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 2016

FINANCIAL HIGHLIGHTS:

	Six months ended 30 June		
	2016	2015	**Variance**
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
		(Restated)	
REVENUE	**366,343**	458,107	-20.0%
GROSS PROFIT	**62,423**	121,021	-48.4%
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Continuing operations	**25,088**	51,213	
– Discontinued operations	**–**	(1,258)	
	25,088	49,955	-49.8%
EARNINGS/(LOSS) PER SHARE (Expressed in RMB cents per share)			
Basic earnings/(loss) per share			
– From continuing operations	**2.98**	6.10	
– From discontinued operations	**–**	(0.15)	
	2.98	5.95	-49.9%
Diluted earnings/(loss) per share			
– From continuing operations	**2.98**	5.98	
– From discontinued operations	**–**	(0.15)	
	2.98	5.83	-48.9%

RESULTS

The Board (the "Board") of Directors (the "Directors") of Pan Asia Environmental Protection Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited) (Restated)
Continuing operations:			
Revenue	*4*	**366,343**	458,107
Cost of sales		**(303,920)**	(337,086)
Gross profit		**62,423**	121,021
Other income		**13,277**	13,140
Other net loss		**(4,422)**	–
Selling and distribution expenses		**(19,256)**	(27,580)
General and administrative expenses		**(20,133)**	(19,326)
Other operating expenses		**(2,695)**	(16,953)
Profit before taxation	*5*	**29,194**	70,302
Income tax expenses	*7*	**(4,106)**	(19,089)
Profit for the period from continuing operations		**25,088**	51,213
Discontinued operations:			
Loss for the period from discontinued operations	*6*	**–**	(1,850)
Profit for the period		**25,088**	49,363
Other comprehensive (loss)/income for the period (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
– Exchange differences on translation of financial statements to presentation currency		**(105)**	9
Total comprehensive income for the period		**24,983**	49,372

	Note	Six months ended 30 June **2016** ***RMB'000*** **(Unaudited)**	 2015 *RMB'000* (Unaudited) (Restated)
Profit/(loss) for the period attributable to owners of the Company arises from:			
– Continuing operations		**25,088**	51,213
– Discontinued operations		**–**	(1,258)
		25,088	49,955
Loss for the period attributable to non-controlling interests arises from:			
– Continuing operations		**–**	–
– Discontinued operations		**–**	(592)
		–	(592)
		25,088	49,363
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		**24,983**	49,964
– Non-controlling interests		**–**	(592)
		24,983	49,372
		RMB cents	*RMB cents*
EARNINGS/(LOSS) PER SHARE	*8*		
Basic earnings/(loss) per share			
– From continuing operations		**2.98**	6.10
– From discontinued operations		**–**	(0.15)
		2.98	5.95
Diluted earnings/(loss) per share			
– From continuing operations		**2.98**	5.98
– From discontinued operations		**–**	(0.15)
		2.98	5.83

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	**30 June 2016 RMB'000 (Unaudited)**	31 December 2015 RMB'000 (Audited)
Non-current assets			
Prepaid lease payments		**51,555**	52,146
Property, plant and equipment		**412,153**	428,836
Available-for-sale financial asset		**–**	–
Prepayments for consultation, marketing and promotional services	*10*	**63,500**	83,300
Trade receivables with extended credit terms	*11*	**53,826**	112,744
Deferred tax assets		**3,068**	6,192
		584,102	683,218
Current assets			
Prepaid lease payments		**1,190**	1,194
Inventories		**178,974**	238,605
Trade and other receivables	*11*	**546,459**	606,979
Pledged bank deposits		**6,543**	6,543
Tax recoverable		**49,942**	50,004
Cash and bank balances		**514,632**	275,964
		1,297,740	1,179,289
Current liabilities			
Trade and other payables	*12*	**202,476**	187,553
Deposits received and receipts in advance		**314,598**	331,329
Tax payable		**10,888**	10,888
		527,962	529,770
Net current assets		**769,778**	649,519
Total assets less current liabilities		**1,353,880**	1,332,737
Non-current liabilities			
Deferred tax liabilities		**20,595**	24,105
Deferred government grants		**3,721**	4,051
		24,316	28,156
Net assets		**1,329,564**	1,304,581
Capital and reserves			
Share capital		**78,073**	78,073
Reserves		**1,251,491**	1,226,508
Total equity		**1,329,564**	1,304,581

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 Group is 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. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company's functional currency is Hong Kong dollars ("HK$") while the functional currency of most of its subsidiaries is Renminbi ("RMB"). The condensed consolidated financial statements are presented in RMB, as a majority of the Group's transactions are denominated in RMB and rounded to the nearest thousand, unless otherwise indicated.

(b) Judgements and estimates

Preparation of the condensed consolidated financial statements requires the Directors to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied in the Group's annual consolidated financial statements for the year ended 31 December 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. 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 the information is reported internally to the Group's Chairman of the Board, who is the Group's Chief Operating Decision Maker, 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 wood wool cement board ("WWCB").

- EP construction engineering projects: this segment undertakes the EP engineering construction projects for external customers.

Segment revenue and results

Continuing operations:	**Six months ended 30 June (Unaudited)**							
	Sales of EP products and equipment		**Manufacture and sales of EP construction materials**		**EP construction engineering projects**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000* (Restated)
Reportable segment revenue from external customers	**321,481**	359,109	**44,862**	98,998	**–**	–	**366,343**	458,107
Inter-segment revenue	**–**	–	**72**	142	**–**	–	**72**	142
Reportable segment revenue	**321,481**	359,109	**44,934**	99,140	**–**	–	**366,415**	458,249
Reportable segment profit/(loss) (adjusted EBITDA)	**58,641**	65,096	**(429)**	26,774	**–**	(2,793)	**58,212**	89,077
Depreciation and amortisation	**32**	87	**12,098**	12,702	**–**	–	**12,130**	12,789

Geographical information

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 delivered.

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Mainland China (place of domicile)	**366,263**	457,166
Australia	**80**	–
South Korea	**–**	941
	366,343	458,107

5. PROFIT BEFORE TAXATION

Profit before taxation from continuing operations is arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
(a) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	**896**	637
Salaries, wages and other benefits	**6,708**	7,810
	7,604	8,447
(b) Other items		
Amortisation of prepaid lease payments	**595**	600
Cost of inventories *(Note i)*	**303,920**	337,086
Depreciation of property, plant and equipment	**13,103**	14,306
Gain on early redemption of trade receivables with extended credit terms[Δ]	**(5,004)**	–
Government grants[Δ] *(Note ii)*	**(330)**	(645)
Imputed interest on trade receivables with extended credit terms[Δ]	**(7,162)**	–
Impairment loss on trade receivables[#]	**–**	13,845
Loss on disposal of property, plant and equipment[^]	**3,831**	–
Marketing and promotional expenses[*]	**18,679**	25,938
Operating lease charges		
– Leasing of properties	**873**	944
– Leasing of equipment	**4**	4
Research and development expenses[#]	**2,695**	4,064
Reversal of impairment loss on trade receivables[Δ]	**(130)**	(11,590)
Reversal of impairment loss on other receivables[Δ]	**(90)**	–

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

Δ These items are included in other income in the condensed consolidated statement of profit or loss and other comprehensive income.

* This item is included in selling and distribution expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

^ This item is included in other net loss in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes:

(i) During the six months ended 30 June 2016, cost of inventories includes approximately RMB12,441,000 (six months ended 30 June 2015: RMB11,896,000) relating to staff costs, depreciation and amortisation, which amount is also included in the respective total amounts disclosed separately above.

(ii) The amount represented the government grants of approximately RMB330,000 (six months ended 30 June 2015: RMB645,000) 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 six months ended 30 June 2016.

6. 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 condensed 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.

	Six months ended 30 June 2015 *RMB'000* (Unaudited)
Results from discontinued operations:	
Revenue	4,801
Cost of sales and services rendered	(1,706)
Gross profit	3,095
Other income	42
General and administrative expenses	(4,284)
Other operating expenses	(354)
Finance costs	(343)
Loss before taxation	(1,844)
Income tax expenses	(6)
Loss for the period from discontinued operations	(1,850)
Loss for the period from discontinued operations attributable to:	
– Owners of the Company	(1,258)
– Non-controlling interests	(592)
	(1,850)

Loss before taxation from discontinued operations is arrived at after charging/(crediting) the following:

	Six months ended 30 June 2015 *RMB'000* (Unaudited)
Cost of inventories	317
Depreciation of property, plant and equipment	172
Interest income	(5)
Staff costs	
– Contributions to defined contribution plans	368
– Salaries, wages and other benefits	2,224
	2,592

7. INCOME TAX

Continuing operations:	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current tax		
PRC Enterprise Income Tax		
– Provision for the period	**4,492**	19,089
Deferred tax		
Origination and reversal of temporary differences	**(386)**	–
Income tax expenses	**4,106**	19,089

(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 the statutory income tax rate of 25% of the estimated assessable profits of the Company's subsidiaries established in the PRC during the six months ended 30 June 2016 and 2015.

(iii) Pursuant to relevant tax laws and regulations in the PRC, Wuxi Pan Asia Environmental Protection Technologies Limited is classified as foreign invested "High and New Technology Enterprises" during the six months ended 30 June 2016 and is entitled to a preferential income tax rate of 15%.

(iv) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits arising in Hong Kong during the six months ended 30 June 2016 and 2015.

(v) Pursuant to the Enterprise Income Tax Laws of the PRC (the "New EIT Laws"), a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprise established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. For the Group, the applicable tax rate is 10%. The Group is liable to withholding taxes on dividends distributed by its subsidiaries established in the PRC in respect of earnings generated from 1 January 2008 onwards. The Group recognised deferred tax liabilities in respect of expected distributable earnings from its subsidiaries established in the PRC since 1 January 2008 with reference to the Group's dividend policy, no matter whether any dividends have been declared out of such earnings by the subsidiaries at the reporting date. The Directors will review the funding requirements of the Group from time to time and revise the dividend policy of its subsidiaries as appropriate.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

8. 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:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	**25,088**	49,955

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**840,000,000**	840,000,000
Add: Effect of dilutive potential ordinary shares from share options	**1,846,591**	16,193,209
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**841,846,591**	856,193,209

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:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period attributable to owners of the Company from continuing and discontinued operations	**25,088**	49,955
Adjusted for: Loss for the period from discontinued operations attributable to owners of the Company	**–**	1,258
Earnings for the purposes of calculating basic and diluted earnings per share from continuing operations	**25,088**	51,213

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

For discontinued operations:

Basic loss per share from discontinued operations was RMB0.15 cents per share for the six months ended 30 June 2015 (six months ended 30 June 2016: Nil), based on the loss for the period from discontinued operations attributable to owners of the Company amounting to approximately RMB1,258,000 (six months ended 30 June 2016: Nil) and the denominators detailed above for basic earnings per share from continuing and discontinued operations.

Diluted loss per share from discontinued operations was RMB0.15 cents per share for the six months ended 30 June 2015 (six months ended 30 June 2016: Nil), based on the loss for the period from discontinued operations attributable to owners of the Company amounting to approximately RMB1,258,000 (six months ended 30 June 2016: Nil) and the denominators detailed above for diluted earnings per share from continuing and discontinued operations.

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

10. PREPAYMENTS FOR CONSULTATION, MARKETING AND PROMOTIONAL SERVICES

	RMB'000
As at 1 January 2015 (Audited)	216,500
Refund of prepayments *(Note)*	(13,150)
Utilised and charged to profit or loss	(77,593)
As at 31 December 2015 and 1 January 2016 (Audited)	125,757
Utilised and charged to profit or loss	(22,657)
As at 30 June 2016 (Unaudited)	103,100

Analysed for reporting purposes as follows:

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Non-current portion	**63,500**	83,300
Current portion (included in trade and other receivables *(Note 11)*)	**39,600**	42,457
Total	**103,100**	125,757

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Within 1 year	**39,600**	42,457
After 1 year but less than 2 years	**39,600**	39,600
After 2 years but less than 5 years	**23,900**	43,700
	103,100	125,757

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 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 purposes 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 six months ended 30 June 2016, the expenses for consultation services of RMB2,857,000 (net of tax of RMB2,695,000) (six months ended 30 June 2015: RMB5,000,000 (net of tax of RMB4,064,000)) and the expenses for marketing and promotional services of RMB19,800,000 (net of tax of RMB18,679,000) (six months ended 30 June 2015: RMB28,650,000 (net of tax of RMB25,938,000)) 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 RMB13,150,000 to the Group as a result of non-fulfillment of certain conditions as stated in the Agreement and the amount was fully received by the Group in August 2015.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Trade receivables with normal credit terms	**347,010**	334,820
Trade receivables with extended credit terms	**92,199**	216,334
Total trade receivables	**439,209**	551,154
Less: Allowance for doubtful debts	**(31,192)**	(31,322)
Total trade receivables, net of allowance for doubtful debts	**408,017**	519,832
Less: Non-current portion of trade receivables with extended credit terms	**(53,826)**	(112,744)
Current portion of trade receivables	**354,191**	407,088
Other receivables	**27,767**	29,487
Less: Allowance for doubtful debts	**(2,698)**	(2,784)
	25,069	26,703
Retention receivables	**44,685**	35,839
Amounts due from related companies *(Note)*	**16**	1,016
Amounts due from customers for contract work	**352**	962
Loans and receivables	**424,313**	471,608
Prepayments for consultation, marketing and promotional services *(Note 10)*	**39,600**	42,457
Prepayments and deposits	**48,262**	47,631
Other tax recoverables	**34,284**	45,283
	546,549	606,979

Note: The amounts due from related companies are unsecured, interest-free and repayable on demand.

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**	
	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)	**At 30 June 2016 RMB'000 (Unaudited)**	At 31 December 2015 RMB'000 (Audited)	**At 30 June 2016 RMB'000 (Unaudited)**	At 31 December 2015 RMB'000 (Audited)
0 – 30 days	**72,605**	3,717	**–**	–	**72,605**	3,717
31 – 60 days	**47,879**	25,200	**–**	–	**47,879**	25,200
61 – 90 days	**31,878**	38,952	**–**	128,254	**31,878**	167,206
91 – 180 days	**13,095**	154,318	**–**	88,080	**13,095**	242,398
181 – 365 days	**122,795**	81,311	**92,199**	–	**214,994**	81,311
Over 365 days	**27,566**	–	**–**	–	**27,566**	–
	315,818	303,498	**92,199**	216,334	**408,017**	519,832

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Trade payables		
0 – 30 days	**1,317**	253
31 – 60 days	**2,521**	11,155
61 – 90 days	**1,486**	7,574
91 – 180 days	**9,932**	11,549
181 – 365 days	**21,644**	36,471
Over 365 days	**78,385**	42,158
	115,285	109,160
Accruals and other payables	**63,740**	55,181
Amounts due to Directors *(Note)*	**2,876**	2,876
Amounts due to related companies *(Note)*	**16,579**	16,339
Amounts due to customers for contract work	**1,657**	1,657
Financial liabilities measured at amortised cost	**200,137**	185,213
Other PRC tax payables	**2,339**	2,340
	202,476	187,553

Note: The amounts due to Directors and related companies are unsecured, interest-free and repayable on demand.

13. PLEDGE OF ASSETS

A bank deposit of the Company's subsidiary of approximately RMB6,543,000 as at 30 June 2016 (31 December 2015: RMB6,543,000) was pledged to a bank to secure a banking facility of approximately RMB4,134,000 (31 December 2015: RMB3,977,000) granted to this subsidiary.

14. COMMITMENTS

a) Capital commitments

	At 30 June 2016 *RMB'000* (Unaudited)	At 31 December 2015 *RMB'000* (Audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements – in respect of the acquisition of property, plant and equipment	**9,610**	9,680

b) Operating lease commitments

The Group as lessee:

The Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment which fall due as follows:

	At 30 June 2016 *RMB'000* (Unaudited)	At 31 December 2015 *RMB'000* (Audited)
Within one year	**1,507**	1,477
After one year but within five years	**1,401**	2,112
	2,908	3,589

Leases and rentals are negotiated and fixed for periods of three years. None of the leases includes contingent rentals.

The Group as lessor:

The Group had contracted with tenants for the following non-cancellable future minimum lease payments receivable:

	At 30 June 2016 *RMB'000* (Unaudited)	At 31 December 2015 *RMB'000* (Audited)
Within one year	**53**	53
After one year but within five years	**44**	71
	97	124

Included in the above is future minimum lease payments receivable from Wuxi Xin Wei High Temperature Ceramics Co., Ltd, a related company, of approximately RMB97,000 (31 December 2015: RMB124,000) and the non-cancellable future minimum lease payments receivables are as follows:

	At 30 June 2016 *RMB'000* (Unaudited)	At 31 December 2015 *RMB'000* (Audited)
Within one year	**53**	53
After one year but within five years	**44**	71
	97	124

The related company is a company of which Mr. Jiang Quanlong, a Director, is also a director of its holding company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2016, the Group achieved a total revenue of RMB366.3 million (six months ended 30 June 2015: RMB458.1 million). Gross profit during the period under review amounted to RMB62.4 million (six months ended 30 June 2015: RMB121.0 million) and gross profit margin was 17.0% (six months ended 30 June 2015: 26.6%). The decrease in the gross profit margin was due to increase in costs. The Group recorded a profit attributable to owners of the Company of approximately RMB25.1 million (six months ended 30 June 2015: RMB49.4 million). Basic earnings per share were RMB2.98 cents (six months ended 30 June 2015: RMB5.95 cents).

Interim Dividend

The Board did not recommend payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil) and the capital will be reserved for development of the Group's business operations.

Business Review

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

Sales of EP Products and Equipment

Sales of EP products and equipment remained as the largest income contributor of the Group. This segment recorded a revenue of RMB321.5 million, accounting for approximately 87.8% of the Group's total revenue during the period under review.

Sales of Water Treatment Products and Equipment

Water treatment systems are mainly used for the treatment of industrial and urban waste water. During the period under review, the Group completed 8 water treatment-related sales contracts, and the business generated a revenue of approximately RMB310.8 million, accounting for approximately 84.8 % of the Group's total revenue.

Sales of Flue Gas Treatment Products and Equipment

The Group has a comprehensive flue gas treatment supply chain that provides related products and equipment plus services ranging from engineering design to maintenance services. During the period under review, the Group completed 5 projects related to sales of flue gas treatment equipment and this segment recorded a revenue of approximately RMB10.7 million, accounting for about 3.0% of the Group's total revenue.

EP Construction Engineering Projects

With the 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 period under review, this segment did not record any revenue.

Manufacture and Sales of EP Construction Materials

In view of the huge opportunities in the EP construction materials industry, the Group has actively promoted WWCB in the domestic market to help the development of its EP related businesses which has particularly high growth potential and broaden its income stream. During the period under review, this segment recorded a revenue of approximately RMB44.9 million (for the six months ended 30 June 2015: RMB99.0 million), accounting for approximately 12.2% of the Group's total revenue.

WWCB is an eco-friendly inorganic energy-conserving construction material made from a combination of cement, eco-friendly fast growing timber and non-toxic additives processed through high pressurization. Widely used overseas, WWCB enjoys distinctive heat insulation and is fire resistant, sound-proof, moisture-proof, mould-proof and also has insect repelling properties. Its other outstanding features include sound absorption, hardness and durability, light weight and attractive appearance. As a new EP construction material for renovation and wall components, WWCB can be widely used in residential and commercial buildings, noise barriers along highways and railways, and can be used as acoustic materials for music halls, stations and car parks. WWCB can effectively reduce project cost when compared with traditional construction materials. It also offers a higher value in re-development and application as it can be re-processed into decoration materials and building panels and blocks, thus providing greater room for generating profit in the market.

With the forseeable great prospects for WWCB, the Group has started collaborating with the industry leader from the Netherlands and introduced the WWCB and large wall components production lines in the PRC on an exclusive basis. Of the six production lines imported from the Netherlands each with an annual production capacity of approximately 140,000m^3, five are standard lines that produce WWCB of thickness between 10mm to 100mm. The sixth production line is the most advanced and is a fully automated large wall component production line which can manufacture large wall components of a maximum dimension of 3m x 6m x 40cm that can be installed on buildings directly. Drawing on its expertise in large wall components, the Group has developed new integrated wall component products with decorative features and heat insulation ability, thus providing notable cost efficiency to construction companies and contractors. All six production lines were in commercial operation during the period under review.

As the largest and most advanced WWCB producer in the world, the Group helped to compile the National Industry Standard "Technological Specifications for Application of WWCB" for WWCB construction and inspection, which has been implemented since 1 August 2016. This has solidified the Group's leadership in the environmental construction material industry, accelerated market penetration of WWCB and facilitated the innovative revolution of construction materials.

With WWCB's excellent characteristics in sound insulation, the Group has participated in sound barrier construction projects. The Jiamin Highway project was completed during the period under review, and will serve as a good example to demonstrate the expertise of the Group in sound barrier projects. The Group expects to obtain more similar projects and generate more income from the business in the future.

Prospects

EP Construction Engineering Project Business

Putting EP and a low-carbon economy as a policy priority for the next five years, the Central Government of the PRC (the "Central Government") has raised the standard for energy conservation and reinforced emission reduction, which provides immense development potential for the EP industry.

With extensive experience in and thorough understanding of the provision of EP products and service, the Group will continue to tap the trend of environmental protection to fully exploit the market potential. By upgrading and adjusting the structure of its business, the Group will continue to enhance its R&D and apply its proprietary technology to capture opportunities brought by the country's supportive policies. In particular, the Group is putting effort to expand the scope of its flue gas treatment services so as to broaden income stream and increase their contribution to the total revenue. Meanwhile, the Group will be more prudent in undertaking large-scale wastewater treatment and flue gas treatment projects, and will select the more profitable ones that promise reasonable returns. Such measures shall pave the way for long term healthy growth of the Group's business.

Currently, the Group has 63 uncompleted water and flue gas treatment contracts on hand with a total value of approximately RMB604.3 million.

Eco-friendly Construction Materials Business

In view of the Central Government's greater emphasis on green construction, the Group has continued to boost the development of its eco-friendly construction materials business by strengthening promotion of its WWCB, with a mission to facilitate transformation and innovation of the industry and accelerate modernization of the industry.

To further secure its leadership in the WWCB industry, the Group will continuously inject resources into R&D for higher product quality, quality control, staff development, technology application and innovation will continue to be its priorities. To promote its WWCB business and raise its public profile, the Group is currently seeking partners among distributors in Shanghai, Jiangsu, Guangdong, Hebei, Shandong, Liaoning, Shanxi, Shaanxi and Sichuan to further expand its distribution network. Meanwhile, the Group plans to set up new manufacturing facilities in various regions to save cost of transportations.

With WWCB having numerous remarkable advantages, the Group is planning to apply the eco-friendly construction material in more fields. In the second half of the year, the Group targets to take up construction projects of temporary properties near certain tourist attractions. With the publication of the national standards for WWCB construction and inspection on 1 August 2016 which the Group helped to compile, it is expected that the market demand for WWCB will further be increased. The Group will step up promotion of the eco-friendly WWCB among property developers, contractors, and construction materials distributors, and will encourage them to replace traditional building materials with WWCB.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, total assets of the Group amounted to RMB1,881.8 million, an increase of RMB19.3 million as compared to RMB1,862.5 million as at 31 December 2015. The increase was mainly due to the increase in cash and bank balances of the Group. The Group's total liabilities as at 30 June 2016 amounted to RMB552.3 million, a decrease of RMB5.6 million as compared to RMB557.9 million as at 31 December 2015. The main reason for this decrease in total liabilities was the increase in trade and other payables, as well as the decrease in deposits received and receipts in advance. The Group's total equity as at 30 June 2016 was RMB1,329.6 million (31 December 2015: RMB1,304.6 million). As at 30 June 2016, the Group had no bank borrowings (31 December 2015: Nil) and its gearing ratio (calculated on the basis of the total borrowings over total equity) was nil (31 December 2015: Nil). The Group's cash and cash equivalents amounted to RMB514.6 million as at 30 June 2016 (31 December 2015: RMB276.0 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 30 June 2016, 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 will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2016, the Group had a capital expenditure commitment in respect of the acquisition of property, plant and equipment totalling RMB9.6 million (31 December 2015: RMB9.7 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 subcontractors and suppliers. The Directors of the Company believe that the amount of 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.

PLEDGE OF ASSETS

A bank deposit of the Company's subsidiary of approximately RMB6.5 million as at 30 June 2016 (31 December 2015: RMB6.5 million) was pledged to a bank to secure a banking facility of approximately RMB4.1 million (31 December 2015: RMB4.0 million) granted to this subsidiary.

EVENTS AFTER THE REPORTING PERIOD

No important event has occurred since the end of the period under review which will cause material impact on the Group.

HUMAN RESOURCES

As at 30 June 2016, the Group had approximately 140 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 period 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 six months ended 30 June 2016.

REVIEW BY 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 interim results of the Group for the six months ended 30 June 2016.

CORPORATE GOVERNANCE

In the opinion of the Board, throughout the six months ended 30 June 2016, the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, save for the code provision E.1.2. Code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Mr. Jiang Quanlong, Chairman of the Board, was unable to attend the 2016 annual general meeting due to a business trip and Mr. Jiang Lei, an executive director and Chief Executive Officer, has been delegated to attend and answer questions on his behalf at the 2016 annual general meeting. Mr. Jiang Quanlong will use his best endeavours to attend all future shareholders' meetings of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.paep.com.cn) and the interim report for the six months ended 30 June 2016 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 August 2016

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

Executive Directors:
Mr. JIANG Quanlong
Mr. JIANG Lei

Non-executive Director:
Mr. FAN Yajun

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