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 2019

FINANCIAL HIGHLIGHTS:

	Six months ended 30 June		
	2019	2018	**Variance**
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
REVENUE	**41,563**	45,904	-9%
GROSS PROFIT	**1,246**	10,472	-88%
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Continuing operations	**(15,562)**	(19,921)	
– Discontinued operation	**–**	(2,004)	
	(15,562)	(21,925)	-29%
LOSS PER SHARE (Expressed in RMB cents per share)			
Basic loss per share			
– From continuing operations	**(1.85)**	(2.37)	
– From discontinued operation	**–**	(0.24)	
	(1.85)	(2.61)	-29%
Diluted loss per share			
– From continuing operations	**(1.85)**	(2.37)	
– From discontinued operation	**–**	(0.24)	
	(1.85)	(2.61)	-29%

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 2019, together with the comparative figures for the corresponding period in 2018:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	**Six months ended 30 June**	
		2019	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Continuing operations:			
Revenue	*4(a)*	**41,563**	45,904
Cost of sales		**(40,317)**	(35,432)
Gross profit		**1,246**	10,472
Other income		**2,127**	1,047
Other net loss		**(5,428)**	(13,267)
Gain on disposal of a subsidiary	*12(b)*	**–**	28,702
Impairment loss on property, plant and equipment and prepaid lease payments	*5(b)*	**–**	(30,300)
Selling and distribution expenses		**(348)**	(347)
General and administrative expenses		**(13,155)**	(15,637)
Finance costs	*5(a)*	**(1,361)**	(737)
Loss before taxation	*5*	**(16,919)**	(20,067)
Income tax credit	*7*	**1,357**	146
Loss for the period from continuing operations		**(15,562)**	(19,921)
Discontinued operation:			
Loss for the period from discontinued operation	*6*	**–**	(2,004)
Loss for the period attributable to owners of the Company		**(15,562)**	(21,925)
Other comprehensive loss 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		**(203)**	(283)
Total comprehensive loss for the period attributable to owners of the Company		**(15,765)**	(22,208)

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Loss for the period attributable to owners of the Company arises from:			
– Continuing operations		**(15,562)**	(19,921)
– Discontinued operation		**–**	(2,004)
		(15,562)	(21,925)
		RMB cents	*RMB cents*
LOSS PER SHARE	*8*		
Basic loss per share			
– From continuing operations		**(1.85)**	(2.37)
– From discontinued operation		**–**	(0.24)
		(1.85)	(2.61)
Diluted loss per share			
– From continuing operations		**(1.85)**	(2.37)
– From discontinued operation		**–**	(0.24)
		(1.85)	(2.61)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	**30 June 2019** **_RMB'000_** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**3,341**	4,715
Right-of-use assets		**2,086**	–
Deferred tax assets		**3,754**	2,397
		9,181	7,112
Current assets			
Trade and other receivables	*10*	**54,857**	246,123
Cash and bank balances		**1,225,979**	1,037,883
		1,280,836	1,284,006
Current liabilities			
Trade and other payables	*11*	**48,824**	36,542
Corporate bonds		**26,391**	26,487
Lease liabilities		**1,667**	–
Tax payable		**2,521**	2,521
		79,403	65,550
Net current assets		**1,201,433**	1,218,456
Total assets less current liabilities		**1,210,614**	1,225,568
Non-current liabilities			
Corporate bonds		**22,359**	21,548
Net assets		**1,188,255**	1,204,020
Capital and reserves			
Share capital		**78,073**	78,073
Reserves		**1,110,182**	1,125,947
Total equity		**1,188,255**	1,204,020

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 Room 1101, 11/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong, respectively.

The Group is principally engaged in the sales of environmental protection ("EP") products and equipment, undertaking of EP construction engineering services in the People's Republic of China (the "PRC") and investment holding.

The Group's manufacture and sales of EP construction materials business was disposed of during the year ended 31 December 2018. Details of which are set out in notes 6 and 12(a).

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 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.

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 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 3.

(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 2018.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16 *Leases* ("HKFRS 16") and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared or presented in the Group's condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(a) Impacts and changes in accounting policies of application on HKFRS 16

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17") and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

(b) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-INT 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	3,531
Less: Recognition exemption – low-value assets	(375)
Less: Recognition exemption – short-term leases	(666)
	2,490
Less: Total future interest expenses	(93)
Lease liabilities as at 1 January 2019	2,397
Analysed as	
Current	1,492
Non-current	905
	2,397

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	2,397
Reclassified from trade and other receivables	437
	2,834
By class:	
Leased premises	2,834

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 as at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	2,834	2,834
Current assets			
Trade and other receivables	246,123	(437)	245,686
Current liabilities			
Lease liabilities	–	1,492	1,492
Non-current liabilities			
Lease liabilities	–	905	905

The effects of adoption of HKFRS 16 on the Group's financial performance for the six months ended 30 June 2019 are as follows:

	Six months ended 30 June 2019
	RMB'000
Condensed consolidated statement of profit or loss and other comprehensive income	
Increase in depreciation	
– Included in general and administrative expenses	(758)
Decrease in operating lease expenses	
– Included in general and administrative expenses	788
Increase in finance costs	(50)
Increase in loss and other comprehensive loss for the period attributable to owners of the Company	(20)
Increase in loss per share (RMB cents)	
– Basic	–
– Diluted	–

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue from contracts with customers from continuing operations are as follows:

	Six months ended 30 June	
EP products and equipment segment	**2019**	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sales of goods		
– Flue gas treatment products and equipment	**41,563**	42,645
– Water treatment products and equipment	**–**	3,259
Total	**41,563**	45,904
Timing of revenue recognition		
A point in time	**41,563**	45,904

(b) 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 Chief Executive Officer, who is the Group's Chief Operating Decision Maker ("CODM"), for the purposes of resources allocation and performance assessment, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are organised into two main operating segments including (i) EP products and equipment and (ii) EP construction engineering services. No other operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

An operating segment regarding the manufacture and sales of EP construction materials was disposed of during the year ended 31 December 2018. The segment information reported in this note does not include any amounts for the discontinued operation, which are described in more details in note 6.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below:

	Six months ended 30 June (Unaudited)					
	EP products and equipment		**EP construction engineering services**		**Total**	
Continuing operations:	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue from external customers	**41,563**	45,904	**–**	–	**41,563**	45,904
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**41,563**	45,904	**–**	–	**41,563**	45,904
Reportable segment (loss)/profit (adjusted EBITDA)	**(4,558)**	9,890	**–**	–	**(4,558)**	9,890
Depreciation and amortisation	**399**	3,545	**–**	–	**399**	3,545
Reversal of impairment loss on trade receivables	**(992)**	(3,861)	**–**	–	**(992)**	(3,861)
Impairment loss on trade receivables	**6,420**	3,958	**–**	–	**6,420**	3,958
Impairment loss on other receivables	**–**	765	**–**	–	**–**	765

Geographical information

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China (place of domicile)	**41,563**	45,904

5. LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on corporate bonds	**1,311**	737
Interests on lease liabilities	**50**	–
	1,361	737

(b) Impairment loss on property, plant and equipment and prepaid lease payments

On 30 June 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain of the Group's property, plant and equipment and prepaid lease payments at a total consideration of RMB190,000,000. Those assets were classified as held for sale as at 30 June 2018 and an impairment loss of approximately RMB30,300,000 was recognised during the six months ended 30 June 2018 as the assets classified held for sale were measured at fair value less costs to sell which included the incremental costs directly attributable to the disposal of the assets. The disposal was completed on 17 July 2018 and the gain on disposal amounting to approximately RMB25,000 was recognised during the year ended 31 December 2018.

The Group received an installment of RMB30,000,000 during the year ended 31 December 2018 and the remaining balance of RMB160,000,000 (note 10) was received by the Group in January 2019.

(c) Other items

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**–**	549
Cost of inventories	**40,317**	35,432
Depreciation of		
– property, plant and equipment	**1,382**	5,298
– right-of-use assets	**758**	–
Imputed interest on trade receivables with extended credit terms*	**–**	(628)
Loss on write off of property, plant and equipment^	**–**	12,403
Impairment loss on trade receivables^	**6,420**	3,958
Impairment loss on other receivables^	**–**	765
Operating lease charges		
– Leasing of properties	**–**	1,966
– Leasing of equipment	**–**	3
– Leasing of car park	**–**	22
Lease expenses related to leases of low-value assets and short-term leases	**122**	–
Reversal of impairment loss on trade receivables^	**(992)**	(3,861)

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

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

6. DISCONTINUED OPERATION

On 31 October 2017, Wuxi Pan Asia Environmental Protection Technologies Limited ("Wuxi Pan Asia"), a former wholly-owned subsidiary of the Company, entered into an asset transfer agreement with Pan Asia Environmental Protection (Jiangsu) Company Limited ("Jiangsu Pan Asia"), a wholly-owned subsidiary of the Company, pursuant to which Wuxi Pan Asia agreed to sell certain assets associated with the operation of sales of EP products and equipment to Jiangsu Pan Asia (the "Asset Transfer"). The Asset Transfer was completed on 16 January 2018 and Wuxi Pan Asia retained the assets and liabilities associated with the operation of manufacture and sales of EP construction materials.

On 31 October 2017, the Group entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party (the "Purchaser"), pursuant to which the Group conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interests in Wuxi Pan Asia after the completion of the Asset Transfer at a consideration of RMB44,000,000 (the "Disposal").

Details of the Asset Transfer and the Disposal were set out in the Company's announcements dated 31 October 2017, 14 November 2017 and 18 January 2018 respectively.

The Directors were of the opinion that the Disposal was highly probable because the Board formally approved the Disposal and there was no need to obtain the approval from the Company's shareholders as the Disposal constituted a discloseable transaction under Chapter 14 of the Listing Rules. In addition, the conditions precedent under the S&P Agreement were fulfilled on 16 January 2018 and the Disposal was completed on 16 January 2018 accordingly. The Directors were of the view that the disposal company constituted a separate major line of the Group's business and accordingly, the Group's operation of manufacture and sales of EP construction materials was classified as a discontinued operation.

The results from the discontinued operation were analysed as follows.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Results from discontinued operation:		
Other income	–	27
Selling and distribution expenses	–	(1,816)
General and administrative expenses	–	(995)
Loss before taxation	–	(2,784)
Income tax expenses	–	(4)
	–	(2,788)
Gain on disposal of a subsidiary *(Note 12(a))*	–	784
Loss for the period from discontinued operation attributable to owners of the Company	–	(2,004)

7. INCOME TAX

Continuing operations:	**Six months ended 30 June**	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax		
– Provision for the period	**–**	941
Deferred tax		
Origination and reversal of temporary differences	**(1,357)**	(1,087)
Income tax credit	**(1,357)**	(146)

(i) The Company and its subsidiaries incorporated in the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(ii) PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits of the Company's subsidiaries established in the PRC during the six months ended 30 June 2019 and 2018.

(iii) 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 2019 and 2018.

(iv) The PRC Enterprise Income Tax Law also requires withholding tax of 10% upon distribution of profits by the subsidiaries established in the PRC since 1 January 2008 to its overseas shareholders.

8. LOSS PER SHARE

From continuing and discontinued operations:

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of calculating basic and diluted loss per share	**(15,562)**	(21,925)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**840,000,000**	840,000,000

Diluted loss per share for the six months ended 30 June 2019 and 2018 are the same as the basic loss per share because the exercise of the Company's outstanding share options would have anti-dilutive effect.

From continuing operations:

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company from continuing and discontinued operations	**(15,562)**	(21,925)
Adjusted for: Loss for the period from discontinued operation attributable to owners of the Company	**–**	2,004
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	**(15,562)**	(19,921)

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

From discontinued operation:

Basic loss per share

Basic loss per share from discontinued operation for the six months ended 30 June 2018 was RMB0.24 cents per share, based on the loss for the period from discontinued operation attributable to owners of the Company amounting to approximately RMB2,004,000 and the denominators detailed above for basic loss per share from continuing and discontinued operations.

Diluted loss per share

Diluted loss per share from discontinued operation for the six months ended 30 June 2018 was the same as the basic loss per share from discontinued operation because the exercise of the Company's outstanding share options would have anti-dilutive effect.

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Trade receivables	**128,961**	153,815
Less: Impairment loss on trade receivables	**(106,099)**	(100,671)
	22,862	53,144
Other receivables	**3,515**	3,501
Less: Impairment loss on other receivables	**(809)**	(809)
	2,706	2,692
Consideration receivable from disposal of property, plant and equipment and prepaid lease payments *(Note 5(b))*	**–**	160,000
Contract assets	**22,282**	22,701
Prepayments and deposits	**6,973**	7,552
Other tax recoverables	**34**	34
	54,857	246,123

The Group generally allows credit period ranging from 0 to 180 days to its trade customers.

Credit is offered to customers following an assessment of their financial abilities and payment track record. Credit limits are set out for all customers and these can be exceeded only with the approval from management. Management also monitors overdue trade receivables, and follows up collection of these receivables.

The following is an ageing analysis of trade receivables, net of impairment loss, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Less than six months	**5,035**	42,015
After six months but less than one year	**17,827**	11,129
	22,862	53,144

11. TRADE AND OTHER PAYABLES

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
Less than six months	**11,633**	15,354
After six months but less than one year	**8,310**	–
After one year but less than two years	**–**	988
Over two years	**988**	–
	20,931	16,342
Accruals and other payables	**13,371**	11,111
Amount due to a related company *(Note)*	**5,433**	–
Financial liabilities measured at amortised cost	**39,735**	27,453
Other PRC tax payables	**9,089**	9,089
	48,824	36,542

Note: The amount due to a related company is unsecured, interest-free and repayable on demand.

12. DISPOSAL OF SUBSIDIARIES

a) Disposal of equity interest in Wuxi Pan Asia

As disclosed in note 6, the Disposal was completed on 16 January 2018. The gain from the Disposal is analysed as follows:

	RMB'000
	(Unaudited)
Cash consideration received	**44,000**
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**184,823**
Prepayments for consultation, marketing and promotional services	**42,050**
Deferred tax assets	**406**
Inventories	**115,657**
Trade and other receivables	**68,974**
Pledged bank deposits	**6,543**
Tax recoverable	**77,523**
Trade and other payables	**(448,834)**
Deferred tax liabilities	**(1,218)**
Deferred government grants	**(2,708)**
Net assets disposed of	**43,216**
Gain on disposal of a subsidiary:	
Cash consideration received	**44,000**
Net assets disposed of	**(43,216)**
Gain on disposal of a subsidiary *(Note 6)*	**784**

b) **Disposal of equity interest in Lianyungang Minxin Investment Limited ("Lianyungang Minxin")**

On 23 April 2018, the Group entered into a share transfer agreement with an independent third party to dispose of its 100% equity interest in Lianyungang Minxin at a cash consideration of RMB10,150,000. Lianyungang Minxin was principally engaged in undertaking of EP construction engineering services. The disposal was completed on 30 April 2018. The gain from the disposal is analysed as follows:

	RMB'000 **(Unaudited)**
Cash consideration received	**10,150**
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**–**
Equity instrument at fair value through other comprehensive income	**–**
Other receivables	**388**
Bank balances	**7**
Trade and other payables	**(8,059)**
Tax payable	**(10,888)**
Net liabilities disposed of	**(18,552)**
Gain on disposal of a subsidiary:	
Cash consideration received	**10,150**
Net liabilities disposed of	**18,552**
Gain on disposal of a subsidiary	**28,702**

13. OPERATING LEASE COMMITMENTS

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

	At 31 December 2018 *RMB'000* (Audited)
Within one year	2,428
After one year but within five years	1,103
	3,531

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

The Group is the lessee in respect of a number of properties and equipment held under leases which were previously classified as operating lease under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances as at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3.

14. EVENTS AFTER THE REPORTING PERIOD

a) Proposed acquisition of 99.99% of the issued share capital in Mayee International Holdings Limited ("Mayee International")

On 7 November 2018 and 30 January 2019, the Company entered into a sale and purchase agreement, and a supplemental sale and purchase agreement (the "Acquisition Agreement"), respectively, with an independent third party, Zhongying International Limited ("Zhongying"), pursuant to which the Company has conditionally agreed to acquire, and Zhongying has conditionally agreed to sell 99.99% of the issued share capital of Mayee International at a total consideration of approximately HK$1,253,220,000. The total consideration will be settled by the Company through payment of cash amounting to approximately HK$1,013,220,000 and issuance of convertible bonds with a principal amount of HK$240,000,000. Mayee International and its subsidiaries are principally engaged in property management and leasing of shops in a shopping mall located in Kunming, Yunnan, the PRC. This proposed acquisition constitutes a very substantial acquisition under Chapter 14 of the Listing Rules and is therefore subject to the shareholders' approval at an extraordinary general meeting of the Company.

On 28 June 2019, the Company and Zhongying entered into the second supplemental agreement to extend the date for fulfillment of the conditions precedent set out in the Acquisition Agreement to 27 June 2020.

Further details of this proposed acquisition are set out in the Company's announcements dated 7 November 2018, 30 January 2019, 29 April 2019 and 28 June 2019 respectively.

Up to the date of this announcement, the conditions precedent in the Acquisition Agreement have not yet been fulfilled. Accordingly, the proposed acquisition has not yet been completed.

b) Proposed acquisition of 51% of the issued share capital of MSC (Hong Kong) Limited ("MSC") involving issue of consideration shares

On 10 July 2019, the Company entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Vendor"), pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 51% of the issued share capital of MSC at a consideration of HK$40,260,000. The consideration will be subject to downward adjustment based on the profit guarantees given by the Vendor and will be settled by several tranches of consideration shares to be issued by the Company. MSC and its subsidiaries are principally engaged in the sales of coupons and provision of online preferential top-up services business in the PRC, such as catering memberships top-up, petrol filing cards top-up, phone call charges top-up and video website memberships top-up.

Further details of this proposed acquisition are set out in the Company's announcements dated 10 July 2019 and 22 July 2019 respectively.

Up to the date of this announcement, the conditions precedent in the Agreement have not been fulfilled. Accordingly, the proposed acquisition has not yet been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

From the beginning of 2019, continuous efforts aimed at the improvement of the air quality and winning the battle for blue sky have been made by the government in order to manage pollution more holistically. A recent significant advance was the issuance of the "Work Plan for Comprehensive Management of Air Pollution in Hebei Province in 2019" (《河北省2019年大氣污染綜合治理工作方案》) (the "Plan") led by the provincial officials targeting the prevention and control of air pollution there. The Plan involves a comprehensive accountability mechanism on the assessment of different situations to determine the seriousness of pollution, followed by necessary supervision, incentives and penalties, and relevant enforcement under the law. Besides, the recently released "Opinions on Strengthening Ecological Environment Protection and Resolutely Fighting Pollution Prevention and Control" (《關於全面加強生態環境保護堅決打好污染防治攻堅戰的意見》) clearly identified the protection of clear water and conservation for clear land as unswerving goals, including a benchmark of at least 80% of quality air within cities, a proportion of 70% surface waters in Categories I to III nationwide and a 90% safe utilization rate of contaminated cultivated land.

The environmental protection ("EP") industry is definitely prospering in China. By leveraging its rich experience, advanced technological know how and its comprehensive services scopes, Pan Asia Environmental Protection Group Limited ("Pan Asia" or the "Company") will continue to consolidate its EP business and thereby contribute to creating an environmentally friendly area for citizens. The Group believes that its integrated and innovative products and services will bring not only customer satisfaction and revenue, but also further generate a good reputation and brand name for Pan Asia.

Financial Review

During the review period, the Group continued to consolidate its EP business, as it diversified its business portfolio through acquisition while evaluating potential target companies which are profitable and would bring in synergies for Pan Asia. The Group's strategy is to periodically review potential business and investment opportunities to enhance its value to shareholders. A decrease in total loss to RMB15.56 million for the review period was due to implementing better cost control measures and optimal allocation of resources.

Interim Dividend

The Board did not recommend payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil) and the capital will be reserved for supporting development of the Group's business operations.

Business Review

During the review period, all of the revenue from the EP products and equipment segment were generated from the sales of Flue Gas Treatment Products and Equipment. This segmental revenue slightly decreased by 9.5% to RMB41.56 million, while the gross profit dropped by 88.1% to RMB1.25 million and the gross profit margin decreased from 22.8% in last period to 3.0%. The weaker overall performance was due to the intense industrial competition which reduced the chances of securing a tender and squeezed profit margins.

In July 2019, the Group entered into a sale and purchase agreement to acquire 51% of equity interests in MSC (Hong Kong) Limited ("MSC") for a consideration of HK$40,260,000 which provides an excellent opportunity for Pan Asia to expand its business portfolio into the sale of coupons and the business of the provision of online preferential top-up services. This acquisition further enables the Group and MSC to leverage their respective strengths, resources and expertise to build a mutually beneficial strategic relationship. It is worth mentioning that this transaction includes a provision guaranteeing that profit for the three financial years ending 31 December 2021 shall not be less than HK$20,000,000 (2019), HK$30,000,000 (2020) and HK$40,000,000 (2021), respectively.

Business Diversification Strategy

In the future, Pan Asia will adopt a business diversification strategy to tap into different profitable industries. Therefore, Pan Asia will pay close attention to potential engagements and investment opportunities, including but not limited to possible acquisitions and cooperations through Memorandum of Understanding.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, total assets of the Group amounted to RMB1,290.0 million, which were comparable to RMB1,291.1 million as at 31 December 2018. The Group's total liabilities as at 30 June 2019 amounted to RMB101.8 million, representing an increase of RMB14.7 million as compared with RMB87.1 million as at 31 December 2018. The main reason for this increase in total liabilities was due to increase in trade and other payables. The Group's total equity as at 30 June 2019 was RMB1,188.3 million (31 December 2018: RMB1,204.0 million). As at 30 June 2019, the Group's gearing ratio calculated on the basis of the total borrowings over total equity was 4.2% (31 December 2018: 4.0%). The Group's cash and cash equivalents amounted to RMB1,226.0 million as at 30 June 2019 (31 December 2018: RMB1,037.9 million).

EXPOSURE TO FLUCTUATIONS IN FOREIGN EXCHANGE RATES

Most of the business transactions and liabilities of the Group are denominated in Renminbi and Hong Kong dollars. The Group adopted a conservative financial policy and the majority of its bank deposits are in Renminbi and Hong Kong dollars. As at 30 June 2019, 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 continues to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate. As at 30 June 2019, the Group did not hold any derivatives for hedging against neither the interest rate nor foreign exchange risks.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any capital expenditure commitment in respect of the acquisition of property, plant and equipment (31 December 2018: Nil). The Group has provided product warranties to its customers in respect of certain of its EP products and equipment sold for a warranty period ranging from six months to two years after installation. At the same time, the Group has also received product warranties in respect of those EP products and equipment supplied from its suppliers. The Directors believe that the amount of crystalised warranty liabilities will not be significant at the end of the reporting period.

PLEDGE OF ASSETS

As at 30 June 2019, the Group had no pledge of assets.

As at 31 December 2018, the Group had no pledge of assets.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this announcement, there are two proposed acquisitions which have not yet been completed. Details of these acquisitions are set out in note 14 to this announcement.

RELATIONSHIP WITH EMPLOYEES AND KEY STAKEHOLDERS

As at 30 June 2019, the Group had approximately 110 employees. Salaries of employees were maintained at competitive levels and are reviewed annually, with close reference to the relevant labour markets and economic situations. Remuneration of the Directors is determined based on a variety of factors such as market conditions and the specific responsibilities shouldered by the individual directors. Apart from providing the basic remuneration and statutory benefits as required by the law, the Group also provides discretionary bonuses based on its results and the performance of the individual employees. The Group also has an employee share option scheme in operation. The total remuneration cost, including Directors' remuneration, for the six months ended 30 June 2019 was RMB5.7 million (six months ended 30 June 2018: RMB7.2 million). During the period under review, the Group has organised professional and vocational training for its employees. The Directors believe that the Group has an admirable relationship with its employees.

In addition, the Group understands that in order to achieve its long-term goals, it is important to maintain good relationships with business partners, shareholders, investors and bankers. An investor relations scheme has been formulated to foster close relationships with its shareholders and investors. Specifically designed activities are held from time to time in order to achieve optimal results.

PURCHASE, SALES 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 for the six months ended 30 June 2019.

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 and internal control procedures of the Group. The audit committee has reviewed the interim results and report of the Group for the six months ended 30 June 2019.

CORPORATE GOVERNANCE

The Board is committed to achieving high corporate governance standards. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, throughout the six months ended 30 June 2019, the Company has complied with the code provisions as set out in the CG Code.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.paep.com.cn) and the interim report for the six months ended 30 June 2019 will be despatched to the shareholders and published on the abovementioned websites in due course.

By Order of the Board
Pan Asia Environmental Protection Group Limited
JIANG Xin
Chairman

Hong Kong, 30 August 2019

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

Executive Director:
Mr. JIANG Xin

Non-executive Director:
Mr. FAN Yajun

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