



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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS:

	For the six months ended		Variance
	30 June 2008 <i>RMB'000</i> (Unaudited)	30 June 2007 <i>RMB'000</i> (Audited)	
TURNOVER	286,648	235,429	+ 21.8%
GROSS PROFIT	134,033	90,122	+ 48.7%
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS	81,602	61,141	+ 33.5%
EARNINGS PER SHARE — BASIC (<i>RMB CENTS</i>)	10.20 cents	10.19 cents	+ 0.1%

RESULTS

The Board of Directors (the “Directors” or the “Board”) of Pan Asia Environmental Protection Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 June 2008, together with comparative figures for the six months ended 30 June 2007, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2008	2007
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Turnover	5	286,648	235,429
Cost of sales		<u>(152,615)</u>	<u>(145,307)</u>
Gross profit		134,033	90,122
Other revenue and other net income	6	13,043	1,775
Selling and distribution expenses		(25,614)	(4,986)
General and administrative expenses		(13,794)	(5,908)
Other operating expenses		<u>(700)</u>	<u>(276)</u>
Profit from operation	7	106,968	80,727
Finance costs		<u>(587)</u>	<u>—</u>
Profit before taxation		106,381	80,727
Taxation	8	<u>(25,573)</u>	<u>(19,962)</u>
Profit for the period		<u>80,808</u>	<u>60,765</u>
Attributable to:			
Equity holders of the Company		81,602	61,141
Minority interests		<u>(794)</u>	<u>(376)</u>
		<u>80,808</u>	<u>60,765</u>
Dividends	9	<u>—</u>	<u>22,000</u>
Earnings per share — basic	10	<u>RMB10.20 cents</u>	<u>RMB10.19 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2008	31 December 2007
	Note	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-Current assets			
Prepaid lease payment		6,998	7,082
Property, plant and equipment		54,284	53,930
Available-for-sale financial asset		1,950	1,950
Goodwill		—	—
		<u>63,232</u>	<u>62,962</u>
Current assets			
Inventories		79,617	16,234
Trade receivables	11	142,060	49,877
Prepayments, deposits and other receivables		20,200	9,059
Prepaid lease payment		169	169
Amounts due from related companies		2,029	2,153
Amounts due from customers for contract work		53,653	65,230
Pledged bank deposits		96,715	6,880
Cash and bank balances		818,526	1,016,595
		<u>1,212,969</u>	<u>1,166,197</u>
Current liabilities			
Short terms bank loan		82,000	—
Trade payables	12	58,016	65,001
Accruals and other payables		34,567	35,866
Amounts due to minority shareholders		233	233
Amounts due to a director		853	460
Trade deposits received		26,532	52,793
Tax payable		20,142	45,626
		<u>222,343</u>	<u>199,979</u>
Net current assets		<u>990,626</u>	<u>966,218</u>
Net assets		<u>1,053,858</u>	<u>1,029,180</u>
Capital and reserves			
Share capital		74,872	74,872
Reserves		975,530	953,058
Equity attributable to equity holders of the Company		1,050,402	1,027,930
Minority interests		3,456	1,250
Total equity		<u>1,053,858</u>	<u>1,029,180</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 21 December 2007. The Company and its subsidiaries (together, 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 Company’s registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Suite 3712, The Center, 99 Queen’s Road Central, Hong Kong respectively.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of the Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2007.

The unaudited condensed consolidated interim financial information is presented in Renminbi (“RMB”), which is the functional currency of the Group and all values are rounded to the nearest thousand, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2007.

In the current period, the Group has adopted, for the first time, a number of new interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2008.

HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowings costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) — Int 13	Company loyalty programmes ³
HK(IFRIC) — Int 15	Agreements for the construction of real estate ¹
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation 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 July 2008.

⁴ Effective for annual periods beginning on or after 1 October 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 or interpretation will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

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.

Six months ended 30 June 2008 (Unaudited)

	Sale of EP products and equipment <i>RMB'000</i>	EP construction engineering projects <i>RMB'000</i>	Provision of EP related professional services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Sales to external customers	<u>285,780</u>	<u>—</u>	<u>868</u>	<u>286,648</u>
Segments results	<u>134,531</u>	<u>—</u>	<u>(498)</u>	<u>134,033</u>
Other revenue				13,043
Unallocated corporate expenses				<u>(40,695)</u>
Profit before taxation				106,381
Taxation				<u>(25,573)</u>
Profit for the period				<u>80,808</u>
Segment assets	154,014	68,464	3,159	225,637
Unallocated corporate assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,050,564</u>
Total assets	<u>154,014</u>	<u>68,464</u>	<u>3,159</u>	<u>1,276,201</u>
Segment liabilities	29,976	45,815	8,757	84,548
Unallocated corporate liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>137,795</u>
Total liabilities	<u>29,976</u>	<u>45,815</u>	<u>8,757</u>	<u>222,343</u>
Other segment information:				
Depreciation	2,239	—	180	2,419
Capital expenditure	44	—	37	81
Unallocated corporate capital expenditure	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,188</u>
	<u>44</u>	<u>—</u>	<u>37</u>	<u>3,269</u>

Six months ended 30 June 2007 (Audited)

	Sale of EP products and equipment <i>RMB'000</i>	EP construction engineering projects <i>RMB'000</i>	Provision of EP related professional services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Sales to external customers	<u>161,877</u>	<u>72,499</u>	<u>1,053</u>	<u>235,429</u>
Segments results	<u>62,479</u>	<u>27,787</u>	<u>(144)</u>	90,122
Other revenue				1,775
Unallocated corporate expenses				<u>(11,170)</u>
Profit before taxation				80,727
Taxation				<u>(19,962)</u>
Profit for the year				<u>60,765</u>
Segment assets	76,182	102,295	5,679	184,156
Unallocated corporate assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>386,526</u>
Total assets	<u>76,182</u>	<u>102,295</u>	<u>5,679</u>	<u>570,682</u>
Segment liabilities	28,430	51,751	4,441	84,622
Unallocated corporate liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>90,265</u>
Total liabilities	<u>28,430</u>	<u>51,751</u>	<u>4,441</u>	<u>174,887</u>
Other segment information:				
Depreciation	2,477	—	214	2,691
Capital expenditure	<u>35</u>	<u>—</u>	<u>2,016</u>	<u>2,051</u>
Unallocated corporate capital expenditure	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>35</u>	<u>—</u>	<u>2,016</u>	<u>2,051</u>

Geographical segment

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.

5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and render of services by the Group to outside customers during the period.

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Revenue		
Sale of EP products and equipment	285,780	161,877
Revenue from EP construction engineering projects	—	72,499
Revenue from professional services	868	1,053
	<u>286,648</u>	<u>235,429</u>

6. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Other revenue		
Interest income	5,471	394
Sundry income	696	20
	<u>6,167</u>	<u>414</u>
Other net income		
Exchange gain	6,876	1,361
	<u>13,043</u>	<u>1,775</u>

7. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Amortisation of prepaid lease payment	84	84
Cost of inventories sold	151,249	144,110
Cost of services provided	1,366	1,197
Depreciation	2,419	2,691
Impairment of trade and other receivables	267	28
Interest on bank loan	587	—
Staff cost (including directors' remuneration)		
Wages and salaries	29,831	6,869
Retirement scheme	477	352
Equity-settled share option expenses	1,819	—
	<u>32,127</u>	<u>7,221</u>

8. TAXATION

Six months ended 30 June	
2008	2007
RMB'000	RMB'000
(Unaudited)	(Audited)

Current Tax

PRC enterprise income tax — current year	<u>25,573</u>	<u>19,962</u>
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- i) Wuxi Pan-Asia Environmental Protection Technologies Limited (“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, 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, 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 periods ended 30 June 2008 as the Group’s income neither arises in, nor is derived from Hong Kong.

9. DIVIDENDS

During the period, dividends paid and proposed to equity holders of the Company comprised:

Dividend in respect of 2007

Six months ended 30 June	
2008	2007
HK\$'000	HK\$'000
(Unaudited)	(Audited)

Final dividend in respect of the previous financial year,
approval and paid during the interim period of
HK 5 cents per shares (2007: Nil)

<u>40,000</u>	<u>—</u>
RMB'000	RMB'000

Equivalent to

<u>35,289</u>	<u>—</u>
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Dividends of RMB22,000,000 were declared and paid by the Company’s subsidiaries to their then shareholders during the six months ended 30 June 2007.

The directors do not propose any interim dividend for the six months ended 30 June 2008.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company of approximately RMB81,602,000 (six months ended 30 June 2007: RMB61,141,000), and the weighted average number of ordinary shares of 800,000,000 (2007: 600,000,000 shares) in issue during the period.

In determining the weighted average number of ordinary shares in issue for the six months ended 30 June 2007, a total of 600,000,000 ordinary shares were deemed to be in issue since 1 January 2007.

Diluted earnings per share for the six months ended 30 June 2008 have not been presented as the exercise prices of the share options were higher than the average market price of the shares.

Diluted earnings per share for the six months ended 30 June 2007 have not been disclosed as there were no potential ordinary shares outstanding during the period.

11. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
0 to 30 days	60	6,080
31 to 60 days	31,893	9,476
61 to 90 days	37,663	16,226
91 to 180 days	32,595	7,303
181 to 365 days	39,849	10,792
	<u>142,060</u>	<u>49,877</u>

Trade receivables generally include the balances yet to be due such as the quality retention monies (typically 5% to 20% 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.

12. TRADE PAYABLES

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

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
0 to 30 days	—	3,081
31 to 60 days	1,119	4,020
61 to 90 days	3,210	12,995
91 to 180 days	15,793	3,582
181 to 365 days	8,652	36,204
Over 365 days	29,242	5,119
	<u>58,016</u>	<u>65,001</u>

13. PLEDGE OF ASSETS

As at 30 June 2008, a cash deposit of a subsidiary of approximately RMB6,911,000 (31 December 2007: approximately RMB6,880,000) was pledged to a bank as security in respect of the performance by the subsidiary under EP construction engineering projects.

As at 30 June 2008, a cash deposit of a subsidiary of approximately RMB89,804,000 (31 December 2007: nil) was pledged to a secure bank loan of RMB82,000,000 granted to the subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 30 June 2008, the Group recorded a total turnover of RMB286.6 million, an increase of 21.8% against the last corresponding period. During the period, notwithstanding the surging material prices which pushed up operating cost, the Group was able to transfer a large part of the increased cost to customers, thus achieving an overall gross profit of RMB134.0 million (six months ended 30 June 2007: RMB90.1 million), with gross profit margin at 46.8%. Profit attributable to equity holders was approximately RMB81.6 million (six months ended 30 June 2007: RMB61.1 million), while net profit increased 33.5% against the corresponding period last year.

Dividend

The Board recommended withholding dividend payment for the six months ended 30 June 2008 till year end to be included in the final dividend for the year to be distributed to shareholders.

Business Review

As an integrated EP services provider in the PRC, the Group mainly designs and manufactures water and flue gas treatment products and equipment, sells pipes, as well as undertakes EP construction engineering projects and provides EP related professional services. As at 30 June 2008, the Group had 50 engineers from different professional backgrounds and with work experience in environmental protection, remained committed in providing customised EP services to customers in different industries.

In 2008, the Chinese Government continued to forge ahead with implementing the country's Eleventh Five-Year Plan. Eliminating pollution-causing low-end industries and products, the authority also raised the bar for environmental protection and energy conservation and emission reduction etc., which presented huge business opportunities to the environmental protection industry. The National Development and Reform Commission ("NDRC") expected the total value of the environmental protection industry of the country to reach approximately RMB880 billion by 2010, accounting for approximately 3.4% of the Gross Domestic Product ("GDP") of the year. The anticipated strong demand in the market is expected to drive steady growth of the Group's EP product and service business.

Sale of EP Products and Equipment

This segment covers mainly sale of pipes, water and flue gas treatment products and equipment. During the period under review, it recorded a turnover of approximately RMB286.6 million, accounting for over 99.7% of the Group's total turnover.

Sale of Water Treatment Products and Equipment

The water treatment systems of the Group are mainly used to process industrial and urban wastewater. In light of the great demand of such systems, the Group completed 40 water treatment sales contracts during the period under review, which generated turnover of approximately RMB266.0 million, accounting for 92.8% of the segmental turnover. On 28 April 2008, the Group entered into the Sewage Reduction Outline Agreement with the Bengbu City Government in Anhui Province, wherein the Group is responsible for taking charge of planning, designing and coordinating the development of wastewater treatment systems for various zones and districts in Bengbu City in Anhui Province with the objective of such zones and districts attaining within about three years' time the sewage discharge level of the National First-class A Standard. According to the agreement, about nine projects are identified for construction to take place between 2008 and 2010. One of the projects had been kicked off during the period under review and is expected to be completed by the end of the year.

Sale of Flue Gas Treatment Products and Equipment

The flue gas treatment systems of the Group are used in various industries to process polluting waste gas generated during the process of production. Currently, the Group is negotiating a number of new projects with customers. During the period, the segment did not contribute any turnover.

Sale of Pipes

In addition to providing comprehensive EP solutions, the Group also produces fibreglass reinforced plastic pipes of diameters up to 2,000 mm at its Yixing workshop, with total annual production capacity estimated at approximately 172,680 metres. During the period under review, the pipe workshop produced around 23,700 metres of pipes at the average utilisation rate of approximately 13.7%. The Group completed 2 contracts related to sale of pipes during the review period under review, which generated a turnover of approximately RMB19.8 million, accounting for 6.9% of the segmental turnover.

EP Construction Engineering Projects

Boasting extensive industry expertise and professional research and development ("R&D") capabilities and technologies, the Group started to undertake EP construction engineering projects in 2004, providing clients with one-stop EP solutions. During the period under review, the Group did not take on any new projects. The three flue gas treatment projects for power plants it undertook in the past had brought significant turnover contributions between 2005 and 2007. Currently, the Group is negotiating a number of large projects with customers.

Provision of EP Related Professional Services

The Group, through its subsidiary – Shanghai Environmental Engineering Design & Research Institute Limited ("SEEDRI"), provides EP related professional services to clients. Holding Grade A engineering design certificates, SEEDRI is qualified to undertake engineering design for all environmental projects. During the period under review, the segment recorded a turnover of approximately RMB868,000, accounting for around 0.3% of the total turnover of the Group.

Prospects

The Chinese Government is committed to strengthening environmental protection and strictly implementing the country's Eleventh Five-Year Plan. Regarding water pollution control, the NDRC is targeting to increase the wastewater treatment in urban areas to RMB0.8/m³ or above by the end of 2010 and handling charges for industrial wastewater treatment will be two to three times of that depending on the extent of pollution. The Government will also redevelop old urban areas, replacing old water pipes and repairing sewage networks. The Group is confident of the prospects of the wastewater treatment business and expects contribution from the business to continue to account for 70-80% of its total turnover in the next one or two years. In the aspect of flue gas control, the Government has stepped up urging coal-fired power plants to install desulphurisation facilities and stated clearly that sulphur dioxide discharge must be 10% lower than the 2005 level by 2010. The Group expects demand for and price of the service to continue to climb, and keep driving its business growth in the PRC.

Looking ahead, the Group will continue to ride on the trend of environmental protection to further consolidate its industry position in the PRC and exploit market potential. The Group currently has about 23 EP contracts of total worth approximately RMB625.1 million yet to be completed, which are expected to translate into profits for the Group.

In the second half of 2008, sale of water treatment related projects will be the major growth driver of the Group. However, the Group will also gradually expand EP construction engineering business, including flue gas desulphurisation ("FGD") and solid waste incineration power plant projects to balance the development of the business portfolio. The Group will expand its flue gas treatment business to Liaoning Province and strive to complete the joint project with the Bengbu City Government in Anhui Province.

Anticipating continuous growth in demand for wastewater and flue gas treatment services in coming years, the Group will implement a series of development strategies including expanding production capacity, enhancing sales service and extending sales network, strengthening technological and R&D capabilities and setting up a simulated flue gas control and treatment facility for providing training to customers. Furthermore, the Group will actively identify acquisition targets and investment opportunities which allow it to enhance competitiveness and expand the scope of its business, so as to provide more diverse EP solutions to its customers.

Initial public offering and use of proceeds

The Group became listed by way of initial public offering in December 2007. Excluding relevant expenses, the net proceeds from the initial public offering were approximately HK\$518.0 million.

For the eight months ended 31 August 2008, the Group used a total of approximately HK\$10.0 million of the net proceeds, to set up subsidiaries at Anhui and Liaoning, as the sales and support centres.

Liquidity and financial resources

As at 30 June 2008, total assets of the Group were RMB1,276.2 million, an increase of RMB47.0 million compared to RMB1,229.2 million as at 31 December 2007. The increase was attributable mainly to increased net profit. The Group's total liabilities as at 30 June 2008 were RMB222.3 million, RMB22.3 million more than the RMB200.0 million as at 31 December 2007, because of increase in a short term bank loan of RMB82.0 million. The total equity of the Group as at 30 June 2008 was RMB1,053.9 million, an increase of RMB24.7 million compared to RMB1,029.2 million as at 31 December 2007. As at 30 June 2008, the Group had RMB915.2 million cash.

Human resources

As at 30 June 2008, the Group had approximately 270 employees. Salaries of employees are maintained at competitive levels and reviewed annually, with close reference to the relevant labour market and economic situations. The remuneration of Directors is determined based on a variety of factors such as market conditions and corresponding responsibilities. Apart from basic remuneration and other statutory benefits, the Group also provides discretionary bonuses based on its results and the performance of individual employees. The Group also has in place an employee share option scheme.

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 the six months ended 30 June 2008.

Review of Financial Information

The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2008. At the request of the Board of Directors, the Company's external auditors have carried out a review of this unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

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 throughout the accounting period covered by this announcement.

Despatch of Interim Report and publication on Website

The interim report containing full details of the Company's unaudited interim results for the six months ended 30 June 2008 will be despatched to all its shareholders and be published on the websites of the Company (www.paep.com.cn) and of the HK Stock Exchange (www.hkexnews.hk) before 30 September 2008.

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

Hong Kong, 22 September 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