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# 泛亞環保集團有限公司

## Pan Asia Environmental Protection Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 556)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

#### FINANCIAL HIGHLIGHTS:

	2015 RMB'000	2014 RMB'000 (Restated)	Variance
<b>REVENUE</b>	<b>1,068,593</b>	577,533	85.0%
<b>GROSS PROFIT</b>	<b>245,239</b>	156,264	56.9%
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
– Continuing operations	66,821	39,596	
– Discontinued operations	3,039	(11,239)	
	<b>69,860</b>	28,357	146.4%
<b>EARNINGS/(LOSS) PER SHARE (Expressed in RMB cents per share)</b>			
<b>Basic earnings/(loss)</b>			
– From continuing operations	7.96	4.84	
– From discontinued operations	0.36	(1.37)	
	<b>8.32</b>	3.47	139.8%
<b>Diluted earnings/(loss) per share</b>			
– From continuing operations	7.83	4.74	
– From discontinued operations	0.36	(1.35)	
	<b>8.19</b>	3.39	141.6%

## 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 2015 together with the comparative figures for the year ended 31 December 2014 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	<i>Note</i>	<b>2015</b> <b>RMB'000</b>	2014 <i>RMB'000</i> (Restated)
<b>Continuing operations:</b>			
Revenue	3	<b>1,068,593</b>	577,533
Cost of sales and services rendered		<b>(823,354)</b>	(421,269)
<b>Gross profit</b>		<b>245,239</b>	156,264
Other income	3	<b>18,089</b>	3,429
Other net (loss)/gain	3	<b>(905)</b>	38
Selling and distribution expenses		<b>(62,805)</b>	(13,789)
General and administrative expenses		<b>(44,797)</b>	(45,352)
Other operating expenses		<b>(55,528)</b>	(38,093)
<b>Profit before taxation</b>	4	<b>99,293</b>	62,497
Income tax expenses	7	<b>(32,472)</b>	(22,901)
<b>Profit for the year from continuing operations</b>		<b>66,821</b>	39,596
<b>Discontinued operations:</b>			
Profit/(loss) for the year from discontinued operations	5	<b>1,996</b>	(16,193)
<b>Profit for the year</b>		<b>68,817</b>	23,403
<b>Other comprehensive income/(loss) for the year (after tax and reclassification adjustments)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
– Exchange differences on translation of financial statements to presentation currency		<b>167</b>	(99)
<b>Total comprehensive income for the year</b>		<b>68,984</b>	23,304

	<i>Note</i>	<b>2015</b> <b><i>RMB'000</i></b>	<b>2014</b> <b><i>RMB'000</i></b> (Restated)
<b>Profit/(loss) for the year attributable to owners of the Company arises from:</b>			
– Continuing operations		<b>66,821</b>	39,596
– Discontinued operations		<b>3,039</b>	(11,239)
		<b>69,860</b>	28,357
<b>Loss for the year attributable to non-controlling interests arises from:</b>			
– Continuing operations		–	–
– Discontinued operations		<b>(1,043)</b>	(4,954)
		<b>(1,043)</b>	(4,954)
		<b>68,817</b>	23,403
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
– Owners of the Company		<b>70,027</b>	28,258
– Non-controlling interests		<b>(1,043)</b>	(4,954)
		<b>68,984</b>	23,304
		<b><i>RMB cents</i></b>	<b><i>RMB cents</i></b>
<b>EARNINGS/(LOSS) PER SHARE</b>			
<b>Basic earnings/(loss) per share</b>			
– From continuing operations		<b>7.96</b>	4.84
– From discontinued operations		<b>0.36</b>	(1.37)
		<b>8.32</b>	3.47
<b>Diluted earnings/(loss) per share</b>			
– From continuing operations		<b>7.83</b>	4.74
– From discontinued operations		<b>0.36</b>	(1.35)
		<b>8.19</b>	3.39

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	<i>Note</i>	<b>2015</b> <b>RMB'000</b>	<b>2014</b> <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Prepaid lease payments		<b>52,146</b>	53,339
Property, plant and equipment		<b>428,836</b>	451,690
Available-for-sale financial asset		–	9,000
Prepayments for consultation, marketing and promotional services	<i>10</i>	<b>83,300</b>	130,000
Trade receivables with extended credit terms	<i>11</i>	<b>112,744</b>	–
Deferred tax assets		<b>6,192</b>	–
		<b>683,218</b>	644,029
<b>CURRENT ASSETS</b>			
Prepaid lease payments		<b>1,194</b>	1,195
Inventories		<b>238,605</b>	244,270
Trade and other receivables	<i>11</i>	<b>606,979</b>	506,684
Pledged bank deposits		<b>6,543</b>	6,543
Tax recoverable		<b>50,004</b>	20,001
Cash and bank balances		<b>275,964</b>	379,236
		<b>1,179,289</b>	1,157,929
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>12</i>	<b>187,553</b>	176,795
Short-term bank loans		–	14,000
Deposits received and receipts in advance		<b>331,329</b>	337,347
Tax payable		<b>10,888</b>	10,888
		<b>529,770</b>	539,030
<b>NET CURRENT ASSETS</b>		<b>649,519</b>	618,899
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,332,737</b>	1,262,928
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>(24,105)</b>	(18,202)
Deferred government grants		<b>(4,051)</b>	(4,709)
		<b>(28,156)</b>	(22,911)
<b>NET ASSETS</b>		<b>1,304,581</b>	1,240,017
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>78,073</b>	78,073
Reserves		<b>1,226,508</b>	1,170,242
<b>Equity attributable to owners of the Company</b>		<b>1,304,581</b>	1,248,315
<b>Non-controlling interests</b>		–	(8,298)
<b>TOTAL EQUITY</b>		<b>1,304,581</b>	1,240,017

## 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 Suite 6302, The Center, 99 Queen’s Road Central, Hong Kong, respectively.

The Company and its subsidiaries (together the “Group”) are principally engaged in the manufacture and sales of environmental protection (“EP”) products and equipment, undertaking of EP construction engineering projects, and manufacture and sales of EP construction materials in the People’s Republic of China (the “PRC”), and investment holding.

### 2. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group.

Amendments to Hong Kong Accounting Standards (“HKAS”) 19	Employee Benefits: Defined Benefit Plans: Employee Contributions
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Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
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Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
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The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior year.

#### **Amendments to HKAS 19, Employee Benefits: Defined Benefit Plans: Employee Contributions**

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial information as the Group does not operate any defined benefit plans.

#### **Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle**

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related Party Disclosures, has been amended to expand the definition of “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain any key management personnel services from the management entities.

### 3. REVENUE, OTHER INCOME AND OTHER NET (LOSS)/GAIN

#### Continuing operations:

##### Revenue

Revenue from continuing operations represents the fair value of the amounts received and receivable for goods sold, and revenue from construction contracts, which excludes value-added and other sales taxes, and is after deduction of any goods returns and trade discounts.

The amount of each significant category of revenue recognised in revenue from continuing operations during the year is as follow:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (Restated)
Sales of EP products and equipment	864,588	474,867
Sales of EP construction materials	176,622	102,666
Revenue from EP construction engineering projects	27,383	–
	<u>1,068,593</u>	<u>577,533</u>

#### Continuing operations:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (Restated)
<b>Other income</b>		
Interest income on bank deposits	<u>1,513</u>	<u>2,176</u>
Total interest income on financial assets not at fair value through profit or loss	1,513	2,176
Imputed interest on trade receivables ( <i>Note 11(b)</i> )	3,947	–
Rental income from operating lease	103	53
Government grants <sup>#</sup>	936	908
Reversal of impairment loss on trade receivables	11,590	–
Sundry income	<u>–</u>	<u>292</u>
	<u>18,089</u>	<u>3,429</u>

<sup>#</sup> The amount included the government grants of approximately RMB658,000 (2014: RMB658,000) relating to the subsidies from the PRC government for acquisition of property, plant and equipment which was released from deferred government grants to profit or loss during the year ended 31 December 2015. The remaining balance of government grants amounting to approximately RMB278,000 (2014: RMB250,000) was mainly granted to the Group as subsidies to support the operations of the Company's subsidiaries established in the PRC during the year ended 31 December 2015 and these government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (Restated)
<b>Continuing operations:</b>		
<b>Other net (loss)/gain</b>		
Net exchange loss	(905)	–
Gain on disposals of property, plant and equipment	–	51
Loss on write-off of property, plant and equipment	<u>–</u>	<u>(13)</u>
	<u>(905)</u>	<u>38</u>

#### 4. PROFIT BEFORE TAXATION

Profit before taxation from continuing operations is arrived at after charging the following:

	<b>2015</b> <b>RMB'000</b>	2014 <i>RMB'000</i> (Restated)
Amortisation of prepaid lease payments	<b>1,194</b>	1,195
Depreciation of property, plant and equipment	<b>26,954</b>	28,572
Impairment loss on trade receivables*	<b>23,116</b>	19,796
Impairment loss on other receivables*	<b>2,784</b>	—
Impairment loss on available-for-sale financial asset*	<b>9,000</b>	—
Marketing and promotional expenses <sup>#</sup>	<b>52,123</b>	—
Research and development expenses*	<b>20,286</b>	16,975

\* These items are included in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

<sup>#</sup> This item is included in selling and distribution expenses in the consolidated statement of profit or loss and other comprehensive income.

#### 5. DISCONTINUED OPERATIONS

On 1 December 2015, Wuxi Pan Asia Environmental Protection Technologies Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interests in Wuxi Zhong Dian Kong Leng Technology Limited (“Wuxi Zhong Dian”) at a consideration of RMB800,000 (the “Disposal”). Wuxi Zhong Dian and its subsidiaries (collectively referred to as the “Disposal Group”) were principally engaged in provision of EP related professional services and undertaking of EP construction engineering projects in the PRC. The Disposal was completed on 22 December 2015 and the Group’s operations of provision of EP related professional services are classified as discontinued operations.

The results from the discontinued operations are analysed as follows. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to present the operations of provision of EP related professional services as discontinued operations.

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>Results from discontinued operations:</b>		
Revenue	<b>6,296</b>	9,614
Cost of sales and services rendered	<b>(1,870)</b>	(14,433)
<b>Gross profit/(loss)</b>	<b>4,426</b>	(4,819)
Other income	<b>503</b>	738
General and administrative expenses	<b>(6,833)</b>	(6,519)
Other operating expenses	<b>(577)</b>	(4,551)
Finance costs	<b>(666)</b>	(1,004)
<b>Loss before taxation</b>	<b>(3,147)</b>	(16,155)
Income tax expenses	<b>(7)</b>	(38)
	<b>(3,154)</b>	(16,193)
Gain on disposal of subsidiaries ( <i>Note 6</i> )	<b>5,150</b>	–
<b>Profit/(loss) for the year from discontinued operations</b>	<b>1,996</b>	(16,193)
<b>Profit/(loss) for the year from discontinued operations attributable to:</b>		
– Owners of the Company	<b>3,039</b>	(11,239)
– Non-controlling interests	<b>(1,043)</b>	(4,954)
	<b>1,996</b>	(16,193)

**Loss before taxation from discontinued operations include the following:**

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Depreciation of property, plant and equipment	<b>338</b>	347
Impairment loss on trade receivables	–	4,148
Interest income	<b>(6)</b>	(11)
Reversal of impairment loss on trade receivables	–	(161)
Reversal of impairment loss on other receivables	<b>(380)</b>	(343)



## 6. DISPOSAL OF SUBSIDIARIES

As disclosed in note 5, the Group discontinued its operations of provision of EP related professional services at the time of disposal of its entire equity interest in Wuxi Zhong Dian. The gain from disposal of the Disposal Group is analysed as follows:

	2015 <i>RMB'000</i>
Cash consideration received	<u>800</u>
<b>Analysis of assets and liabilities over which control was lost:</b>	
Prepaid lease payments	5,180
Property, plant and equipment	11,783
Trade and other receivables	181,801
Inventories	82,927
Cash and bank balances	1,673
Amount due from a fellow subsidiary	1,332
Trade and other payables	(55,328)
Short-term bank loan	(9,000)
Deposits received and receipts in advance	(232,727)
Amount due to an intermediate holding company	(22,921)
Amount due to a fellow subsidiary	(1,867)
Non-controlling interests	<u>9,341</u>
Net liabilities disposed of	<u>(27,806)</u>
<b>Gain on disposal of subsidiaries:</b>	
Cash consideration received	800
Net liabilities disposed of	27,806
Assignment of amount due from a fellow subsidiary	1,332
Assignment of amount due to an intermediate holding company	(22,921)
Assignment of amount due to a fellow subsidiary	<u>(1,867)</u>
Gain on disposal of subsidiaries ( <i>Note 5</i> )	<u>5,150</u>
<b>Net cash outflows arising on disposal:</b>	
Cash consideration received	800
Less: Cash and cash equivalents disposed of	<u>(1,673)</u>
Net cash outflows from disposal of subsidiaries	<u>(873)</u>

The results of the Disposal Group in the current and prior periods are disclosed in note 5.

## 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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (Restated)
<b>Current tax:</b>		
PRC Enterprise Income Tax		
– Provision for the year	32,761	19,629
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(289)	3,272
Income tax expenses	<u>32,472</u>	<u>22,901</u>

- 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 2015 and 2014.
- iii) No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2015 and 2014 as the Group did not have assessable profits arising in Hong Kong during both years.

## 8. DIVIDENDS

### (a) Dividend proposed

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Proposed final dividend of HK2 cents (2015: Nil) per ordinary share for the year ended 31 December 2014	<u>–</u>	<u>13,447</u>

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015.

### (b) Dividends declared and paid

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Final dividend for the year ended 31 December 2014 of HK2 cents per ordinary share (2014: Nil)	<u>13,761</u>	<u>–</u>

## 9. EARNINGS/(LOSS) PER SHARE

### From continuing and discontinued operations:

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (Restated)
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u><u>69,860</u></u>	<u><u>28,357</u></u>
	2015	2014
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	840,000,000	817,863,014
Add: Effects of dilutive potential ordinary shares from share options	<u>12,853,988</u>	<u>18,130,204</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u><u>852,853,988</u></u>	<u><u>835,993,218</u></u>

### From continuing operations:

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

Earnings figures are calculated as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (Restated)
Profit for the year attributable to owners of the Company from continuing and discontinued operations	69,860	28,357
Adjusted for: (Profit)/loss for the year from discontinued operations attributable to owners of the Company	<u>(3,039)</u>	<u>11,239</u>
Earnings for the purposes of basic and diluted earnings per share from continuing operations	<u><u>66,821</u></u>	<u><u>39,596</u></u>

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

### From discontinued operations:

Basic earnings per share from discontinued operations is RMB0.36 cents (2014: basic loss per share of RMB1.37 cents) per share, based on the profit for the year from discontinued operations attributable to owners of the Company amounting to approximately RMB3,039,000 (2014: loss for the year amounting to approximately RMB11,239,000) and the denominators detailed above for basic earnings per share from continuing and discontinued operations.

Diluted earnings per share from discontinued operations is RMB0.36 cents (2014: diluted loss per share of RMB1.35 cents) per share, based on the profit for the year from discontinued operations attributable to owners of the Company amounting to approximately RMB3,039,000 (2014: loss for the year amounting to approximately RMB11,239,000) and the denominators detailed above for diluted earnings per share from continuing and discontinued operations.

# 10. PREPAYMENTS FOR CONSULTATION, MARKETING AND PROMOTIONAL SERVICES

- (a) Movements of prepayments for consultation, marketing and promotional services, based on estimated dates of services rendered, during the year are as follows:

	2015 RMB'000	2014 RMB'000
As at 1 January	216,500	–
Additions	–	230,500
Refund of prepayments ( <i>Note</i> )	(13,150)	–
Utilised and charged to profit or loss	(77,593)	(14,000)
	<u>125,757</u>	<u>216,500</u>
As at 31 December	<u>125,757</u>	<u>216,500</u>
<i>Analysed for reporting purposes as follows:</i>		
Non-current portion	83,300	130,000
Current portion (included in trade and other receivables ( <i>Note 11</i> ))	42,457	86,500
	<u>125,757</u>	<u>216,500</u>
Total	<u>125,757</u>	<u>216,500</u>

- (b) The analysis of the carrying amount of prepayments for consultation, marketing and promotional services which will be charged to profit or loss is as follows:

	2015 RMB'000	2014 RMB'000
Within one year	42,457	86,500
After one year but less than two years	39,600	32,500
After two years but less than five years	43,700	97,500
	<u>125,757</u>	<u>216,500</u>

Prepayments for consultation, marketing and promotional services represent the prepayments made by the Group to several independent architectural research and design institutes and universities in the PRC (the “Parties”) for providing consultation services to set up and establish industry standards and national criteria with respect to applications of wood wool cement board (“WWCB”) related materials on different aspects, and for providing marketing and promotional services to the Group.

During the year ended 31 December 2014, the Group entered into several agreements (the “Agreements”) with the Parties for the purpose of (i) providing consultation services to the Group so as to set up and establish industry standards and national criteria for applications of WWCB related materials in the PRC and (ii) rendering marketing and promotional services to the Group for enhancing the development of the Group’s WWCB related materials and market penetration in the PRC during the years from 2015 to 2019. The total consideration of the Agreements is RMB266,000,000 of which RMB230,500,000 was paid by the Group during the year ended 31 December 2014. Pursuant to the Agreements, the Group has reserved the rights to recall part of or all of the prepayments already made to the Parties if the Parties cannot fulfill the conditions as stated in the Agreements.

During the year ended 31 December 2015, the expenses for consultation services of approximately RMB22,343,000 (net of tax of approximately RMB20,286,000) (2014: approximately RMB14,000,000 (net of tax of approximately RMB13,207,000)) and the expenses for marketing and promotional services of approximately RMB55,250,000 (net of tax of approximately RMB52,123,000) (2014: Nil) were recognised as “research and development expenses” and “marketing and promotional expenses” in profit or loss respectively.

*Note:* On 30 June 2015, two of the Parties entered into an agreement with the Group and agreed to refund part of the prepayments for consultation, marketing and promotional services amounting to approximately RMB13,150,000 to the Group as a result of non-fulfilment of certain conditions as stated in the Agreements and the amount was fully received by the Group in August 2015.

## 11. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables with normal credit terms ( <i>Note a</i> )	334,820	158,651
Trade receivables with extended credit terms ( <i>Note b</i> )	216,334	–
	<hr/>	<hr/>
Total trade receivables	551,154	158,651
Less: Allowance for doubtful debts	(31,322)	(27,226)
	<hr/>	<hr/>
Total trade receivables, net of allowance for doubtful debts	519,832	131,425
Less: Non-current portion of trade receivables with extended credit terms	(112,744)	–
	<hr/>	<hr/>
Current portion of trade receivables	407,088	131,425
	<hr/>	<hr/>
Other receivables	29,487	46,036
Less: Allowance for doubtful debts	(2,784)	(1,042)
	<hr/>	<hr/>
	26,703	44,994
	<hr/>	<hr/>
Retention receivables	35,839	51,826
Amounts due from related companies	1,016	16
	<hr/>	<hr/>
Loans and receivables	470,646	228,261
Prepayments for consultation, marketing and promotional services ( <i>Note 10</i> )	42,457	86,500
Prepayments and deposits	47,631	139,727
Other tax recoverables	45,283	36,871
Amounts due from customers for contract work	962	15,325
	<hr/>	<hr/>
	606,979	506,684
	<hr/> <hr/>	<hr/> <hr/>

The Group generally allows credit period ranging from 0 to 365 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.

The following is an ageing analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, 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	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0 – 30 days	3,717	9,064	–	–	3,717	9,064
31 – 60 days	25,200	272	–	–	25,200	272
61 – 90 days	38,952	3,187	128,254	–	167,206	3,187
91 – 180 days	154,318	65,466	88,080	–	242,398	65,466
181 – 365 days	81,311	19,387	–	–	81,311	19,387
Over 365 days	–	34,049	–	–	–	34,049
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	303,498	131,425	216,334	–	519,832	131,425
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**a) Trade receivables with normal credit terms**

The ageing analysis of trade receivables with normal credit terms that are neither individually nor collectively considered to be impaired is as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Neither past due nor impaired	<b>272,946</b>	9,336
Less than 1 month past due	<b>4,781</b>	3,187
1 to 3 months past due	<b>3,018</b>	65,466
More than 3 months past due	<b>22,753</b>	53,436
	<b>303,498</b>	131,425

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The movement in the allowance for doubtful debts of trade receivables with normal credit terms during the year, including both specific and collective loss components, is as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
As at 1 January	<b>27,226</b>	3,443
Impairment loss recognised	<b>23,116</b>	23,944
Reversal of impairment loss	<b>(11,590)</b>	(161)
Eliminated on disposal of subsidiaries	<b>(7,430)</b>	–
As at 31 December	<b>31,322</b>	27,226

Reversal of impairment loss on trade debtors represents the recovery of debts due from these debtors previously considered to be impaired. An allowance for these receivable amounts that had been made in previous years was reversed back accordingly.

As at 31 December 2015, trade receivables with normal credit terms of approximately RMB31,322,000 (2014: RMB27,226,000) were individually determined to be impaired. These individually impaired receivables were outstanding for over 180 days as at the end of the reporting period or were due from debtors with financial difficulties. The Group does not hold any collateral over these balances.

**b) Trade receivables with extended credit terms**

The amount represented the carrying amount of trade receivables arising from the sales of EP products and equipment to certain government authorities in the PRC during the year ended 31 December 2015. At initial recognition, the consideration to be received by the Group was RMB237,050,000 which will be settled by several instalments as stipulated in the sale contracts in which the last settlement date will be on or before 31 October 2018. The fair value of the consideration recognised at the initial recognition was approximately RMB212,387,000, determined using discounted cash flows at an imputed rate of interest. The difference of approximately RMB24,663,000 between the nominal value of the consideration and the fair value of the consideration at the initial recognition was debited to revenue.

The movements of trade receivables with extended credit terms during the year is as follow:

	<b><i>RMB'000</i></b>
Fair value of the consideration at initial recognition	212,387
Imputed interest recognised during the year ( <i>Note 3</i> )	3,947
	<hr/>
As at 31 December 2015	216,334
Less: Amounts due within one year included in trade receivables – current	(103,590)
	<hr/>
Amounts shown under non-current assets	112,744
	<hr/> <hr/>

At the end of the reporting period, the Group has trade receivables with extended credit terms which fall due as follows:

	<b>2015</b> <b><i>RMB'000</i></b>	<b>2014</b> <b><i>RMB'000</i></b>
Within one year	<b>103,590</b>	–
After one year but less than two years	<b>85,920</b>	–
After two years but less than three years	<b>26,824</b>	–
	<hr/>	<hr/>
	<b>216,334</b>	–
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2015, no allowance for doubtful debts was provided for trade receivables with extended credit terms.

The ageing analysis of trade receivables with extended credit terms that are neither individually nor collectively considered to be impaired is as follows:

	<b>2015</b> <b><i>RMB'000</i></b>	<b>2014</b> <b><i>RMB'000</i></b>
Neither past due nor impaired	<b>216,334</b>	–
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2015, the trade receivables with extended credit terms of approximately RMB216,344,000 (2014: Nil) were due from certain government authorities in the PRC which will be settled by several instalments up to three years.

## 12. TRADE AND OTHER PAYABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade payables ( <i>Note</i> )	109,160	114,060
Accruals and other payables	55,181	51,454
Amounts due to directors	2,876	–
Amounts due to related companies	16,339	6,628
Amounts due to customers for contract work	1,657	–
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	185,213	172,142
Other PRC tax payables	2,340	4,653
	<hr/>	<hr/>
	<b>187,553</b>	<b>176,795</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

### Ageing analysis of trade payables

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
0 – 30 days	253	14,953
31 – 60 days	11,155	2,779
61 – 90 days	7,574	1,017
91 – 180 days	11,549	3,140
181 – 365 days	36,471	2,970
Over 365 days	42,158	89,201
	<hr/>	<hr/>
	<b>109,160</b>	<b>114,060</b>
	<hr/> <hr/>	<hr/> <hr/>



### 13. 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 operating decision maker ("CODM") for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Sales of EP products and equipment: this segment involves the sales of EP products and equipment to external customers.
- Manufacture and sales of EP construction materials: this segment involves the manufactures and sales of EP construction materials to external customers, and the main product is WWCB.
- EP construction engineering projects: this segment undertakes the EP construction engineering projects for external customers.

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 2015 and 2014 is set out below:

Continuing operations:	Sales of EP products and equipment		Manufacture and sales of EP construction materials		EP construction engineering projects		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue from external customers	864,588	474,867	176,622	102,666	27,383	–	1,068,593	577,533
Inter-segment revenue	–	–	–	–	–	–	–	–
Reportable segment revenue	<u>864,588</u>	<u>474,867</u>	<u>176,622</u>	<u>102,666</u>	<u>27,383</u>	<u>–</u>	<u>1,068,593</u>	<u>577,533</u>
Reportable segment profit (adjusted EBITDA)	<u>163,109</u>	<u>88,745</u>	<u>8,395</u>	<u>53,927</u>	<u>820</u>	<u>–</u>	<u>172,324</u>	<u>142,672</u>
Depreciation and amortisation	<u>80</u>	<u>1,685</u>	<u>24,478</u>	<u>26,144</u>	<u>–</u>	<u>–</u>	<u>24,558</u>	<u>27,829</u>

## Geographical information

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

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

	<b>2015</b> <b>RMB'000</b>	2014 <i>RMB'000</i> (Restated)
Mainland China (place of domicile)	<b>1,067,628</b>	574,911
South Korea	<b>941</b>	1,863
Others	<b>24</b>	759
	<b>1,068,593</b>	577,533

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

The Group's specified non-current assets comprise property, plant and equipment, prepaid lease payments, non-current trade receivables with extended credit terms, and prepayments for consultation, marketing and promotional services.

The geographical location of these specified non-current assets is based on (i) the physical location of the assets, in the case of property, plant and equipment and prepaid lease payments, (ii) the location of the customers, in the case of non-current trade receivables with extended credit terms, and (iii) the location of the services to be provided by the service providers, in the case of prepayments for consultation, marketing and promotional services.

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

	<b>2015</b> <b>RMB'000</b>	2014 <i>RMB'000</i>
Mainland China (place of domicile)	<b>676,686</b>	634,579
Hong Kong	<b>340</b>	450
	<b>677,026</b>	635,029

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the year ended 31 December 2015, the Group achieved a total revenue of RMB1,068.6 million, increasing by 85.0% as compared to RMB577.5 million (restated) in 2014. Gross profit rose to about RMB245.2 million (2014: RMB156.3 million (restated)) and gross profit margin was 22.9% (2014: 27.1% (restated)). This growth of gross profit was mainly attributable to the rise in revenue from the water and flue treatment business and from sales of new eco-friendly construction materials. The Group recorded a profit attributable to owners of the Company of RMB69.9 million (2014: RMB28.4 million). The basic earnings per share were RMB8.32 cents (2014: RMB3.47 cents).

### Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK2 cents per share) as the capital will be reserved for the development of the Group's business operations.

### Business Review

As an integrated EP services and eco-friendly construction materials provider, the Group is principally engaged in the provision of EP construction engineering solutions and services for customers, and the development, manufacturing and sales of new eco-friendly construction materials.

### Sales of EP Products and Equipment

During the year under review, sales of EP products and equipment recorded a significant revenue growth of 82.1% to approximately RMB864.6 million, accounting for 80.9% of the Group's total revenue. Gross profit increased by 65.8% to RMB178.9 million, with a gross profit margin of 20.7%.

#### *Sales of Water Treatment Products and Equipment*

The water treatment systems produced by the Group are mainly used to process industrial and urban wastewater. During the year under review, the Group completed 26 water treatment-related sales contracts, while the water treatment business generated a revenue of approximately RMB737.3 million, accounting for approximately 69.0% of the Group's total revenue.

#### *Sales of Flue Gas Treatment Products and Equipment*

The Group's comprehensive supply chain in flue gas treatment products and equipment provides services ranging from engineering design to maintenance services. During the year under review, the Group completed 19 projects related to sales of flue gas treatment equipment, while the flue gas treatment business generated a revenue of approximately RMB127.3 million, accounting for about 11.9% of the Group's total revenue.

## **EP Construction Engineering Projects**

Leveraging its extensive industry expertise, professional research and development (“R&D”) capabilities and technologies, the Group provides one-stop EP solutions to a diverse range of clients. During the year under review, this segment recorded revenue of approximately RMB27.4 million, accounting for about 2.6% of the Group’s total revenue.

## **Provision of EP-Related Professional Services (Discontinued)**

The Group provided EP-related professional services to its clients via its subsidiary, Shanghai Environmental Engineering Design & Research Institute Limited (上海環境工程設計研究院有限公司) (“SEEDRI”). In view of SEEDRI’s loss-making position in the past, the Group decided to dispose of its equity interests in SEEDRI in December 2015. SEEDRI, however, will continue to provide engineering design services to the Group and cooperate in participating in and submitting tenders for EP engineering projects related to such engineering design services within three years from the completion date of the disposal. This segment ceased after the completion of the disposal on 22 December 2015.

## **Manufacture and Sales of EP Construction Materials**

WWCB is a new EP construction material for renovation and wall components, which can be widely used in residential and commercial buildings, noise barriers along highways and railways, acoustic materials for music halls, stations and car parks, and can effectively reduce engineering cost when compared to traditional construction materials. During the year under review, China’s economy remained sluggish and the unstable market conditions presented challenges to the construction sector as well as our EP construction materials business. This segment recorded a revenue of approximately RMB176.6 million, accounting for about 16.5% of the Group’s total revenue, with a gross profit margin of 36.7%.

As an eco-friendly inorganic energy-conserving construction material, WWCB is made from cement, eco-friendly fast growing timber and non-toxic additives undergoing a high pressurization process. Widely used overseas, WWCB enjoys distinctive features of heat preservation, fire resistant, sound-proof, moisture-proof, mould-proof and insect repelling properties, and its other outstanding features include sound absorption, hardness and durability, light weight and attractive appearance. As an ecologically-compatible material, it is bio-degradable and highly beneficial for EP.

In view of the potential of WWCB, the Group has engaged in collaboration with the industry leader from the Netherlands, and has exclusively introduced WWCB and large wall components in the PRC. Among the six production lines imported from the Netherlands, each with an annual capacity of approximately 140,000m<sup>3</sup>, five are standard lines that produce WWCB of varying thickness from 10mm to 100mm. The other is a fully automated large wall component production line which can manufacture components with a maximum dimension of 3m x 6m x 40cm which can be directly installed. Based on its expertise in large wall components, the Group has developed integrated wall component products boasting decoration and heat preservation capabilities, thus saving production cost for construction companies and contractors. As at 31 December 2015, three production lines have commenced commercial operation. The Group is currently modifying the remaining three production lines so as to produce more diversified products in response to the market demands.

Wuxi Pan-Asia Environment Protection Technologies Limited, a wholly owned subsidiary of the Company, in cooperation with the China Academy of Building Research (中國建築科學研究院), has drafted and compiled the national industry standard for application of WWCB, as eco-friendly construction material, named “Technological Specifications for Application of Wood Wool Cement Board” (Issuance No. JGJ/T377-2015) (the “National Industry Standard”), and has submitted the same to the Ministry of Housing and Urban-Rural Development (the “MHURD”) of the PRC (中華人民共和國住房和城鄉建設部) for approval. The National Industry Standard mainly consists of two sets of standards regarding molding prototype and large wall component respectively. They provide solutions in the field of prefabricated construction, which are in line with the eco-friendly trend as promoted in the PRC.

On 22 February 2016, the MHURD issued the Notice No.1052, by which the National Industry Standard was formally promulgated and will take effect from 1 August 2016.

As the National Industry Standard, which was previously absent in the PRC, comes into force from 1 August 2016, it sets out the national standard for the application of WWCB. The National Industry Standard would also facilitate and promote the market development of WWCB as construction material and provide standardized basis for the application of WWCB in the PRC. We are proud that the WWCB products of the Group are in full compliance of the National Industry Standard. That puts the Group in an advantageous position when promoting and selling its WWCB products.

Currently, eco-friendly construction methods and the use of eco-friendly construction materials are promoted in the PRC and thereby steel structural construction and prefabricated construction are encouraged. The construction standards and quality of such construction also keep improving.

In order to secure the Group’s leading position in the industry and to promote the use of eco-friendly construction materials, the Group has devoted vast efforts and investment in various aspects of eco-friendly construction, including product standardization, technical specification and obtaining various patents, and has played a significant role in revolutionizing construction development. The Group will also continue to devote efforts in R&D of WWCB in order to enhance the quality of its WWCB products so that the Group’s leading position in the WWCB segment could be further secured. The Group will also continue to promote the sales of WWCB products and enlarge the network of designated resellers in the PRC.

During the year under review, the collaborative project with Longyuan Construction Group Co. Ltd. on providing prefabricated external walls to a residential district in Inner Mongolia continued to make good progress. In terms of market development, the Group has stepped up the promotion of WWCB for use as building panels and blocks to replace traditional wall building materials. In addition, the Group has taken up sound barrier projects, utilising WWCB’s advantage in sound insulation. In the first half of the year, the Group initiated the Jiamin Highway project.

## **Prospects**

### ***EP Construction Engineering Project Business***

Severe smog problems and mounting water pollution have attracted the attention of the Central Government of the PRC (the “Central Government”). Thus a series of policies targeting key construction projects has been launched to address these issues as in recent years, EP has been an increasingly important issue in the PRC.

The strongly supportive national policies have significantly spurred domestic demand for EP products. To reduce water pollution, the State Council has published the “Water Pollution Prevention and Control Action Plan” boosting requirements on the prevention of industrial pollution and treatment of urban living waste. Besides, the Ministry of Environmental Protection is also accelerating the preparation of amendments to China’s Water Pollution Prevention and Control Law as the Central Government showed stronger support for the water sector during the 13th Five Year Plan period. These measures to limit pollutant emissions demonstrate the determination and long-term planning of the Central Government on pollution emission controls. Under the new national policies, the demand for EP products is set to surge in China.

Apart from providing flue gas desulphurization services to clients engaged in power generation and non-ferrous metals, the Group has also undertaken a dedusting project of coal-fired power plants, an area with an increasing market demand. Currently, the Group has 54 uncompleted water and flue gas treatment contracts with a total value of approximately RMB546.0 million on hand. The Group intends to continue to focus on business and revenue in water and flue gas treatment to expand the revenue stream and generate a stable cash flow.

### ***Eco-friendly Construction Materials Business***

The standards and proposals in relation to green development under China’s 13th Five Year Plan have demonstrated the great significance attached to environmentally-friendly construction materials. In view of the opportunities coming along with the Central Government’s greater emphasis on green buildings, the Group has engaged in aggressive expansion of its eco-friendly construction materials business. Having the exclusive right to import WWCB production facilities from the Netherlands and operate them in the PRC, the Group has helped to compile the National Industry Standard for WWCB construction and inspection, which is scheduled to be implemented from 1 August 2016 onwards. Fuelled by further market penetration of WWCB with the publication of the National Industry Standard, the Group will take advantage of this opportunity to promote its WWCB business and raise its public profile further, which is expected to lead to improved performances over the year ahead.

The Group has been actively introducing the WWCB to construction companies and contractors. The Group has also entered into a strategic partnership with Suzhou Gold Mantis Construction Decoration Co., Ltd., a specialized interior decoration enterprise in January 2016. As part of the agreement, the Group’s WWCB products are to be utilized in all construction projects of Suzhou Gold Mantis Construction Decoration Co., Ltd. Besides, the Group has formed a partnership with distributors in Shijiazhuang, Nanjing and Chengdu, and will strive to expand its distribution network.



## **Disposal of Subsidiaries**

On 1 December 2015, the Group, through its indirect wholly-owned subsidiary Wuxi Pan-Asia Environmental Protection Technologies Limited (無錫泛亞環保科技有限公司), entered into an agreement for the disposal of 100% equity interest in its wholly-owned subsidiary Wuxi Zhong Dian Kong Leng Technology Limited (無錫市中電空冷技術有限公司) (“Wuxi Zhong Dian”), which held 70.05% of the shareholdings in SEEDRI, at a consideration of RMB800,000. SEEDRI is a company incorporated in the PRC with its principal activities being engineering research, design of energy-saving and environment protection facilities and infrastructures, and it holds 70% of the shareholdings in Liaoning Pan Asia Environmental Design Engineering Company Limited (遼寧泛亞環境設計工程有限公司) (“Liaoning Pan Asia”), a company incorporated in the PRC, which was a project company of SEEDRI, with its principal activity being the undertaking of EP projects.

In view of the loss-making position of the Wuxi Zhong Dian and its two non wholly-owned subsidiaries, the disposal will improve the Group’s performance as it increases its cash resources for the further development and expansion of its core business. Upon the completion of the disposal transaction, the Group recorded a gain of approximately RMB5.2 million.

Under the disposal agreement, during a period of three years from the date of completion, whenever the Group cooperates with SEEDRI in submitting a tender for EP engineering projects, SEEDRI is required to provide engineering design services to the Group and assume responsibilities in relation for such services, and cooperate with the Group in participating in and submitting tenders for EP engineering projects related to such engineering design services.

## **Liquidity and Financial Resources**

As at 31 December 2015, total assets of the Group amounted to RMB1,862.5 million, an increase of RMB60.5 million as compared with RMB1,802.0 million in 2014. The increase was mainly due to increase in trade receivables. The Group’s total liabilities as at 31 December 2015 amounted to RMB557.9 million, an decrease of RMB4.0 million as compared with RMB561.9 million in 2014. The main reason for this decrease in the total liabilities was due to the decrease in deposits received and receipts in advance. The Group’s total equity as at 31 December 2015 was RMB1,304.6 million (2014: RMB1,240.0 million). The Group had unpaid bank borrowings of RMB14.0 million as at 31 December 2014 (2015: Nil) and the equity ratio calculated by dividing interest-bearing loans and other borrowings by total equity as at 31 December 2014 was 1.1% (2015: Nil). The Group’s cash and cash equivalents amounted to RMB276.0 million as at 31 December 2015 (2014: RMB379.2 million).

## **Exposure to Fluctuations in Foreign Exchange Rates**

Business transactions and liabilities of the Group are largely denominated in Renminbi and Hong Kong Dollars. The Group adopts a conservative financial policy and the majority of its bank deposits are in Renminbi and Hong Kong Dollars. As at 31 December 2015, 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 is continuing to monitor the foreign exchange exposure and will take prudent measures as and when appropriate. As at 31 December 2015, the Group did not hold any derivatives for hedging against both the interest rate and foreign exchange risks.

## **Capital Commitments and Contingent Liabilities**

As at 31 December 2015, the Group had a capital expenditure commitment in respect of the acquisition of property, plant and equipment totalling RMB9.7 million (2014: RMB2.3 million). The Group provides product maintenance services to customers of flue gas desulphurisation construction projects and certain EP products for a period ranging from six months to two years after a project is completed or a product is delivered. At the same time, the Group enjoys warranties for the work and equipment from its sub-contractors and suppliers. The Directors of the Company believe that the amount of crystallised warranty liabilities, if any, in excess of the amount covered by the warranties given by sub-contractors and suppliers, would not have any adverse material effect on the overall financial position or operating results of the Group.

## **Charge on Group's assets**

- a) A bank deposit of the Company's subsidiary of approximately RMB6,543,000 as at 31 December 2015 (2014: RMB6,543,000) was pledged to a bank to secure a banking facility of approximately RMB3,977,000 (2014: RMB4,213,000) granted to this subsidiary.
- b) As at 31 December 2014, the Group's building with carrying amount of approximately RMB724,000 (2015: Nil) was pledged to a bank to secure a bank loan of approximately RMB9,000,000 (2015: Nil).

## **Human Resources**

As at 31 December 2015, the Group had approximately 150 employees. Salaries of employees were maintained at competitive levels and are reviewed annually, with close reference to the relevant labour market and economic situation. Remuneration of the Directors is determined based on a variety of factors such as market conditions and the specific responsibilities shouldered by the individual Director. Apart from the basic remuneration and statutory 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 operation. During the year under review, the Group organised professional and vocational trainings to its employees.



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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

## **Scope of Work of Crowe Horwath (HK) CPA Limited**

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2015 as set out in this preliminary announcement have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited, as to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Crowe Horwath (HK) CPA Limited on this preliminary announcement.

## **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 has reviewed the financial statements of the Group for the year ended 31 December 2015.

## **Corporate Governance**

In the opinion of the Board, throughout the year ended 31 December 2015, the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

## **Closure of Register of Members**

The annual general meeting ("AGM") of the Company is scheduled to be held on Friday, 3 June 2016. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016, 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 Tuesday, 31 May 2016.

## **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](http://www.hkexnews.hk)) and the Company ([www.paep.com.cn](http://www.paep.com.cn)) and the 2015 Annual Report will be despatched 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 Quanlong**  
*Chairman*

Hong Kong, 30 March 2016

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

*Executive Directors:*

Mr. JIANG Quanlong  
Mr. JIANG Lei  
Mr. FAN Yajun

*Independent Non-Executive Directors:*

Mr. LAI Wing Lee  
Mr. LEUNG Shu Sun, Sunny  
Professor WANG Guozhen