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 2009

FINANCIAL HIGHLIGHTS:

	For the six months ended		
	30 June 2009	30 June 2008	**Variance**
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
TURNOVER	**190,194**	286,648	-33.6%
GROSS PROFIT	**56,431**	134,033	-57.9%
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	**35,525**	81,602	-56.5%
EARNINGS PER SHARE — BASIC AND DILUTED *(RMB CENTS)*	**4.44 cents**	10.20 cents	-56.5%

RESULTS

The Board of Directors (the "Directors" or the "Board") of Pan Asia Environmental Protection Group Limited (the "Company" or "Pan Asia") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009, together with comparative figures for the six months ended 30 June 2008, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	4	**190,194**	286,648
Cost of sales		**(133,763)**	(152,615)
Gross profit		**56,431**	134,033
Other revenue		**9,594**	6,167
Other net income		**5,226**	6,876
Distribution costs		**(796)**	(25,614)
Administrative expenses		**(19,018)**	(13,794)
Other operating expenses		**(435)**	(700)
Finance costs	5	**(1,677)**	(587)
Profit before taxation	5	**49,325**	106,381
Income tax	6	**(12,563)**	(25,573)
Profit for the period		**36,762**	80,808

	Note		
Other comprehensive income for the period (after tax and reclassification) adjustment:			
Exchange differences on translation of:			
— Exchange differences on translating foreign operations		**(62)**	(25,660)
		(62)	(25,660)
Total comprehensive income for the period		**36,700**	55,148
Profit attributable to:			
Owners of the Company		**35,525**	81,602
Minority interests		**1,237**	(794)
		36,762	80,808
Total comprehensive income attributable to:			
Owners of the Company		**35,463**	55,942
Minority interests		**1,237**	(794)
		36,700	55,148
Earnings per share			
Basic and diluted	7	**RMB4.44 cents**	RMB10.20 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Note	**At 30 June 2009** *RMB'000* **(Unaudited)**	At 31 December 2008 *RMB'000* (Audited)
Non-current assets			
Prepaid lease payment		**27,637**	6,913
Property, plant and equipment		**50,435**	52,847
Available-for-sale financial asset		**6,850**	1,950
		84,922	61,710
Current assets			
Prepaid lease payment		**169**	169
Inventories		**41,140**	40,693
Trade and other receivables	8	**379,143**	303,145
Tax recoverable		**—**	3,836
Pledged bank deposits		**—**	96,740
Cash and bank balances		**798,011**	849,298
		1,218,463	1,293,881
Current liabilities			
Short term bank loan		**—**	82,000
Trade and other payables	9	**192,273**	206,438
Tax payable		**2,138**	—
		194,411	288,438
Net current assets		**1,024,052**	1,005,443
Net assets		**1,108,974**	1,067,153
Capital and reserves			
Share capital		**74,872**	74,872
Reserves		**1,030,187**	989,603
Total equity attributable to owners of the Company		**1,105,059**	1,064,475
Minority interests		**3,915**	2,678
Total equity		**1,108,974**	1,067,153

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Pan Asia Environmental Protection Group Limited (the “Company”) was incorporated as an exempted company and registered in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business in Hong Kong 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.

The Company and its subsidiaries (collectively referred to as the “Group”) are 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.

2. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), including compliance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008 except for as described in note 3 below.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new Hong Kong Financial Reporting Standards (“HKFRSs”), a number of amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments*: Disclosures — *improving disclosures about financial instruments*
- HKAS 23 (revised), Borrowing costs
- Amendments to HKFRS 2, Share-based payment —vesting conditions and cancellations

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the unaudited interim financial statements. The impact of the remainder of these developments on the unaudited interim financial statements is as follows:

- HKFRS 8 requires segment disclosure to be based on the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision maker.

- As a result of the adoption of HKAS 1 (revised), details of changes in equity during the period arising from transactions with owners in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial statements and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's consolidated statement of comprehensive income and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in consolidated statement of comprehensive income, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

4. SEGMENT REPORTING

The Group manages its businesses by divisions and all those divisions are located in the People's Republic of China (the "PRC"). On the first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Sale of EP products and equipment: this segment sells EP products and equipment to external customers. Currently the Group's activities in this regard are carried out in the PRC only.

- EP construction engineering projects: this segment constructs EP engineering projects for external customers. Currently the Group's activities in this regard are carried out in the PRC only.

- Provision of EP related professional services: this segment provides EP related professional services to external customers and for Group companies. Currently the Group's activities in this regard are carried out in the PRC only.

a) ***Segment results, assets and liabilities***

In accordance with HKFRS 8, segment information disclosed in this interim financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and other corporate assets. Segment liabilities include trade and other payables attributable to individual segments and short term bank loan managed directly by the senior executive management.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and services rendered by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Inter-segment assistance provided by one segment to another, is not measured.

This measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as included investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances are borrowings managed directly to the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

For the six months ended 30 June

	Sale of EP products and equipment		EP construction engineering projects		Provision of EP related professional services		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Revenue from external customer	**148,833**	285,780	**31,316**	—	**10,045**	868	**190,194**	286,648
Inter-segment revenue	**—**	—	**—**	—	**—**	200	**—**	200
Reportable segment revenue	**148,833**	285,780	**31,316**	—	**10,045**	1,068	**190,194**	286,848
Reportable segment profit (adjusted EBITDA)	**38,776**	108,917	**9,020**	—	**7,839**	(298)	**55,635**	108,619
Reportable segment assets	**218,873**	287,531	**57,260**	111,208	**7,050**	5,318	**283,183**	404,057
Reportable segment liabilities	**87,958**	128,112	**57,040**	144,133	**8,907**	10,322	**153,905**	282,567

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**190,194**	286,848
Elimination of inter-segment revenue	**—**	(200)
Consolidated turnover	**190,194**	286,648
Profit		
Reportable segment profit	**55,635**	108,619
Elimination of inter-segment profits	**—**	(200)
Reportable segment profit derived from Group's external customers	**55,635**	108,419
Other revenue and other net income	**14,820**	13,043
Depreciation and amortisation	**(2,747)**	(2,503)
Finance costs	**(1,677)**	(587)
Unallocated head office and corporate expenses	**(16,706)**	(11,991)
Consolidated profit before taxation	**49,325**	106,381

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Assets		
Reportable segment assets	**283,183**	404,257
Elimination of inter-segment receivables	**—**	(200)
	283,183	404,057
Non-current financial assets	**6,850**	1,950
Tax recoverable	**—**	3,836
Unallocated head office and corporate assets	**1,013,352**	945,748
Consolidated total assets	**1,303,385**	1,355,591

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Liabilities		
Reportable segment liabilities	**153,905**	282,567
Tax payables	**2,138**	—
Unallocated head office and corporate liabilities	**38,368**	5,871
Consolidated total liabilities	**194,411**	288,438

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2009 *RMB'000*	2008 *RMB'000*
(a) Finance costs		
Interest on borrowings	**1,677**	587
(b) Other items		
Amortisation	**84**	84
Depreciation	**2,663**	2,419
Dividend and interest income	**(6,959)**	(5,471)

6. INCOME TAX

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	
	2009	2008
	RMB'000	*RMB'000*
Current tax — PRC enterprise income tax	**12,563**	25,573

By a legislation passed by the National People's Congress in 2008, a uniform enterprise income tax of 25% generally applied to all domestic and foreign investment enterprises established in the PRC, subject to certain exceptions or exemptions with effect from 1 January 2008. All the Group's PRC subsidiaries are subject to the PRC enterprise income tax rate at a rate of 25% on the assessable profits for the six months ended 30 June 2009.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the six months ended 30 June 2009.

No provision for Hong Kong profits tax has been made for the period ended 30 June 2008 and 2009 as the Group's income neither arises in, nor is derived from Hong Kong.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB35,525,000 (six months ended 30 June 2008: RMB81,602,000) and the weighted average of 800,000,000 ordinary shares (2008: 800,000,000 shares) in issue during the interim period.

(b) Diluted earnings per share

Diluted earnings per share equal to basic earnings per share for the period ended 30 June 2009 and 30 June 2008 as the exercise price of the Company's outstanding share options was higher than the average market price for shares for the period and therefore it is anticipated that no share option to subscribe for the Company's shares will be exercised.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors (net of allowance for doubtful debts) with the following ageing analysis:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Current	**74,504**	132,422
Less than 1 month past due	**8,619**	17,137
1 to 3 month past due	**15,767**	26,587
More than 3 months but less than 12 months past due	**64,869**	56,032
Trade receivables, net of allowance for doubtful debts	**163,759**	232,178
Other receivables	**106,663**	36,354
Less: Allowance for doubtful debts	**(147)**	(147)
	106,516	36,207
Amount due from a related company	**2,113**	2,033
Loans and receivables	**272,388**	270,418
Prepayments and deposits	**53,773**	21,514
Amounts due from customers for contract work	**52,982**	11,213
	379,143	303,145

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.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables is trade creditors with the following ageing analysis as of the balance sheet date:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
0 to 30 days	**36,614**	52,133
31 to 60 days	**4,055**	407
61 to 90 days	**157**	453
91 to 180 days	**86**	139
181 to 365 days	**1,274**	2,870
Over 365 days	**19,671**	31,079
Trade payables	**61,857**	87,081
Accruals and other payables	**62,821**	49,977
Amounts due to minority shareholders	**10,955**	2,763
Amount due to a director	**1,148**	976
Financial liabilities measured at amortised cost	**136,781**	140,797
Trade deposit received	**55,492**	65,641
	192,273	206,438

10. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group has the following post balance sheet events:

On 3 September 2009, a newly incorporated and wholly owned subsidiary of the Company, Dragon Commend Limited (the "Purchaser"), entered into a non-legally binding memorandum of understanding with Golden Nature Group Limited for acquisition of the equity interest in both E Motors Group Holding Company Limited and 江蘇益茂純電動汽車有限公司 (Jiangsu E Motors Company Limited ("Jiangsu E Motors")) (the "Acquisition") for an intended total consideration of RMB60,000,000 (subject to adjustment). Upon completion of the Acquisition, the Purchaser will directly and indirectly hold approximately 20% interest in Jiangsu E Motors. The Acquisition is not completed as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2009, the Group achieved a total turnover of RMB190 million, 33.6% lower than that in the same period last year. The Group sold less products and equipment and deferred works on certain projects because of the global financial turmoil. As a result, overall gross profit of the Group dropped to RMB56.4 million (six months ended 30 June 2008: RMB134 million) with gross profit margin at 29.7%. Profit attributable to owners of the Company was approximately RMB35.5 million (six months ended 30 June 2008: RMB81.6 million) and net profit was 56.5% lower than that of the previous corresponding period.

Dividend

The Board recommended withholding dividend payment for the six months ended 30 June 2009 till year end to be included in the final dividend for the year to be distributed to shareholders.

Business Review

As an integrated environmental protection ("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 2009, the Group had 50 engineers from different professional backgrounds and with work experience in environmental protection providing customised EP services to customers in different industries.

In the first half of 2009, the global financial crisis continued to affect various industries and created immense operational pressure on manufacturers. As a result, fewer contracts have been awarded to the Group and also some projects had to be postponed. However, with the Chinese government introducing the RMB4 trillion economic stimulus package and more relaxed monetary policies in the second quarter, the Chinese economy stabilised allowing the Group to gradually resume works on its projects. Furthermore, the Chinese authorities continued to push forward with plans outlined in the country's Eleventh Five-Year Plan with development of green industries as a major objective. Though commercial activities were slack, local governments had continued to invite tenders for different public EP projects which benefited the EP industry and mitigated the impact of the economy downturn on the industry.

Sale of EP Products and Equipment

This segment is responsible for selling pipes, and water and flue gas treatment products and equipment. During the period under review, it recorded a turnover of approximately RMB149 million, accounting for over 73.5% 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. The Group completed 23 water treatment sales contracts during the period, which generated turnover of RMB140 million, accounting for 93.9% of the segmental turnover. Last April, the Group signed a Sewage Reduction Outline Agreement with the Bengbu City Government in Anhui Province. Testing and commissioning of one of the projects covered in the agreement is close to completion and the earnings from it will be recognized in the second half of the year. Two other projects will begin in the second half year and are expected to bring profits to the Group in 2010. Furthermore, the Group is considering taking part in the water treatment project in Taihu in Wuxi, Jiangsu Province.

Sale of Flue Gas Treatment Products and Equipment

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

Sale of Pipes

In addition to providing comprehensive EP solutions, the Group also produces fibre glass-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 8,100 metres of pipes at the average utilisation rate of approximately 4.7%. The Group completed 2 contracts related to sale of pipes, which generated a turnover of approximately RMB9.0 million, accounting for 6.1% of the segmental turnover.

EP Construction Engineering Projects

The Group started to undertake EP construction engineering projects in 2004. Armed with extensive industry expertise and professional research and development capabilities and technologies, it has been providing clients with one-stop EP solutions. During the period, it recorded a turnover of approximately RMB31.3 million, accounting for approximately 16.5% of the Group's total turnover. The Group has undertaken three government projects in Xiangwei, Hunan and Lianyungang, Jiangsu, and related results were recognized for the period under review according to their progress. The testing and commissioning of these projects and related settlements are expected to be completed in the second half of the year. Moreover, the Group started work on a flue gas desulphurisation project in Henan in May, which is expected to bring profit in 2010.

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, the segment recorded a turnover of approximately RMB10.0 million, accounting for around 5.3% of the total turnover of the Group.

Prospects

With governments around the world committed to counter impacts from the financial turmoil, the global economic environment is steadily recovering. The PRC government has also stepped up efforts in promoting development of the EP industry. These phenomena are conducive to the overall healthy development of the industry. In its economic stimulus package, the PRC government highlighted the emphasis on building an ecologically friendly environment and pledged support to energy conservation and emission reduction projects. The government has also started important preliminary researches to facilitate the mapping out of the country's "Twelfth Five-Year Plan" with flue gas denitrification ("DeNOx") added as a major focus on top of flue gas desulphurisation ("FGD") so as to reduce nitric oxide emissions.

Looking ahead, Pan Asia will operate its business with prudence and continue to consolidate its position in the EP market in the PRC. It will also strive to capture opportunities bred by supportive government policies and explore growth potential in the market. The Group currently has about 22 EP contracts of total worth approximately RMB330 million on hand.

In the second half of 2009, wastewater treatment business will remain as the Group's major income source, however, the Group will also seek to gradually expand flue gas treatment and related product production businesses. Moreover, the Group plans to form strategic alliance with an environmental protection company of a large PRC power group. A joint venture company will be set up to produce catalyst used in the "Selective Catalytic Reduction Denitrification" ("SCR DeNOx") System. Pan Asia will own not less than 35% equity interest in the joint venture company and will participate in financial management and sales and distribution of the product in certain regions. The two parties will fully apply their respective strengths and collaborate on all EP and EP-related areas, and jointly participate in bidding for domestic EP engineering projects and explore overseas markets including involving in EP projects in relation to construction of power plants in emerging markets such as India.

Furthermore, the Group has been active in developing new EP businesses including clean energy businesses. In September this year, it proposed to acquire approximately 20% equity interest in Jiangsu E Motors Company Limited in the business of producing electric vehicles, motive batteries and other related products. A letter of intent to purchase shares was signed with the vendor at the proposed total consideration of RMB60 million. The Group also plans to develop other clean energy businesses and explore renewable forestry resources.

To maintain steady growth of its businesses in the long run, the Group will adhere to its active yet prudent development strategies and make the best use of its abundant cash. Apart from water and flue gas treatment businesses, it will continue to enhance competitiveness and expand business scope by looking carefully for merger and acquisition targets and other investment opportunities.

Liquidity and Financial Resources

As at 30 June 2009, total assets of the Group amounted to RMB1,218 million, RMB76 million less when compared to RMB1,294 million as at 31 December 2008. The Group's total liabilities as at 30 June 2009 were RMB194 million, a decrease of RMB94 million as compared to RMB288 million as at 31 December 2008. The drop in total liabilities was the result of repayment of short term bank loan of RMB82 million. The Group had no bank loan as at 30 June 2009 (31 December 2008: RMB82 million). Its total equity was RMB1,109 million as at 30 June 2009, RMB42 million more than the RMB1,067 million as at 31 December 2008. The Group's cash and cash equivalents amounted to RMB798 million as at 30 June 2009.

Exposure to fluctuations in 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, Australian Dollars and Hong Kong Dollars. As at 30 June 2009, the Group did not have any foreign currency bank liability, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Nevertheless, the management will continue to monitor foreign exchange exposure of the Group and take prudent measures as and when appropriate. As at 30 June 2009, the Group did not have any derivative for hedging against both the interest and exchange rate risks.

Capital Commitments and Contingent Liabilities

As at 30 June 2009, the Group had no capital expenditure commitment.

The Group provides maintenance services to customers of FGD construction projects and certain EP products for a period ranging from 6 months to 2 years after a project is completed or a product is delivered. At the same time, it enjoys warranties for the work and equipment from its sub-contractors and suppliers. The directors of the Company believe that the amount of crystallized warranty liabilities, if any, in excess of the amount covered by the warranties given by sub-contractors and suppliers, will not have any material adverse effect on the overall financial position or operating results of the Group.

Human Resources

As at 30 June 2009, the Group had approximately 360 employees. Salaries of employees are maintained at competitive levels and 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 shoulder by individual director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based on its results and performance of the individual employee. The Group also has an employee share option scheme in operation.

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 2009.

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 of the Listing Rules throughout the six months ended 30 June 2009.

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 six months ended 30 June 2009. At the request of the Board of Directors, the Company's external auditors have carried out a review of this unaudited interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

Appreciation

On behalf of the Board and the management, I would like to express my gratitude to all staff for their hard work and dedication to the Group during the review period. My thanks also go to our shareholders, investors, clients, suppliers and business partners for their tireless support.

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 2009 will be despatched to all its shareholders and be published on the websites of the Company (www.paep.com.cn) and of the Stock Exchange (www.hkexnews.hk) on or before 30 September 2009.

By Order of the Board
JIANG Quanlong
Chairman

Hong Kong, 17 September 2009

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. Jiang Lei

Independent Non-Executive Directors:
Mr. Lai Wing Lee
Mr. Leung Shu Sun, Sunny
Professor Wang Guozhen