes, as well as undertaking of environmental protection construction engineering projects and provision of EP related professional services. As at 31 December 2007, the Group had 49 engineers with various professional backgrounds and work experiences in EP to provide customized EP services to customers in different industries.

In 2007, the Chinese government pushed ahead with the country's Eleventh Five Year Plan. In addition to implementing a number of mandatory regulations to eliminate products and technologies that consume massive energy, cause pollution and were out-dated, the government also forbid companies that fail to meet environmental protection standards to seek listing. As the Chinese economy thrives and the government continues to step up pollutant emission control and public awareness of environmental protection rises, market demand for the Group's environmental protection products and services has also risen, translating into steadily advances of the Group different businesses.

Sale of EP Products and Equipment

This segment is principally engaged in the sale of pipes, water and flue gas treatment products and equipment. During the year under review, the segment recorded a turnover of approximately RMB622.8 million, accounting for around 88.5% of the Group's total turnover.

Sale of Water Treatment Products and Equipment
The Group's water treatment system is mainly used to process industrial and urban wastewater. During the year under review, the Group completed 48 water treatment sales contracts, which generate turnover of approximately RMB447.2 million, accounting for 71.8% of the segment's turnover

Sale of Flue Gas Treatment Products and Equipment
The Group's flue gas treatment systems are used to remove waste gas generated by various industries. During the year under review, the Group completed three flue gas treatment sales contracts, which generate turnover of approximately RMB44.7 million, accounting for 7.2% of the segment's turnover.

Sale of Pipes
The Group produces fibre glass reinforced plastic pipes of diameters up to 2,000 mm at its Yixing workshop, which is estimated to have a total annual production capacity of approximately 172,680 metres. In 2007, the pipe workshop produced around 129,403 metres of pipes and the utilization rate was approximately 74.9%. These pipe products are not only for direct sale, they are also commonly used in water and flue gas treatment equipment, and as such they are in increasing demand in the prospering water and flue gas treatment markets. During the year under review, the Group completed four contracts related to the sale of pipes, which generated a

turnover of approximately RMB130.9 million, accounting for around 21.0% of the segment's turnover.

EP Construction Engineering Projects

Combining its industry expertise and professional R&D capabilities and technologies, the Group started to undertake EP construction engineering projects, providing clients with one-stop EP solutions since 2004. The Group had undertaken three flue gas treatment projects for power plants of installed capacity totaling 1,755 MW and with total contract sum of approximately RMB309.6 million. These projects had brought significant turnover contribution for the Group in 2005 and 2006. With all construction engineering work completed during the year, the balance of the contract sum amounting to approximately RMB79.6 million was recognized for the year under review, which accounted for approximately 11.3% of the Group's total turnover.

Provision of EP Related Professional Services

The Group, through its subsidiary – Shanghai Environmental Engineering Design & Research Institute Limited ("SEEDRI"), provides EP related professional services for clients. SEEDRI holds Grade A engineering design certificates, is permitted to carry out engineering design for all environmental projects. During the year under review, the segment recorded a turnover of approximately RMB 1.6 million, accounting for around 0.2% of the Group's total turnover.

Liquidity and Financial Resources

As at 31 December 2007, total assets of the Group were RMB1,229.2 million, an increase of RMB714.3 million compared with RMB514.9 million as at 31 December 2006. The main reason for the increase was due to cash received from initial public offering and increase in net profit. The Group's total liabilities as of 31 December 2007 were RMB200.0 million, an increase of RMB42.1 million compared to RMB157.9 million as of 31 December 2006. The main reason for the increase in total liabilities was due to increase of trade deposits received and tax payables. The Group's total equity as of 31 December 2007 was RMB1,029.2 million, an increase of RMB672.2 million compared with RMB357.0 million as of 31 December 2006. As of 31 December 2007, the Group's cash and cash equivalents amounted to RMB1,016.6 million, an increase of RMB708.7 million compared with RMB307.9 million as of 31 December 2006. The increase was mainly due to cash generated from operations and financing activities during the year.

Capital Commitments and Contingent Liabilities

As at 31 December 2007, the Group had no capital expenditure commitment.

The Group has provided product warranty to its customers in respect of FGD construction work completed and certain of its EP products sold for a warranty period ranging from 6 months to 2 years after project or product delivery. At the same time, the Group has also received warranties in respect of those construction work and equipment supplied from its sub-contractors and suppliers. The directors of the Company believe that the amount of crystalised warranty liabilities, if any, in excess of the amount covered by the warranties given by the sub-contractors and suppliers, will not have a material adverse effect on the overall financial position or results of operations of the Group.

Use of Proceeds from Listing

By offering 200,000,000 shares at HK$ 2.80 each through placing and public offer, Pan Asia was listed on the Stock Exchange and landed on this international financing platform. The listing has not only enhanced our capital position and corporate governance, but also strengthened our market reputation. In all, it will speed up our business growth in the future.

Excluding relevant expenses, net proceeds from initial public offering amounted to approximately HK$518.0 million, which was deposited in bank accounts. As stated on the prospectus published on 10 December 2007, the proceeds will be applied as follows:

- approximately HK$228.0 million for setting up new production facilities to facilitate business expansion:
  - (i) approximately HK$118.0 million for acquiring new production equipment;
  - (ii) approximately HK$60.0 million for constructing new production facilities; and
  - (iii) approximately HK$50.0 million for acquiring land;

- approximately HK$119.0 million for acquiring and/or establishing EP related business or investment targets;

- approximately HK$45.0 million for enhancing research and development capability:
  - (i) approximately HK$25.0 million for acquiring EP related technologies and development of new technologies; and
  - (ii) approximately HK$20.0 million for establishing a research and development center;

- approximately HK$25.0 million for establishing simulated control facilities for flue gas treatment;

- approximately HK$25.0 million for establishing sales and support centres at different locations in the PRC; and

- the balance of approximately HK$76.0 million as general working capital of the Group.

Human Resources

As at 31 December 2007, the Group employed approximately 250 employees. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual performance of the staff. The Group also adopts an employee share option scheme.

Looking Forward

The Chinese Government's Eleventh Five Year Plan reflects its commitment to environmental protection. Regarding flue gas control, the government plans to reduce sulphur dioxide discharge through speeding up construction of desulphurization facilities in existing coal-fired power plants and compelling installation of desulphurization facilities in new coal-fired power plants. It targets to reduce sulphur dioxide discharge by 10% by 2010 against the 2005 level. As for water pollution control, requires all enterprises to pay water tariff, which encourages enterprises to reduce water consumption and increase investment in water recycling and wastewater treatment facilities. It also embarks on re-development of older urban areas and replacement of old pipeline networks and rebuild of sewage network. In the remaining three years of the Eleventh Five Year Plan period, the Chinese government will place greater emphasis on environmental protection, which is expected to continuously push up demand for and price of related products and services, hence drive growth of the industry in the PRC and the Group's business.

Looking ahead, the Group will ride on the global environmental protection trend to consolidate its industry position in the PRC and explore the market with growing potential. The Group currently has about 19 products and equipment sales contracts with an aggregate contract sum of approximately RMB676.0 million yet to be completed. This will bring notable turnover contribution to the Group which helps facilitate its business development and sustainable growth.

In 2008, sale of EP products and equipment, especially the water treatment related ones will remain as the Group's major growth driver. The Group will also gradually expand the EP construction engineering business, including implementing FGD and solid waste incineration power plant projects and other flue gas treatment engineering projects, and secure more sales contracts in the area of flue gas treatment to maintain a balanced development portfolio. Currently, the Group is in active negotiation for water and flue gas treatment engineering construction projects in Liaoning and Anhui provinces with the aim of expanding its footprint in EP market in Northeastern and Central China.

Expecting market demand for EP products and services to continue continuously in coming years, the Group has formulated a series of development strategies for including expansion of production capacity, enhancement of sales service, extension of sales network, enhancement of technological and R&D capabilities and establishment of simulated control facilities for flue gas treatment to provide training to customers. In addition, it will also identify acquisition targets and investment opportunities to enhance competitiveness and expand the scope of its business. The Group will capitalize on market opportunities to expand business scale and enhance cost effectiveness, with the ultimate aim of providing more diverse environment protection solutions to its customers.

Final Dividend

The Board has recommended payment of final dividend of HK5 cents, together with the interim dividend paid to the then shareholders, representing a payout ratio of 28.2%. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on 30 May 2008, the final dividend will be paid on or before 20 June 2008 to registered shareholders as at 30 May 2008.

Annual General Meeting

The annual general meeting of the Company will be held on 30 May 2008, Friday, notice of which will be published and dispatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Closure of Register of Members

The Register of Members of the Company will be closed from 28 May 2008, Wednesday to 30 May 2008, Friday, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 27 May 2008, Tuesday.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during 2007.

Audit Committee

An audit committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive directors. The audit committee has reviewed the financial statements of the Company and its subsidiaries for the year ended 31 December 2007.

Corporate Governance Practices

In the opinion of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules since date of listing.

By order of the Board
Pan Asia Environmental Protection Group Limited
Jiang Quanlong
Chairman

Hong Kong, 21 April 2008

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

Executive Directors:
Mr. JIANG Quanlong
Mr. FAN Yajun
Mr. GAN Yi
Mr. FANG Guohong
Mr. JIANG Lei

Independent non-executive Directors:
Mr. LAI Wing Lee
Mr. LEUNG Shu Sun, Sunny
Professor WANG Guozhen