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 2010

FINANCIAL HIGHLIGHTS:

	Six months ended 30 June		
	2010	2009	**Variance**
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
TURNOVER	**241,691**	190,194	+27.1%
GROSS PROFIT	**63,262**	56,431	+12.1%
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	**34,640**	35,525	-2.5%
EARNINGS PER SHARE – BASIC AND DILUTED *(RMB)*	**4.33 cents**	4.44 cents	-2.5%

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 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Note	**Six months ended 30 June 2010** *RMB'000* **(Unaudited)**	2009 *RMB'000* (Unaudited)
Turnover	3	**241,691**	190,194
Cost of sales		**(178,429)**	(133,763)
Gross profit		**63,262**	56,431
Other revenue		**1,775**	9,594
Other net (loss)/income		**(2,452)**	5,226
Distribution costs		**(242)**	(796)
Administrative expenses		**(14,089)**	(19,018)
Other operating expenses		**(801)**	(435)
Finance costs	4	**–**	(1,677)
Profit before taxation	4	**47,453**	49,325
Income tax	5	**(14,470)**	(12,563)
Profit for the period		**32,983**	36,762
Other comprehensive income for the period (after tax and reclassification adjustment):			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries		**(595)**	(62)
		(595)	(62)
Total comprehensive income for the period		**32,388**	36,700
Profit attributable to:			
Owners of the Company		**34,640**	35,525
Minority interests		**(1,657)**	1,237
		32,983	36,762
Total comprehensive income attributable to:			
Owners of the Company		**34,045**	35,463
Minority interests		**(1,657)**	1,237
		32,388	36,700
Earnings per share			
Basic and diluted	6	**RMB4.33 cents**	RMB4.44 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	**30 June 2010** *RMB'000* **(Unaudited)**	31 December 2009 *RMB'000* (Audited)
Non-current assets			
Prepaid lease payment		**6,660**	6,745
Property, plant and equipment		**45,862**	47,951
Available-for-sale financial asset		**6,850**	6,850
		59,372	61,546
Current assets			
Prepaid lease payment		**169**	169
Inventories		**118,925**	32,955
Trade and other receivables	7	**609,347**	540,992
Pledged bank deposits		**28,480**	31,480
Cash and bank balances		**739,920**	739,266
		1,496,841	1,344,862
Current liabilities			
Short term bank loan		**16,478**	16,478
Trade and other payables	8	**230,482**	140,968
Deposits received and receipt in advance		**122,101**	69,413
Tax payable		**22,841**	19,722
		391,902	246,581
Net current assets		**1,104,939**	1,098,281
Net assets		**1,164,311**	1,159,827
Capital and reserves			
Share capital		**74,872**	74,872
Reserves		**1,088,730**	1,082,589
Total equity attributable to owners of the Company		**1,163,602**	1,157,461
Minority interests		**709**	2,366
Total equity		**1,164,311**	1,159,827

NOTES:

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 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 (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 condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed consolidated interim financial statements 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. SEGMENT REPORTING

The Group manages its businesses by divisions and all those divisions are located in the People's Republic of China (the "PRC"). 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	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue from external customer	**226,562**	148,833	**13,114**	31,316	**2,015**	10,045	**241,691**	190,194
Reportable segment profit/ (loss) (adjusted EBITDA)	**63,873**	38,776	**1,803**	9,020	**(1,762)**	7,839	**63,914**	55,635
Reportable segment assets	**300,069**	224,344	**201,118**	221,944	**13,615**	6,318	**514,802**	452,606
Reportable segment liabilities	**140,176**	41,807	**117,477**	111,197	**16,254**	10,085	**273,907**	163,089

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue from external customer	**241,691**	190,194
Profit		
Reportable segment profit derived from external customers	**63,914**	55,635
Other revenue and other net (loss)/income	**(677)**	14,820
Depreciation and amortisation	**(2,738)**	(2,747)
Finance costs	**–**	(1,677)
Unallocated head office and corporate expenses	**(13,046)**	(16,706)
Consolidated profit before taxation	**47,453**	49,325

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**514,802**	452,606
Non-current financial assets	**6,850**	6,850
Unallocated head office and corporate assets	**1,034,561**	946,952
Consolidated total assets	**1,556,213**	1,406,408
Liabilities		
Reportable segment liabilities	**273,907**	163,089
Tax payable	**22,841**	19,722
Unallocated head office and corporate liabilities	**95,154**	63,770
Consolidated total liabilities	**391,902**	246,581

4. PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2010	2009
		RMB'000	*RMB'000*
(a)	**Finance costs**		
	Interest on borrowings	**–**	1,677
	Total finance costs	**–**	1,677
(b)	**Other items**		
	Amortisation	**85**	84
	Depreciation	**2,653**	2,663
	Dividend and interest income	**(1,752)**	(6,959)

5. INCOME TAX

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current tax – PRC enterprise income tax	**14,470**	12,563

(i) An uniform enterprise income tax of 25% became 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.

(ii) No provision for Hong Kong profits tax has been made for the period ended 30 June 2009 and 2010 as the Group's income neither arises nor is derived from Hong Kong.

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% (2009: 16.5%) of the estimated assessable profit for the period.

(iii) Under the Enterprise Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. No deferred tax liabilities in respect of the withholding income tax on dividends has been recognised by the Group as the Company controls the dividends policy of the Group's PRC subsidiaries.

6. 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 RMB34,640,000 (six months ended 30 June 2009: RMB35,525,000) and the weighted average of 800,000,000 ordinary shares (2009: 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 2010 and 30 June 2009 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.

7. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Current	**64,223**	86,972
Less than 1 month past due	**6,768**	25,488
1 to 3 month past due	**10,623**	34,190
3 months to 12 months past due	**102,401**	29,973
Trade debtors, net of allowance for doubtful debts	**184,015**	176,623
Other receivables	**45,696**	51,022
Less: Allowance for doubtful debts	**(147)**	(147)
	45,549	50,875
Amounts due from a related company	**–**	2,028
Loans and receivables	**229,564**	229,526
Prepayments and deposits	**189,027**	127,361
Amount due from customers for contract work	**190,756**	184,105
	609,347	540,992

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.

8. TRADE AND OTHER PAYABLES

Included in trade and other payables is trade creditors with the following aging analysis as of the end of the reporting period:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
0 to 30 days	**93,252**	59,054
31 to 60 days	**2,048**	1,300
61 to 90 days	**156**	30
91 to 180 days	**18,190**	578
181 to 365 days	**1,310**	4,592
Over 365 days	**36,850**	11,644
Trade payable	**151,806**	77,198
Accruals and other payables	**71,384**	51,213
Amounts due to minority shareholders	**5,868**	11,334
Amount due to a director	**1,424**	1,223
Financial liabilities measured at amortised cost	**230,482**	140,968

9. PLEDGE OF ASSETS

At 30 June 2010, a bank deposit of a subsidiary of approximately RMB28,480,000 (31 December 2009: RMB31,480,000) was pledged to secured a bank loan of approximately RMB16,478,000 and banking facility approximately RMB15,671,000 (31 December 2009: RMB51,296,000) granted to the subsidiary.

At 30 June 2010, a subsidiary had pledged the buildings with the carrying amount of approximately RMB899,000 (31 December 2009: Nil) to secure a short term bank loan of approximately RMB9,000,000 granted to a creditor.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2010, the Group achieved a total turnover of RMB241.7 million, an increase of 27.1% compared with the same period last year. As the global economy has been gradually recovering, the sale of products and equipment of the Group also gradually picked up. Overall gross profit rose to RMB63.3 million (six months ended 30 June 2009: RMB56.4 million) and gross profit margin to 26.2%. Profit attributable to owners of the Company was approximately RMB34.6 million (six months ended 30 June 2009: RMB35.5 million) and net profit was 2.5% lower than that of the previous corresponding period. Net profit margin was 14.3%. The decline of net profit was mainly caused by a decrease of other income and the foreign exchange loss of the Company's Australian Dollar bank deposits. Earnings per share of the Group were RMB4.33 cents (six months ended 30 June 2009: RMB4.44 cents).

Dividend

The Board recommended withholding dividend payment for the six months ended 30 June 2010, earmarking the profit to be used as capital for future development.

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 2010, the Group had 60 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 2010, as China has continued to rebound from the impact of the financial turmoil, specific projects of the Group have been started, and sales of products and equipment have picked up. Environmental protection has been a focal development sector of China's state policy, and promoting environmentally-friendly construction can stimulate economic recovery. Thus, the Chinese Government has continued to provide support to the environmental protection industry. Local governments have continued to invite tenders for different public EP projects which have stimulated market demand and in turn have brought huge business opportunities for the industry.

Sale of EP Products and Equipment

Business activities of this segment include selling pipes, as well as water and flue gas treatment products and equipment. During the period under review, it recorded a turnover of approximately RMB226.6 million, accounting for over 93.8% 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 16 water treatment sales contracts during the period, which generated a turnover of RMB168.9 million, accounting for 74.6% of the segmental turnover. The Group is currently considering taking part in the water treatment project at Taihu in Wuxi, Jiangsu Province and some other projects located in Zhejiang and Jiangsu Provinces.

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 production. Currently, the Group is negotiating a number of new projects with customers. This segment is expected to become the key development arms of the Group in upcoming years. Apart from power plants, the Group is planning to provide flue gas desulphurisation ("FGD") service catering for the iron and steel, cement, and glass industries. The flue gas treatment of these industries require more complicated technical skills than power plant works and there is greater scope for development in the market. During the period, the Group has completed two contracts involving the sale of flue gas treatment equipment, contributing turnover of approximately RMB37.9 million to the Group, accounting for 16.7% of the segmental 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 a total annual production capacity estimated at approximately 172,680 metres. The Group completed 2 contracts for sale of pipes, which generated a turnover of approximately RMB19.8 million, accounting for 8.7% 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 RMB13.1 million, accounting for approximately 5.4% of the Group's total turnover. Construction works of one of the government water treatment projects in Bengbu, Anhui Province was awaiting for testing and commissioning and revenue from this contract was recognised accordingly. Moreover, the Group has started work on a contract worth of RMB80.0 million FGD project in Henan in last May, construction work of phase one had been completed and revenues had been recognised, with an amount of RMB53.0 million. The construction of phase two is expected to be completed in the second half of this year and revenue will be recognised after testing and commissioning.

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 RMB2.0 million, accounting for around 0.8% of the Group's total turnover.

Prospects

The global economy is picking up in 2010, and the implementation of the PRC "Twelfth Five-Year Plan" will boost the investment in environmental protection in the nation. The Chinese Government endeavors to develop emerging industries like energy conservation and environmental protection. The investment amount is about RMB5.0 trillion, which will lift the value of output by RMB1.5 trillion per annum. The Group will prudently operate its business and strive to capture opportunities created by supportive government policies. It currently has about 24 EP contracts with a total worth of approximately RMB391.1 million on hand.

The wastewater treatment business is expected to remain as the Group's stable income source. The Group is planning to expand the scope of services from construction to build and operation of large scale water treatment, which involve projects like building up water treatment systems for industrial estates. Such move will help broadening income sources, generating stable cash flow and, ultimately, boosting the return on investment for the Group. At present, the Group is conducting feasibility studies.

Moreover, the Group is making a concerted effort to expand its flue gas treatment and related product manufacturing businesses to increase their contribution to total turnover. Apart from flue gas desulfurisation, another focus would be flue gas denitrification to reduce the emission of nitrogen oxides. The Group is currently in discussions to form a strategic alliance with a subsidiary company of a large PRC power group. A joint venture will be set up to produce the catalysts used in a selective catalytic reduction denitrification ("SCR DeNOx") system. Pan Asia would participate in financial management as well as sales and distribution of the products in certain regions. Flue gas denitrification is technology intensive which set a higher threshold than flue gas desulfurisation. Thus, there is more room for future development and it is believed that the project could eventually provide a substantial profit contribution to the Group. The Group is planning to commence the construction of a production line for the catalysts by the end of this year. The investment in this production line is expected to be around RMB300 million and will be implemented by two phases. The planned capacity of phase one is 6,000 cubic meters. In addition, the Group also plans to establish a research and development centre for the development of the catalysts. Area of research will include producing catalysts adapted to the local situation of the PRC and the exploitation of raw material for producing catalysts. In the past, high grade raw materials of the catalysts used in China are mainly imported from other countries, thus the Group is exploring the possibility of local production to reduce manufacturing costs of the catalysts.

As the Group evaluates investment opportunities on an ongoing basis, it has entered into a cooperation agreement with Eltomation BV in The Netherlands in May for the introduction of manufacturing technology and three different types of production plants of wood wool cement boards to the PRC market. The first production line is expected to start operation by the end of this year. Wood wool cement boards are a eco-friendly wall construction material which is fire resistant and conserves heat. This material has been widely adopted within buildings in Europe and America, but is not yet popular in the PRC. According to the Chinese Government policy, all new buildings in China are expected to use not less than 50% of materials with environmentally friendly and energy saving capability. Thus, there is high market potential for this construction material in the country.

To maintain steady growth of its businesses in the long run, the Group will adhere to its moderate development strategies while actively exploring opportunities to consolidate its position in the EP market within the PRC and optimally use its abundant cash reserves. In addition to its water and flue gas treatment businesses, it will continue to enhance its competitiveness and expand its scope of business by evaluating merger and acquisition targets and other investment opportunities, with an aim to generate better returns for shareholders.

Liquidity and Financial Resources

As at 30 June 2010, total assets of the Group amounted to RMB1,556.2 million, increased by RMB149.8 million when compared to RMB1,406.4 million as at 31 December 2009. The Group's total liabilities were RMB391.9 million, an increase of RMB145.3 million as compared to RMB246.6 million as at 31 December 2009. As at 30 June 2010, the Group had bank loan of RMB16.5 million (31 December 2009: RMB16.5 million). The Group monitored capital using a gearing ratio, which is total debt divided by total equity of the Group. The total debt to equity ratio of the Group expressed as a percentage of interest bearing loans and other borrowings over the total equity was 1.4% as at 30 June 2010 (31 December 2009: 1.4%). The Group's cash and cash equivalents amounted to RMB739.9 million as at 30 June 2010.

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 2010, the Group did not have any foreign currency bank liability, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes. 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 2010, 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 2010, the Group had a capital expenditure commitment amounted to RMB86.0 million. (31 December 2009: RMB51.3 million).

The Group provides product maintenance service 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, 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 material adverse effect on the overall financial position or operating results of the Group.

Human Resources

As at 30 June 2010, the Group had approximately 280 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 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2010.

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 2010.

Audit Committee

An audit committee comprising three independent non-executive directors has been established by the Company to review the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the unaudited financial statements of the Company and its subsidiaries for the six months ended 30 June 2010. 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.

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 2010 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 2010.

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

Hong Kong, 30 August 2010

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

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

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