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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)

INSIDE INFORMATION

This announcement is made by Pan Asia Environmental Protection Group Limited (the “Company”, together with its subsidiaries, the “Group”) to update the shareholders and the potential investors of the Company of the development of the Group’s business. This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to various news reported by the media on 4 September 2014. The board of directors of the Company (the “Board”) wishes to clarify and/or further provide certain information.

This announcement is made by Pan Asia Environmental Protection Group Limited (the “Company”, together with its subsidiaries, the “Group”) to update the shareholders and the potential investors of the Company of the Group’s business development. This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to various news reported by the media on 4 September 2014. The Board wishes to clarify and/or further provide the following information.

Profit attributable to the shareholders of the Company was approximately RMB30.8 million (unaudited) for the six month ended 30 June 2014 as compared with a loss of approximately RMB29.9 million (unaudited) for the six months ended 30 June 2013. This increase in profit was due to an increase of the revenue to approximately RMB219.4 million (unaudited), representing an increase of approximately 21.9% in the revenue for the six months ended 30 June 2014 when compared with the same period last year (six months ended 30 June 2013 with approximately RMB180.0 million (unaudited)). The increase of the revenue was attributed to the substantial growth in revenue from the Wood Wool Cement Board (“WWCB”) business as well as an improvement in the gross profit margin of sales of environmental protection products and equipment.

WOOD WOOL CEMENT BOARD

The WWCB business segment recorded the revenue of approximately RMB54.5 million (unaudited), accounting for approximately 24.9% of the Group's total revenue. The WWCB business experienced a substantial increase in the gross profit margin to approximately 50% (unaudited) for the six months period ended 30 June 2014. As the Central Government of the People's Republic of China has been advocating environmentally sustainable construction approach, market players are now aware of the benefits of WWCB. As a result, it is expected that the Group's WWCB business will obtain benefit therefrom and will generate more contribution to its revenue. The Group targets to increase the proportion of the revenue generated from WWCB segment to more than 50% of the total revenue within the next two to three years, making it the key revenue source for the Group.

For the six months ended 30 June 2014, the Group has completed around 17 WWCB sales contracts, and up to current, the Group has also entered into and been negotiating WWCB contracts with a total value of over RMB100 million.

In terms of geographical markets, in addition to domestic sales of WWCB, the Group has also recorded sales to different countries including South Korea and Bhutan with a total value of approximately RMB1.1 million for the six months period ended 30 June 2014. The Group will continue to expand the sales of WWCB products to other geographical markets, particularly in South-Eastern Asia and North-America.

In view of the huge opportunities in the environmental protection construction materials industry, the Group introduced six environmental protection wallboard production lines, with a total annual capacity of approximately 840,000 m³. Three production lines have commenced operation as at the end of June 2014 and testing of the remaining three production lines will be carried out in October 2014 and is expected to be completed by November 2014. Investment in the equipment for each production line was approximately RMB50 million. These three production lines are scheduled to commence operation by the end of 2014.

For the six months ended 30 June 2014, the Group has employed approximately 15% of the total capacity of its current production lines, and in view of introduction of new production lines for the forthcoming half year, it is expected that the Group will be able to employ approximately 15% of the total capacity of all productions lines.

WATER AND FLUE GAS TREATMENT BUSINESS

Currently, the Group has 64 uncompleted contracts for construction of water and flue gas treatment plants with a total value of approximately RMB596.2 million (unaudited). Projects with value of approximately RMB96.4 million, which was included in the Group's inventory as at 30 June 2014, have been completed by end of June 2014 pending inspection and acceptance by customers. Looking ahead, the Group will focus on the environmental protection construction engineering business for large industrial sewage and flue gas treatment projects, so as to increase its income stream and generate a stable cash flow. The Group's water and flue gas treatment construction business is expected to develop continuously.

DIVIDEND

The Board may consider to recommend payment of dividend in the future, with intended dividend payout ratio of approximately 30%, as and when the opportunity and suitable time arise and it is in the interests of the Company and its shareholders as a whole.

INFORMATION REPORTED BY THE MEDIA

Shareholders and potential investors should note that the information reported in various news reported by the media which was not consistent with the contents of this announcement was inaccurate.

RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted from 2:33 p.m. on 4 September 2014 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 5 September 2014.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Pan Asia Environmental Protection Group Limited
Wan San Fai, Vincent
Company Secretary

Hong Kong, 5 September 2014

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