



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

**Interim Report 2008**

Interim Report 2008





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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Jiang Quanlong (*Chairman*)  
Mr. Fan Yajun  
Mr. Fang Guohong  
Mr. Gan Yi  
Mr. Jiang Lei

### Independent Non-executive Directors

Professor Wang Guozhen  
Mr. Lai Wing Lee  
Mr. Leung Shu Sun, Sunny

## COMPANY SECRETARY

Mr. Wan San Fai, Vincent

## QUALIFIED ACCOUNTANT

Mr. Wan San Fai, Vincent

## AUTHORISED REPRESENTATIVES

Mr. Jiang Quanlong  
Mr. Wan San Fai, Vincent

## PRINCIPAL BANKERS

China Construction Bank  
Bank of Communications  
Hang Seng Bank

## AUDITOR

CCIF CPA Limited  
20/F., Sunning Plaza  
10 Hysan Avenue  
Causeway Bay  
Hong Kong

## LEGAL ADVISERS

Chiu & Partners  
41st Floor  
Jardine House  
1 Connaught Place  
Hong Kong

## COMPLIANCE ADVISER

Taifook Capital Limited  
25th Floor, New World Tower  
16–18 Queen's Road Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

HSBC Trustee (Cayman) Limited  
P.O. Box 484  
2nd Floor, Strathvale House  
90 North Church Street  
George Town  
Grand Cayman KY1-1106  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## PUBLIC RELATIONS

Strategic Financial Relations Limited  
Unit A, 29/F., Admiralty Centre I  
18 Harcourt Road  
Admiralty  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

1 Chuanshan Road  
Yixing  
Jiangsu Province  
The PRC  
214222

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3712, The Center,  
99 Queen's Road Central  
Hong Kong

## WEBSITE

[www.paep.com.cn](http://www.paep.com.cn)

## STOCK CODE

556

# CHAIRMAN'S STATEMENT

The Board of Directors (the "Board" or the "Directors") of Pan Asia Environmental Protection Group Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2008.

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2008, the Group recorded a total turnover of RMB286.6 million, an increase of 21.8% against the last corresponding period. During the period, notwithstanding the surging material prices which pushed up operating cost, the Group was able to transfer a large part of the increased cost to customers, thus achieving an overall gross profit of RMB134.0 million (six months ended 30 June 2007: RMB90.1 million), with gross profit margin at 46.8%. Profit attributable to equity holders was approximately RMB81.6 million (six months ended 30 June 2007: RMB61.1 million), while net profit increased 33.5% against the corresponding period last year.

## DIVIDEND

The Board recommended withholding dividend payment for the six months ended 30 June 2008 till year end to be included in the final dividend for the year to be distributed to shareholders.

## BUSINESS REVIEW

As an integrated environmental protection ("EP") services provider in the PRC, the Group mainly designs and manufactures water and flue gas treatment products and equipment, sells pipes, as well as undertakes EP construction engineering projects and provides EP related professional services. As at 30 June 2008, the Group had 50 engineers from different professional backgrounds and with work experience in environmental protection, remained committed in providing customised EP services to customers in different industries.

In 2008, the Chinese Government continued to forge ahead with implementing the country's Eleventh Five-Year Plan. Eliminating pollution-causing low-end industries and products, the authority also raised the bar for environmental protection and energy conservation and emission reduction etc., which presented huge business opportunities to the environmental protection industry. The National Development and Reform Commission ("NDRC") expected the total value of the environmental protection industry of the country to reach approximately RMB880 billion by 2010, accounting for approximately 3.4% of the Gross Domestic Product ("GDP") of the year. The anticipated strong demand in the market is expected to drive steady growth of the Group's EP product and service business.

### Sale of EP Products and Equipment

This segment covers mainly sale of pipes, water and flue gas treatment products and equipment. During the period under review, it recorded a turnover of approximately RMB286.6 million, accounting for over 99.7% of the Group's total turnover.

# CHAIRMAN'S STATEMENT

## *Sale of Water Treatment Products and Equipment*

The water treatment systems of the Group are mainly used to process industrial and urban wastewater. In light of the great demand of such systems, the Group completed 40 water treatment sales contracts during the period under review, which generated turnover of approximately RMB266.0 million, accounting for 92.8% of the segmental turnover. On 28 April 2008, the Group entered into the Sewage Reduction Outline Agreement with the Bengbu City Government in Anhui Province, wherein the Group is responsible for taking charge of planning, designing and coordinating the development of wastewater treatment systems for various zones and districts in Bengbu City in Anhui Province with the objective of such zones and districts attaining within about three years' time the sewage discharge level of the National First-class A Standard. According to the agreement, about nine projects are identified for construction to take place between 2008 and 2010. One of the projects had been kicked off during the period under review and is expected to be completed by the end of the year.

## *Sale of Flue Gas Treatment Products and Equipment*

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

## *Sale of Pipes*

In addition to providing comprehensive EP solutions, the Group also produces fibreglass reinforced plastic pipes of diameters up to 2,000 mm at its Yixing workshop, with total annual production capacity estimated at approximately 172,680 metres. During the period under review, the pipe workshop produced around 23,700 metres of pipes at the average utilisation rate of approximately 13.7%. The Group completed 2 contracts related to sale of pipes during the period under review, which generated a turnover of approximately RMB19.8 million, accounting for 6.9% of the segmental turnover.

## **EP Construction Engineering Projects**

Boasting extensive industry expertise and professional research and development ("R&D") capabilities and technologies, the Group started to undertake EP construction engineering projects in 2004, providing clients with one-stop EP solutions. During the period under review, the Group did not take on any new projects. The three flue gas treatment projects for power plants it undertook in the past had brought significant turnover contributions between 2005 and 2007. Currently, the Group is negotiating a number of large projects with customers.

## **Provision of EP Related Professional Services**

The Group, through its subsidiary — Shanghai Environmental Engineering Design & Research Institute Limited ("SEEDRI"), provides EP related professional services to clients. Holding Grade A engineering design certificates, SEEDRI is qualified to undertake engineering design for all environmental projects. During the period under review, the segment recorded a turnover of approximately RMB868,000, accounting for around 0.3% of the total turnover of the Group.

# CHAIRMAN'S STATEMENT

## PROSPECTS

The Chinese Government is committed to strengthening environmental protection and strictly implementing the country's Eleventh Five-Year Plan. Regarding water pollution control, the NDRC is targeting to increase the wastewater treatment in urban areas to RMB0.8/m<sup>3</sup> or above by the end of 2010 and handling charges for industrial wastewater treatment will be two to three times of that depending on the extent of pollution. The Government will also redevelop old urban areas, replacing old water pipes and repairing sewage networks. The Group is confident of the prospects of the wastewater treatment business and expects contribution from the business to continue to account for 70–80% of its total turnover in the next one or two years. In the aspect of flue gas control, the Government has stepped up urging coal-fired power plants to install desulphurisation facilities and stated clearly that sulphur dioxide discharge must be 10% lower than the 2005 level by 2010. The Group expects demand for and price of the service to continue to climb, and keep driving its business growth in the PRC.

Looking ahead, the Group will continue to ride on the trend of environmental protection to further consolidate its industry position in the PRC and exploit market potential. The Group currently has about 23 EP contracts of total worth approximately RMB625.1 million yet to be completed, which are expected to translate into profits for the Group.

In the second half of 2008, sale of water treatment related projects will be the major growth driver of the Group. However, the Group will also gradually expand EP construction engineering business, including flue gas desulphurisation ("FGD") and solid waste incineration power plant projects to balance the development of the business portfolio. The Group will expand its flue gas treatment business to Liaoning Province and strive to complete the joint project with the Bengbu City Government in Anhui Province.

Anticipating continuous growth in demand for wastewater and flue gas treatment services in coming years, the Group will implement a series of development strategies including expanding production capacity, enhancing sales service and extending sales network, strengthening technological and R&D capabilities and setting up a simulated flue gas control and treatment facility for providing training to customers. Furthermore, the Group will actively identify acquisition targets and investment opportunities which allow it to enhance competitiveness and expand the scope of its business, so as to provide more diverse EP solutions to its customers.

## INITIAL PUBLIC OFFERING AND USE OF PROCEEDS

The Group became listed by way of initial public offering in December 2007. Excluding relevant expenses, the net proceeds from the initial public offering were approximately HK\$518.0 million.

For the eight months ended 31 August 2008, the Group used a total of approximately HK\$10.0 million of the net proceeds, to set up subsidiaries at Anhui and Liaoning, as the sales and support centres.



# CHAIRMAN'S STATEMENT

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, total assets of the Group were RMB1,276.2 million, an increase of RMB47.0 million compared to RMB1,229.2 million as at 31 December 2007. The increase was attributable mainly to increased net profit. The Group's total liabilities as at 30 June 2008 were RMB222.3 million, RMB22.3 million more than the RMB200.0 million as at 31 December 2007, because of increase in a short term fixed rate bank loan of RMB82.0 million. The total equity of the Group as at 30 June 2008 was RMB1,053.9 million, an increase of RMB24.7 million compared to RMB1,029.2 million as at 31 December 2007. As at 30 June 2008, the Group had RMB915.2 million cash.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2008, the Group had no capital expenditure commitment.

The Group provides product warranty to customers for completed FGD construction works and equipment for periods ranging from six months to two years. At the same time, it is entitled to maintenance services provided by contractors and suppliers for the works or facilities it received. The Directors believe the cash realization value of the warranty it provides to customers (if any) exceeds that which it is to pay to the contractors and suppliers for maintenance services, thus will not have material adverse effect on the overall financial position or operating results of the Group.

## HUMAN RESOURCES

As at 30 June 2008, the Group had approximately 270 employees. Salaries of employees are maintained at competitive levels and reviewed annually, with close reference to the relevant labour market and economic situations. The remuneration of Directors is determined based on a variety of factors such as market conditions and corresponding responsibilities. Apart from basic remuneration and other statutory benefits, the Group also provides discretionary bonuses based on its results and the performance of individual employees. The Group also has in place an employee share option scheme.

## REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2008. At the request of the Board of Directors, the Company's external auditors have carried out a review of this unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

# CHAIRMAN'S STATEMENT

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") throughout the accounting period for the six months ended 30 June 2008.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all directors and the directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the accounting period for the six months ended 30 June 2008.

The Company has established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the above written guidelines by the employees was noted by the Company.

## APPRECIATION

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

**Jiang Quanlong**

*Chairman*

Hong Kong, 22 September 2008



## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2008.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions of the Directors and their associates in the shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Nature of interest	Number of securities/amount of registered capital held (Note 1)	Equity derivatives (share option) (Note 5)	Total	Percentage of issued share capital
Jiang Quanlong	Corporate interest	600,000,000 (L) (Notes 2 and 4)	400,000	600,400,000	75.05%
Jiang Lei	Corporate interest	600,000,000 (L) (Notes 3 and 4)	400,000	600,400,000	75.05%
Fan Yajun	—	—	2,500,000	2,500,000	0.3125%
Gan Yi	—	—	1,000,000	1,000,000	0.125%
Wang Guozhen	—	—	500,000	500,000	0.0625%
Lai Wing Lee	—	—	500,000	500,000	0.0625%
Leung Shu Sun, Sunny	—	—	500,000	500,000	0.0625%

*Notes:*

- The letter "L" denotes the Director's long position in the shares.
- These 600,000,000 shares are registered in the name of Praise Fortune Limited, Mr. Jiang Quanlong is the sole director of Praise Fortune Limited and he is deemed to be interested in all the shares in which Praise Fortune Limited is interested by virtue of the SFO.
- These 600,000,000 shares are registered in the name of and beneficially owned by Praise Fortune Limited, the entire issued share capital of which is beneficially owned as to approximately 49.9%, 49.9% and 0.2% by Mr. Jiang Lei, Mr. Jiang Xin and Ms. Qian Yuanying respectively. Under the SFO, Mr. Jiang Lei is deemed to be interested in the Shares held by Praise Fortune Limited.
- The total number of issued shares in Praise Fortune Limited as at 30 June 2008 is 601 shares of US\$1 each. These 601 shares are owned as to 300 shares by Mr. Jiang Lei (an executive Director), as to 300 shares by Mr. Jiang Xin and as to 1 share by Ms. Qian Yuanying. The sole director of Praise Fortune Limited is Mr. Jiang Quanlong, an executive Director and Ms. Qian Yuanying is the spouse of Mr. Jiang Quanlong.
- These interests represent the interests in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, the details of which are set out in the Share Option Scheme section stated below.

## OTHER INFORMATION

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to a resolution of the sole shareholder of the Company passed on 1 December 2007. The Share Option Scheme complies with the requirements of the Listing Rules. On 14 May 2008, the Company granted 17,800,000 options under the Share Option Scheme to its directors and key employees at an exercise price of HK\$2.81. The closing market price per Share as at the date on which the share options were granted was HK\$2.80. The options can be exercised one year after the grant date and expiring on the tenth anniversary of the grant date. The total number of share options represents 2.2% of the Company's outstanding share capital when fully exercised. They include the options granted to 4 executive directors, 3 independent non-executive directors and 11 employees of the Company for the number of shares set out below:

	Date of Grant	Exercise Price HK\$	Vesting Period	Exercisable Period	Number of Share Options			
					As at 1/1/2008	Granted during the period	Exercised/ Cancelled/ Lapsed	As at 30/6/2008
Jiang Quanlong	14/5/2008	2.81	14/5/2008 to 13/5/2009	14/5/2009 to 13/5/2018	—	400,000	—	400,000
Fan Yajun	14/5/2008	2.81	14/5/2008 to 13/5/2009	14/5/2009 to 13/5/2018	—	2,500,000	—	2,500,000
Gan Yi	14/5/2008	2.81	14/5/2008 to 13/5/2009	14/5/2009 to 13/5/2018	—	1,000,000	—	1,000,000
Jiang Lei	14/5/2008	2.81	14/5/2008 to 13/5/2009	14/5/2009 to 13/5/2018	—	400,000	—	400,000
Wang Guozhen	14/5/2008	2.81	14/5/2008 to 13/5/2009	14/5/2009 to 13/5/2018	—	500,000	—	500,000
Lai Wing Lee	14/5/2008	2.81	14/5/2008 to 13/5/2009	14/5/2009 to 13/5/2018	—	500,000	—	500,000
Leung Shu Sun, Sunny	14/5/2008	2.81	14/5/2008 to 13/5/2009	14/5/2009 to 13/5/2018	—	500,000	—	500,000
Continuous contract employees	14/5/2008	2.81	14/5/2008 to 13/5/2009	14/5/2009 to 13/5/2018	—	12,000,000	—	12,000,000
						— 17,800,000		— 17,800,000

As at 30 June 2008, there are options relating to 17,800,000 shares granted by the Company pursuant to the Share Option Scheme which are valid and outstanding.

The Company has used the binomial option pricing model (the "Model") to value the share options granted pursuant to the Share Option Scheme for the six months ended 30 June 2008, which is a common model used in assessing the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. As such, the fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the valuation model used.

The share options were granted to the Directors, senior management and other employees of the Company pursuant to the Share Option Scheme on 14 May 2008. The fair value of the share options as at the date of grant under the Model was HK\$15,681,000. For the six months ended 30 June 2008, a share option expense of RMB1,819,000 has been recognised with a corresponding adjustment made in the Group's share option reserve.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and chief executive of the Company, as at 30 June 2008, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

#### Long position in the shares of the Company

Name	Nature of interest	Number of shares held (Note 1)	Approximate percentage of total number of issued shares
Praise Fortune Limited (Note 2)	Beneficial owner	600,000,000 Shares (L)	75%
Mr. Jiang Xin (Note 3)	Interest of a controlled corporation	600,000,000 Shares (L)	75%
Ms. Qian Yuanying (Note 4)	Interest of spouse	600,000,000 Shares (L)	75%
Ms. Li Jingru (Note 5)	Interest of spouse	600,000,000 Shares (L)	75%
Ms. Chai Yongping (Note 6)	Interest of spouse	600,400,000 Shares (L)	75.05%
GE Asset Management Incorporated	Beneficial owner	42,494,000 Shares (L)	5.31%

#### Notes:

- The Letter "L" denotes the person's long position in the Shares.
- The total number of issued shares in Praise Fortune Limited as at 30 June 2008 is 601 shares of US\$1 each. These 601 shares are owned as to 300 shares by Mr. Jiang Lei (an executive Director), as to 300 shares by Mr. Jiang Xin and as to 1 share by Ms. Qian Yuanying. The sole director of Praise Fortune Limited is Mr. Jiang Quanlong, an executive Director.
- These Shares are registered in the name of and beneficially owned by Praise Fortune Limited, the entire issued share capital of which is beneficially owned as to approximately 49.9%, 49.9% and 0.2% by Mr. Jiang Lei, Mr. Jiang Xin and Ms. Qian Yuanying respectively. Under the SFO, Mr. Jiang Lei is deemed to be interested in the Shares held by Praise Fortune Limited.
- Ms. Qian Yuanying is the spouse of Mr. Jiang Quanlong and is therefore deemed to be interested in all the Shares in which Mr. Jiang Quanlong is deemed to be interested.
- Ms. Li Jingru is the spouse of Mr. Jiang Xin and is therefore deemed to be interested in all the Shares in which Mr. Jiang Xin is deemed to be interested.
- Ms. Chai Yongping is the spouse of Mr. Jiang Lei and is therefore deemed to be interested in all the Shares in which Mr. Jiang Lei is deemed to be interested.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**TO THE BOARD OF DIRECTORS OF  
PAN ASIA ENVIRONMENTAL PROTECTION GROUP LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 26, which comprises the condensed consolidated balance sheet of Pan Asia Environmental Protection Group Limited (the “Company”) and its subsidiaries as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKAS 34”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2008 is not prepared, in all material respects, in accordance with HKAS 34.

**CCIF CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 22 September 2008

**Chan Wai Dune, Charles**  
Practising Certificate Number P00712

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month ended 30 June 2008

	Note	Six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Audited)
<b>Turnover</b>	5	<b>286,648</b>	235,429
Cost of sales		<b>(152,615)</b>	(145,307)
Gross profit		<b>134,033</b>	90,122
Other revenue and other net income	6	<b>13,043</b>	1,775
Selling and distribution expenses		<b>(25,614)</b>	(4,986)
General and administrative expenses		<b>(13,794)</b>	(5,908)
Other operating expenses		<b>(700)</b>	(276)
<b>Profit from operation</b>	7	<b>106,968</b>	80,727
Finance costs		<b>(587)</b>	—
<b>Profit before taxation</b>		<b>106,381</b>	80,727
Taxation	8	<b>(25,573)</b>	(19,962)
<b>Profit for the period</b>		<b>80,808</b>	60,765
<b>Attributable to:</b>			
Equity holders of the Company		<b>81,602</b>	61,141
Minority interests		<b>(794)</b>	(376)
		<b>80,808</b>	60,765
<b>Dividends</b>	9	—	22,000
<b>Earnings per share – basic</b>	10	<b>RMB10.20 cents</b>	RMB10.19 cents

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
<b>Non-Current assets</b>			
Prepaid lease payment		6,998	7,082
Property, plant and equipment	11	54,284	53,930
Available-for-sale financial asset		1,950	1,950
		<b>63,232</b>	62,962
<b>Current assets</b>			
Inventories		79,617	16,234
Trade receivables	12	142,060	49,877
Prepayments, deposits and other receivables		20,200	9,059
Prepaid lease payment		169	169
Amounts due from related companies		2,029	2,153
Amounts due from customers for contract work		53,653	65,230
Pledged bank deposits		96,715	6,880
Cash and bank balances		818,526	1,016,595
		<b>1,212,969</b>	1,166,197
<b>Current liabilities</b>			
Short terms bank loan		82,000	—
Trade payables	13	58,016	65,001
Accruals and other payables		34,567	35,866
Amounts due to minority shareholders		233	233
Amounts due to a director		853	460
Trade deposits received		26,532	52,793
Tax payable		20,142	45,626
		<b>222,343</b>	199,979
Net current assets		<b>990,626</b>	966,218
<b>Net assets</b>		<b>1,053,858</b>	1,029,180
<b>Capital and reserves</b>			
Share capital	14	74,872	74,872
Reserves		975,530	953,058
Equity attributable to equity holders of the Company		<b>1,050,402</b>	1,027,930
Minority interests		<b>3,456</b>	1,250
<b>Total equity</b>		<b>1,053,858</b>	1,029,180

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Enterprise expansion reserve RMB'000	Statutory surplus reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Minority interest RMB'000	Total RMB'000
At 1 January 2007	2	—	103,582	17,597	26,870	6,340	—	200,337	354,728	2,302	357,030
Profit for the period	—	—	—	—	—	—	—	61,141	61,141	(376)	60,765
Dividend	—	—	—	—	—	—	—	(22,000)	(22,000)	—	(22,000)
Transfer to reserve	—	—	—	3,160	3,160	—	—	(6,320)	—	—	—
<b>At 30 June 2007 (audited)</b>	<b>2</b>	<b>—</b>	<b>103,582</b>	<b>20,757</b>	<b>30,030</b>	<b>6,340</b>	<b>—</b>	<b>233,158</b>	<b>393,869</b>	<b>1,926</b>	<b>395,795</b>
At 1 January 2008	74,872	419,229	94,225	28,327	37,600	6,300	—	367,377	1,027,930	1,250	1,029,180
Establishment of a subsidiary	—	—	—	—	—	—	—	—	—	3,000	3,000
Profit for the period	—	—	—	—	—	—	—	81,602	81,602	(794)	80,808
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	(25,660)	—	—	(25,660)	—	(25,660)
Transfer to reserve	—	—	—	3,836	3,836	—	—	(7,672)	—	—	—
Recognition of equity-settled share-based payment	—	—	—	—	—	—	1,819	—	1,819	—	1,819
Dividend	—	—	—	—	—	—	—	(35,289)	(35,289)	—	(35,289)
<b>At 30 June 2008 (unaudited)</b>	<b>74,872</b>	<b>419,229</b>	<b>94,225</b>	<b>32,163</b>	<b>41,436</b>	<b>(19,360)</b>	<b>1,819</b>	<b>406,018</b>	<b>1,050,402</b>	<b>3,456</b>	<b>1,053,858</b>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(134,488)</b>	68,996
<b>Net cash outflow from investing activities</b>	<b>(84,633)</b>	(902)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>46,712</b>	(48,000)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(172,409)</b>	20,094
<b>Cash and cash equivalents at beginning of period</b>	<b>1,016,595</b>	307,865
<b>Effect of foreign exchange rate changes, net</b>	<b>(25,660)</b>	—
<b>Cash and cash equivalents at end of period</b>	<b>818,526</b>	327,959
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at bank balances	818,526	327,959





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 16 August 2006 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 21 December 2007. The Company and its subsidiaries (together, the “Group”) is principally engaged in the manufacture and sale of EP products and equipment, undertaking of EP construction engineering projects, provision of EP related professional services and investment holding.

The addresses of the Company’s registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman Ky1-1111, Cayman Islands and Suite 3712, The Center, 99 Queen’s Road Central, Hong Kong respectively.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of the Appendix 16 of the Listing Rules and HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2007.

The unaudited condensed consolidated interim financial information is presented in Renminbi (“RMB”), which is the functional currency of the Group and all values are rounded to the nearest thousand, unless otherwise indicated.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2007.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In the current period, the Group has adopted, for the first time, a number of new interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008.

HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowings costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC)-Int 13	Company loyalty programmes <sup>3</sup>
HK(IFRIC)-Int 15	Agreements for the construction of real estate <sup>1</sup>
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

### Business segments

The Group comprises sale of EP products and equipment, EP construction engineering projects and provision of EP related professional services business segments.

Six months ended 30 June 2008 (Unaudited)

	Sale of EP products and equipment RMB'000	EP construction engineering projects RMB'000	Provision of EP related professional services RMB'000	Total RMB'000
<b>Segment revenue</b>				
Sales to external customers	285,780	—	868	286,648
<b>Segments results</b>	134,531	—	(498)	134,033
<b>Other revenue</b>				13,043
Unallocated corporate expenses				(40,695)
<b>Profit before taxation</b>				106,381
Taxation				(25,573)
<b>Profit for the period</b>				80,808
<b>Segment assets</b>	154,014	68,464	3,159	225,637
Unallocated corporate assets	—	—	—	1,050,564
<b>Total assets</b>	154,014	68,464	3,159	1,276,201
<b>Segment liabilities</b>	29,976	45,815	8,757	84,548
Unallocated corporate liabilities	—	—	—	137,795
<b>Total liabilities</b>	29,976	45,815	8,757	222,343
<b>Other segment information:</b>				
Depreciation	2,239	—	180	2,419
Capital expenditure	44	—	37	81
Unallocated corporate capital expenditure	—	—	—	3,188
	44	—	37	3,269

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 4. SEGMENT INFORMATION (continued)

### Business segments (continued)

Six months ended 30 June 2007 (Audited)

	Sale of EP products and equipment RMB'000	EP construction engineering projects RMB'000	Provision of EP related professional services RMB'000	Total RMB'000
<b>Segment revenue</b>				
Sales to external customers	161,877	72,499	1,053	235,429
<b>Segments results</b>	62,479	27,787	(144)	90,122
<b>Other revenue</b>				1,775
<b>Unallocated corporate expenses</b>				(11,170)
<b>Profit before taxation</b>				80,727
<b>Taxation</b>				(19,962)
<b>Profit for the year</b>				60,765
<b>Segment assets</b>	76,182	102,295	5,679	184,156
<b>Unallocated corporate assets</b>	—	—	—	386,526
<b>Total assets</b>	76,182	102,295	5,679	570,682
<b>Segment liabilities</b>	28,430	51,751	4,441	84,622
<b>Unallocated corporate liabilities</b>	—	—	—	90,265
<b>Total liabilities</b>	28,430	51,751	4,441	174,887
<b>Other segment information:</b>				
Depreciation	2,477	—	214	2,691
Capital expenditure	35	—	2,016	2,051
Unallocated corporate capital expenditure	—	—	—	—
	35	—	2,016	2,051

### Geographical segment

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as they are substantially generated from or situated in the PRC.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and render of services by the Group to outside customers during the period.

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue		
Sale of EP products and equipment	<b>285,780</b>	161,877
Revenue from EP construction engineering projects	—	72,499
Revenue from professional services	<b>868</b>	1,053
	<b>286,648</b>	235,429

## 6. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other revenue		
Interest income	<b>5,471</b>	394
Sundry income	<b>696</b>	20
	<b>6,167</b>	414
Other net income		
Exchange gain	<b>6,876</b>	1,361
	<b>13,043</b>	1,775

## 7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Amortisation of prepaid lease payment	<b>84</b>	84
Cost of inventories sold	<b>151,249</b>	144,110
Cost of services provided	<b>1,366</b>	1,197
Depreciation	<b>2,419</b>	2,691
Impairment of trade and other receivables	<b>267</b>	28
Interest on bank loan	<b>587</b>	—
Staff cost (including directors' remuneration)		
Wages and salaries	<b>29,831</b>	6,869
Retirement scheme	<b>477</b>	352
Equity-settled share-based payment expenses	<b>1,819</b>	—
	<b>32,127</b>	7,221

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 8. TAXATION

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current Tax		
PRC enterprise income tax – current year	<b>25,573</b>	19,962

- i) Wuxi Pan-Asia Environmental Protection Technologies Limited (“Wuxi Pan-Asia”), which was formerly a sino-foreign joint venture enterprise, was subject to PRC enterprise income tax at a rate of 24% applicable to the company on the assessable profits for the year and is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses being the year ended 31 December 2002, followed by a 50% reduction for the next three years. Commencing from 2004, the profit generated from Wuxi Pan-Asia was subject to an income tax rate of 12%, being half of the corporate income tax rate applicable, such tax exemption expired on 31 December 2006. With effect from 2 August 2000, Wuxi Pan-Asia was changed from a sino-foreign joint venture enterprise to a wholly-foreign-owned enterprise, and the tax concession remained unchanged.

Wuxi Zhong Dian Kong Leng Technology Limited, which is a PRC domestic-invested company, is subject to the PRC enterprise income tax at a rate of 33% applicable to the company on the assessable profits for the year.

Shanghai Environmental Engineering Design & Research Institute Limited, which is a joint stock limited company, is subject to the PRC enterprise income tax at a rate of 33% applicable to the company on the assessable profits for the year.

By a legislation passed by the National People’s Congress in 2007, a uniform enterprise income tax of 25% will become generally applicable to all domestic and foreign investment enterprises established in the PRC, subject to certain exceptions or exemptions with effect from 1 January 2008. It is currently expected that with effect from 1 January 2008, the enterprise income tax rate applicable to the Group’s PRC subsidiaries will be 25%.

- ii) No provision for Hong Kong profits tax has been made for the periods ended 30 June 2008 as the Group’s income neither arises in, nor is derived from Hong Kong.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 9. DIVIDENDS

During the period, dividends paid and proposed to equity holders of the Company comprised:

*Dividend in respect of 2007*

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
Final dividend in respect of the previous financial year, approved and paid during the interim period of HK5 cents per share (2007: Nil)	40,000	—

  

	RMB'000	
	RMB'000	RMB'000
Equivalent to	35,289	—

Dividends of RMB22,000,000 were declared and paid by the Company's subsidiaries to their then shareholders during the six months ended 30 June 2007.

The directors do not propose any interim dividend for the six months ended 30 June 2008.

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company of approximately RMB81,602,000 (six months ended 30 June 2007: RMB61,141,000), and the weighted average number of ordinary shares of 800,000,000 (2007: 600,000,000 shares) in issue during the period.

In determining the weighted average number of ordinary shares in issue for the six months ended 30 June 2007, a total of 600,000,000 ordinary shares were deemed to be in issue since 1 January 2007.

Diluted earnings per share for the six months ended 30 June 2008 have not been presented as the exercise prices of the share options were higher than the average market price of the shares.

Diluted earnings per share for the six months ended 30 June 2007 have not been disclosed as there were no potential ordinary shares outstanding during the period.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment with a cost of RMB3,269,000 (2007: RMB2,051,000).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 12. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
0 to 30 days	60	6,080
31 to 60 days	31,893	9,476
61 to 90 days	37,663	16,226
91 to 180 days	32,595	7,303
181 to 365 days	39,849	10,792
	<b>142,060</b>	49,877

Trade receivables generally include the balances yet to be due such as the quality retention monies (typically 5% to 20% of the total contracted value) that retained by the customers until the fulfillment of the warranty period of generally 1 to 2 years, receivable pursuant to the payment terms of the respective contracts. The Group normally grants credit terms from 1 to 2 months to its customers. Apart from those mentioned retention monies, trade receivables are expected to be recovered or recognised as expense within one year.

## 13. TRADE PAYABLES

The Group normally receives credit terms of 30 days from its suppliers. The aging analysis of trade payables is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
0 to 30 days	—	3,081
31 to 60 days	1,119	4,020
61 to 90 days	3,210	12,995
91 to 180 days	15,793	3,582
181 to 365 days	8,652	36,204
Over 365 days	29,242	5,119
	<b>58,016</b>	65,001



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Upon incorporation of the Company ( <i>note (i)</i> )	1,000	100
Increase in authorised share capital ( <i>note (ii)</i> )	99,000	9,900
Further increase in authorised share capital ( <i>note (iii)</i> )	3,900,000	390,000
As at 31 December 2007 and 30 June 2008	4,000,000	400,000
Issued and fully paid:		
Issue of shares upon incorporation ( <i>note (i)</i> )	1,000	100
Issue of shares upon reorganisation ( <i>note (iv)</i> )	99,000	9,900
Issue of shares upon IPO through a placing and public offer ( <i>note (v)</i> )	200,000	20,000
Capitalisation of share premium ( <i>note (vi)</i> )	500,000	50,000
As at 31 December 2007 and 30 June 2008	800,000	80,000
	Equivalent to	RMB74,872,000

*Notes:*

- i) Upon incorporation on 16 August 2006, the Company had authorised share capital of HK\$100,000, dividend into 1,000,000 shares of HK\$0.10 each. On the same date, all shares were allotted and issued as nil paid shares, which were subsequently credited as fully paid at par as noted in (iv) below.
- ii) Pursuant to a written resolution passed on 1 December 2007, the Company's authorised share capital was increased from HK\$100,000 to HK\$10,000,000 by the creation of 99,000,000 additional shares with a par value of HK\$0.10 each ranking pari passu with the then existing shares in all respects.
- iii) The authorised share capital of the Company was further increased to HK\$400,000,000 by the creation of a further 3,900,000,000 shares with a par value of HK\$0.10 each pursuant to a resolution passed on 1 December 2007.
- iv) In preparation for the Company's listing of its shares on the Main Board of the Stock Exchange, the Company allotted and issued 99,000,000 shares, together with the 1,000,000 shares allotted and issued on 16 August 2006 as noted in (i) above, of HK\$0.10 each, credited as fully paid at par, in exchange for the acquisition by the Company of the entire share capital of Pan Asia Environmental Protection Technologies Limited, the then holding company of the Group, on 1 December 2007.
- v) In connection with the Company's initial public offering, on 20 December 2007, a total of 200,000,000 shares of HK\$0.10 each were issued at a price of HK\$2.8 per share for a total cash consideration, before expenses, of approximately HK\$560,000,000. Dealings in these shares on the Stock Exchange commenced on 21 December 2007.
- vi) Pursuant to the written resolutions passed on 1 December 2007, share premium of approximately HK\$50,000,000 (equivalent to approximately RMB46,795,000) was capitalised for the issuance of 500,000,000 shares of HK\$0.10 each on a pro-rata basis to the Company's shareholders on 1 December 2007.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 15. OPERATION LEASE COMMITMENT

### The Group as lessee:

The Group had commitment for future minimum lease payments under non-cancellable operating leases in respect of the renting of promises which fall due as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	809	858
In the second to fifth years, inclusive	539	891
	<b>1,348</b>	1,749

### The Group as lessor:

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

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	—	18

## 16. CONTINGENT LIABILITIES

The Group has provided product warranty to its customers in respect of FGD construction work completed and certain of its EP products sold for a warranty period ranging from 6 months to 2 years after project or product delivery. At the same time, the Group has also received warranties in respect of those construction work and equipment supplied from its sub-contractors and suppliers. The directors of the Company believe that the amount of crystallised warranty liabilities, if any, in excess of the amount covered by the warranties given by the sub-contractors and suppliers, will not have a material adverse effect on the overall financial position or results of operations of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2008

## 17. RELATED PARTY TRANSACTIONS

- a) During the two periods ended 30 June 2007 and 2008, in addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following related party transactions:

Name of related party	Relationship with related party	Nature of transaction	For the six months ended 30 June	
			2008 RMB'000 (Unaudited)	2007 RMB'000 (Audited)
江蘇天元科技有限公司 (formerly known as 宜興市大浦窯爐密封材料廠)	A company in which Mr. Fang Guohong, a director of the Company, has interest	Purchases of goods	—	3,720

- b) The details of emolument of key management personnel during the periods ended 30 June 2007 and 2008 are set out as following:

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Audited)
Fees	413	—
Bonuses	—	—
Other emoluments	4,311	250
Contributions to retirement scheme	14	4
	<b>4,738</b>	254

## 18. PLEDGE OF ASSETS

At 30 June 2008, a cash deposit of a subsidiary of approximately RMB6,911,000 (31 December 2007: approximately RMB6,880,000) was pledged to a bank as security in respect of the performance by the subsidiary under EP construction engineering projects.

At 30 June 2008, a cash deposit of a subsidiary of approximately RMB89,804,000 (31 December 2007: nil) was pledged to secure a bank loan RMB82,000,000 granted to the subsidiary.

## 19. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.