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泛亞環保集團有限公司

Pan Asia Environmental Protection Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 556)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

FINANCIAL HIGHLIGHTS

| | Six months ended 30 June | | Variance |
|--|---------------------------------|--------------------|-----------------|
| | 2025 | 2024 | |
| | RMB'000 | RMB'000 | |
| | (Unaudited) | (Unaudited) | |
| REVENUE | 113,340 | 115,410 | -2% |
| GROSS PROFIT | 15,316 | 17,855 | -14% |
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY | 4,718 | 6,389 | -26% |
| EARNINGS PER SHARE <i>(Expressed in RMB cents per share)</i> | | | |
| Basic and diluted | 0.48 | 0.66 | -27% |

RESULTS

The Board (the “Board”) of Directors (the “Directors”) of Pan Asia Environmental Protection Group Limited (the “Company” or “Pan Asia”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2025 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

| | <i>Note</i> | Six months ended 30 June | |
|--|-------------|---------------------------------------|---------------------------------------|
| | | 2025 <i>RMB'000</i> (Unaudited) | 2024 <i>RMB'000</i> (Unaudited) |
| Revenue | 4(a) | 113,340 | 115,410 |
| Cost of sales | | <u>(98,024)</u> | <u>(97,555)</u> |
| Gross profit | | 15,316 | 17,855 |
| Other income, net | 5 | 1,264 | 3,040 |
| Other net gain | | 2,193 | 889 |
| Selling and distribution expenses | | (456) | (456) |
| General and administrative expenses | | (9,226) | (9,150) |
| Impairment loss on cryptocurrencies | 6(b) | – | (6,988) |
| Fair value gain on financial liabilities at fair value through profit or loss | 6(b) | – | 7,609 |
| Finance costs | 6(a) | <u>(160)</u> | <u>(845)</u> |
| Profit before taxation | 6 | 8,931 | 11,954 |
| Income tax expenses | 7 | <u>(4,213)</u> | <u>(4,896)</u> |
| Profit for the period | | 4,718 | 7,058 |
| Other comprehensive income/(loss) for the period | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| – Exchange differences on translation of financial statements to presentation currency | | <u>1,511</u> | <u>(656)</u> |
| Total comprehensive income for the period | | <u>6,229</u> | <u>6,402</u> |

| | | Six months ended 30 June | |
|--|---|---------------------------------|-------------------------|
| | | 2025 | 2024 |
| <i>Note</i> | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Unaudited) |
| Profit attributable to: | | | |
| – Owners of the Company | | 4,718 | 6,389 |
| – Non-controlling interests | | – | 669 |
| | | <hr/> | <hr/> |
| | | 4,718 | 7,058 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Total comprehensive income attributable to: | | | |
| – Owners of the Company | | 6,236 | 5,733 |
| – Non-controlling interests | | – | 669 |
| | | <hr/> | <hr/> |
| | | 6,236 | 6,402 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| | | <i>RMB cents</i> | <i>RMB cents</i> |
| EARNINGS PER SHARE | | | |
| | 8 | | |
| Basic and diluted | | 0.48 | 0.66 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

| | | 30 June 2025 | 31 December 2024 |
|--|-------------|-------------------------|---------------------|
| | <i>Note</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 208 | 274 |
| Right-of-use assets | 10 | 1,750 | 4,064 |
| Deferred tax assets | | 451 | 1,791 |
| | | 2,409 | 6,129 |
| Current assets | | | |
| Trade and other receivables | 11 | 36,701 | 52,871 |
| Cash and bank balances | | 1,264,950 | 1,256,898 |
| | | 1,301,651 | 1,309,769 |
| Current liabilities | | | |
| Trade and other payables | 12 | 130,582 | 140,717 |
| Corporate bonds | | – | 1,773 |
| Lease liabilities | | 470 | 3,760 |
| Tax payables | | 1,565 | 3,749 |
| | | 132,617 | 149,999 |
| Net current assets | | 1,169,034 | 1,159,770 |
| Total assets less current liabilities | | 1,171,443 | 1,165,899 |

| | | 30 June 2025 | 31 December 2024 |
|--------------------------------|-------------|-------------------------|-------------------------|
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Audited) |
| Non-current liabilities | | | |
| Lease liabilities | | – | 353 |
| Deferred tax liabilities | | <u>332</u> | <u>664</u> |
| | | <u>332</u> | <u>1,017</u> |
| Net assets | | <u>1,171,111</u> | <u>1,164,882</u> |
| Capital and reserves | | | |
| Share capital | 13 | 91,718 | 91,718 |
| Reserves | | <u>1,079,393</u> | <u>1,073,164</u> |
| Total equity | | <u>1,171,111</u> | <u>1,164,882</u> |

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. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to this interim report.

The Group is principally engaged in the sales of EP products and equipment, undertaking of EP construction engineering services in the PRC and investment holding.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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.

(b) Material accounting policy information

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those adopted and described in the Group’s annual consolidated financial statements for the year ended 31 December 2024, except for the accounting policies changes that are expected to be reflected in the 2025 annual consolidated financial statements. Details of any changes in accounting policies are set out below.

(1) *Amended standards adopted by the Group for the annual reporting period commencing on 1 January 2025*

| | |
|--------------------------------------|--------------------------------------|
| Amendments to HKAS 21 and HKFRS 1 | Lack of Exchangeability (amendments) |
|--------------------------------------|--------------------------------------|

The application of the above amended standards in the current interim period has no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

(2) *New and amended standards and interpretations issued but are not yet effective for the annual reporting period commencing 1 January 2025 and have not been early adopted by the Group*

| | | Effective for accounting periods beginning on or after |
|------------------------------------|---|--|
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments (amendments) | 1 January 2026 |
| HKFRS 18 | Presentation and Disclosure in Financial Statements | 1 January 2027 |
| HKFRS 19 | Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| Hong Kong Interpretation 5 | Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments) | 1 January 2027 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

According to the preliminary assessment by the directors of the Company, the Group expected that these new and amended standards and interpretations issued by the HKICPA do not have any significant impact on the Group's financial positions and performance.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors of the Company are required 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

(i) *Estimation of impairment of trade receivables and contract assets*

The Group estimates the loss allowances for trade receivables and contract assets by assessing the expected credit losses ("ECLs"). This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and contract assets and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables and contract assets during their expected lives.

(ii) *Warranty provisions*

The Group does not make provision for product warranties arising from sales of EP products and equipment, taking into account the Group's recent claim experience and past experience of the level of repairs. In addition, the Group has also received product warranties in respect of those products and equipment supplied from its suppliers, and the scope of the product warranties (including warranty periods) are the same as those the Group offered to its customers. It is not indicative of future claims that it will receive in respect of past sales.

(b) *Critical accounting judgements in applying the Group's accounting policies*

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of each reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(i) *Income taxes*

The Group is subject to income tax in Hong Kong and various taxes in the PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) *Withholding tax on the distributable profits of the Company's subsidiaries established in the PRC*

On 16 March 2007, National People's Congress approved the New EIT Laws which was effective from 1 January 2008. According to the relevant regulations of the New EIT Laws, when a foreign investment enterprise distributes dividends out of the profits earned from 1 January 2008 onwards to its foreign investors, they are subject to the PRC Enterprise Income Tax. The applicable income tax rate varies with the origin of the overseas investors.

The Group's determination as to whether to accrue for withholding tax from distribution of dividends from its subsidiaries established in the PRC according to the relevant tax law and regulations is subject to judgement on the timing of the payment of the dividends. The estimation process is highly based on assumptions, which are influenced by projected future market and economic conditions and future financing requirements of the Group, and it is not probable that these subsidiaries will distribute dividends in the foreseeable future.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue 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 are as follows:

| Segment | Six months ended 30 June | | | | | |
|---|---------------------------|----------------|--------------------------------------|----------------|----------------|----------------|
| | EP products and equipment | | EP construction engineering services | | Total | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Types of goods or services | | | | | | |
| Sales of goods | | | | | | |
| – Water treatment products and equipment | 84,270 | 84,920 | – | – | 84,270 | 84,920 |
| – Flue gas treatment products and equipment | 29,070 | 30,490 | – | – | 29,070 | 30,490 |
| | <u>113,340</u> | <u>115,410</u> | <u>–</u> | <u>–</u> | <u>113,340</u> | <u>115,410</u> |
| Timing of revenue recognition | | | | | | |
| A point in time | <u>113,340</u> | <u>115,410</u> | <u>–</u> | <u>–</u> | <u>113,340</u> | <u>115,410</u> |

(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.

(i) Segment revenue and profit or loss

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated and services rendered by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Inter-segment assistance provided by one segment to another is not measured.

The measure used for reporting segment profit is “adjusted EBITDA” that is, “adjusted earnings before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including investment income and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as Directors’ emoluments, auditor’s remuneration and other corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, the Group’s CODM is provided with segment information concerning revenue, depreciation, amortisation and impairment losses. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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 2025 and 2024 is set out below:

| | Six months ended 30 June | | | | | |
|---|------------------------------|----------------|---|----------------|----------------|----------------|
| | EP products and equipment | | EP construction engineering services | | Total | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Reportable segment revenue | | | | | | |
| from external customers | 113,340 | 115,410 | – | – | 113,340 | 115,410 |
| Inter-segment revenue | – | – | – | – | – | – |
| Reportable segment revenue | <u>113,340</u> | <u>115,410</u> | <u>–</u> | <u>–</u> | <u>113,340</u> | <u>115,410</u> |
| Reportable segment profit (adjusted EBITDA) | <u>18,627</u> | <u>17,941</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>17,941</u> |
| Depreciation | 1,734 | 31 | – | – | 1,734 | 31 |
| Net impairment loss (reversed)/recognised on | | | | | | |
| – trade receivables | (1,662) | (976) | – | – | (1,662) | (976) |
| – contract assets | <u>(955)</u> | <u>85</u> | <u>–</u> | <u>–</u> | <u>(955)</u> | <u>85</u> |

(ii) *Reconciliations of reportable segment revenue and profit or loss*

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue | | |
| Reportable segment revenue | 113,340 | 115,410 |
| Elimination of intra-group transactions | — | — |
| | <u>113,340</u> | <u>115,410</u> |
| Consolidated revenue | <u>113,340</u> | <u>115,410</u> |
| Profit or loss | | |
| Reportable segment profit derived from external customers | 18,627 | 17,941 |
| Other income, net | 1,264 | 3,040 |
| Depreciation | (1,788) | (369) |
| Finance costs | (160) | (845) |
| Impairment loss on cryptocurrencies | — | (6,988) |
| Fair value gain on financial liabilities at fair value through profit or loss | — | 7,609 |
| Unallocated head office and corporate expenses | (9,012) | (8,434) |
| | <u>(9,012)</u> | <u>(8,434)</u> |
| Consolidated profit before taxation | <u>8,931</u> | <u>11,954</u> |

(iii) *Geographical information*

Revenue from external customers

The following table sets out information about the geographical location of the Group's revenue from external customers. 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 | |
|-----------------------------|--------------------------|----------------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| The PRC (place of domicile) | <u>113,340</u> | <u>115,410</u> |

5. OTHER INCOME, NET

| | Six months ended 30 June | |
|---|--------------------------|--------------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Bank interest income | 1,264 | 1,257 |
| Agency fee income | – | 1,708 |
| Net income from provision of decentralised disaster recovery storage solution | – | 75 |
| | <u>1,264</u> | <u>3,040</u> |

6. PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| (a) Finance costs | | |
| Interest expenses on financial liabilities at fair value through profit or loss | – | 147 |
| Interest expenses on corporate bonds | 133 | 654 |
| Interests on lease liabilities | 27 | 44 |
| | <u>160</u> | <u>845</u> |
| (b) Other items | | |
| Cost of inventories | 98,024 | 97,555 |
| Depreciation of | | |
| – property, plant and equipment | 64 | 58 |
| – right-of-use assets | 1,670 | 311 |
| Net impairment loss (reversed)/recognised on | | |
| – trade receivables (<i>Note</i>) | (1,662) | (976) |
| – contract assets (<i>Note</i>) | (955) | 85 |
| Impairment loss on cryptocurrencies | – | 6,988 |
| Fair value gain on financial liabilities at fair value through profit or loss | – | (7,609) |
| Loss on early termination of a lease (<i>Note</i>) | 157 | – |
| Gain on disposal of property, plant and equipment (<i>Note</i>) | (42) | – |
| Lease expenses related to leases of low-value assets and short-term leases | 6 | 96 |
| | <u>6</u> | <u>96</u> |

Note: These items are included in other net gain/(loss) in the condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2025 | 2024 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| – Provision for the period | 3,205 | 4,674 |
| Deferred tax | | |
| – Origination and reversal of temporary difference | 1,008 | 222 |
| | <u>4,213</u> | <u>4,896</u> |

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.

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 2025 and 2024.

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 2025 and 2024.

The U.S. income tax includes (a) federal income tax calculated at a fixed rate of 21% on the estimated U.S. federal taxable income and (b) state income tax calculated at various state income tax rates for the six months ended 30 June 2024 on the estimated state taxable income for the respective states.

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. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2025 | 2024 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share | <u>4,718</u> | <u>6,389</u> |

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2025 | 2024 |
| | (Unaudited) | (Unaudited) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share | 990,000,000 | 972,479,784 |

Diluted earnings per share for the six months ended 30 June 2025 and 2024 are the same as the basic earnings per share as the Company has no potential dilutive ordinary shares outstanding during both periods.

9. DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

10. RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group entered into lease agreements for office premise and apartment, and recognised the additions to right-of-use assets of approximately RMB977,000 (six months ended 30 June 2025: Nil).

During the six months ended 30 June 2024, the Group acquired property, plant and equipment with a total cost of approximately RMB201,000 (six months ended 30 June 2025: Nil).

11. TRADE AND OTHER RECEIVABLES

| | At 30 June 2025 RMB'000 (Unaudited) | At 31 December 2024 RMB'000 (Audited) |
|--|--|--|
| Trade receivables | 10,483 | 28,800 |
| Less: Impairment loss on trade receivables | (951) | (2,614) |
| Trade receivables, net | 9,532 | 26,186 |
| Other receivables | – | – |
| Contract assets | 27,843 | 28,176 |
| Less: Impairment loss on contract assets | (854) | (1,809) |
| Contract assets, net | 26,989 | 26,367 |
| Prepayments and deposits | 169 | 307 |
| Other tax recoverables | 11 | 11 |
| | 36,701 | 52,871 |

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 2025 <i>RMB'000</i> (Unaudited) | At 31 December 2024 <i>RMB'000</i> (Audited) |
|--|--|--|
| Less than six months | 10,483 | 28,800 |
| Over six months but less than one year | — | — |
| | 10,483 | 28,800 |
| Less: Impairment loss | (951) | (2,614) |
| | <u>9,532</u> | <u>26,186</u> |

12. TRADE AND OTHER PAYABLES

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

| | At 30 June 2025 <i>RMB'000</i> (Unaudited) | At 31 December 2024 <i>RMB'000</i> (Audited) |
|---|--|--|
| Trade payables | | |
| – Less than six months | 25,985 | 29,270 |
| – Over six months but less than one year | 13,270 | 25,755 |
| – Over one year | 988 | 988 |
| | <u>40,243</u> | <u>56,013</u> |
| Accruals and other payables | 13,829 | 12,250 |
| Amount due to the Company's immediate and ultimate controlling party (<i>Note</i>) | <u>76,510</u> | <u>72,454</u> |
| | <u>130,582</u> | <u>140,717</u> |

Note: The amounts due to the Company's immediate and ultimate controlling party, Praise Fortune Limited, are unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

| | Number of shares | Amount | |
|--|---------------------|----------|----------------------------|
| | '000 | HK\$'000 | (Equivalent to RMB'000) |
| <i>Ordinary shares of HK\$0.1 each</i> | | | |
| Authorised: | | | |
| As at 31 December 2023, 1 January 2024 and 30 June 2024 | 4,000,000 | 400,000 | |
| Issued and fully paid: | | | |
| As at 31 December 2023 and 1 January 2024 (audited) | 928,679 | 92,868 | 86,149 |
| Issue of new shares (<i>Note</i>) | 61,321 | 6,132 | 5,569 |
| As at 30 December 2024 (audited), 1 January 2025 and 30 June 2025 (unaudited) | 990,000 | 99,000 | 91,718 |

Note: On 22 February 2024, the Company settled the debt of HK\$13,000,000 (equivalent to RMB11,806,000) by issue of 61,320,755 ordinary shares of Company in accordance with the debt capitalisation agreement signed between the subscriber and the Company on 1 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

In the first half of 2025, under the strategic guidance of “*high-quality development*” and the acceleration of “*new quality productive forces*”, China’s environmental protection industry achieved deep integration of green and digital transformation. The state continued to refine its top-level design for ecological civilization, driving the environmental engineering sector to shift from scale expansion toward quality, efficiency, and technological innovation. Client expectations have transformed – from isolated “single-point treatment” to comprehensive “system optimization”. This evolution places greater demands on environmental engineering contractors, requiring enhanced capabilities in industrial planning, investment and financing, and cross-sector integration. The ability to internalize the economic value of environmental management has become a key differentiator. Artificial intelligence is now central to competitive success. Smart water management platforms, AI-powered energy-saving control systems, and intelligent pollution source diagnostics and early warning tools have moved from concept to necessity in project bidding. The Group will increase investment in digital R&D to elevate operational efficiency and enhance customer satisfaction.

As China continues its green and low-carbon transformation, environmental engineering will benefit from robust policy support and rising demand for facility upgrades and retrofits. The Group remains committed to delivering excellent integrated environmental solutions, generating long-term value for shareholders, and contributing to the national vision of a *Beautiful China*.

As at 30 June 2025, the Group had four projects on hand and work to be completed of aggregate value RMB82.3 million (tax inclusive). It expects these projects to be completed before the end of 2025.

FINANCIAL REVIEW

In the first half of 2025, the Group made a total revenue of RMB113.3 million, down by 1.8% year-on-year from RMB115.4 million in the same period last year, mainly attributable to the slightly decrease in sales of EP products. Gross profit decreased by 14.2% to RMB15.3 million and gross profit margin decreased to 13.5% from 15.5% in the same period last year.

Profit attributable to owners of the Company was RMB4.7 million for the six months ended 30 June 2025, 26.2% lower than the RMB6.4 million recorded in the same period last year. Basic and diluted earnings per share were RMB0.48 cents (same period in 2024: RMB0.66 cents).

INTERIM DIVIDEND

To reserve capital for the Group to develop business, the Board did not recommend payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

PROSPECTS

Driven by advances in artificial intelligence, digitalization, and green transformation, the global economy continues to evolve, creating new opportunities for industrial upgrading and business model innovation. Both the Central Government and the Hong Kong SAR Government have introduced a series of policies to support the wider use and industry adoption of “AI+,” providing a supportive policy environment and market conditions for the Group’s long-term growth.

With the combined support of policies and market demand, artificial intelligence technologies are spreading quickly across many sectors, including environmental protection equipment manufacturing, smart cities, financial technology, and the digital economy, and are continuing to generate new business models and opportunities. Building on its expertise and industry experience, the Group will continue to drive technological innovation and improve management practices to strengthen growth and competitiveness.

During the year, the Group will focus on:

1. Deepening core businesses – Making use of AI-driven opportunities to speed up the intelligent upgrading of the environmental protection industry;
2. Expanding diversified presence – Actively investing in and exploring new opportunities along the “AI+” value chain to broaden revenue sources and improve sustainability;
3. Strengthening partnerships – Working closely with partners to develop efficient and innovative solutions and create synergies;
4. Aligning with national strategies – Keeping track of and aligning with the country’s long-term development plans to better capture market trends and investment opportunities.

Looking ahead, the Group will continue to follow a balanced strategy that combines steady operations with innovation, staying responsive to market changes while making full use of policy support and industry trends. Management is confident that, through the use of advanced technologies and the implementation of a diversified strategy, the Group will continue to deliver solid returns to shareholders and bring long-term positive impact to society.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2025, the Group had total assets valued at RMB1,304.1 million, a decrease of RMB11.8 million compared to RMB1,315.9 million as at 31 December 2024. Its total liabilities as at 30 June 2025 amounted to RMB132.9 million, a decrease of RMB18.1 million compared to RMB151.0 million as at 31 December 2024. Its total equity as at 30 June 2025 was RMB1,171.1 million (31 December 2024: RMB1,164.9 million), and gearing ratio, calculated on the basis of total borrowings (including corporate bonds and amount due to a related company) to equity (including all capital and reserves), was 6.5% (31 December 2024: 6.4%). It had cash and cash equivalents amounted to RMB1,264.9 million as at 30 June 2025 (31 December 2024: RMB1,256.9 million).

EXPOSURE TO FLUCTUATIONS IN FOREIGN EXCHANGE RATES

The majority of the Group's business transactions and liabilities are denominated in Renminbi and Hong Kong dollars. The Group adopts conservative financial policies and the majority of its bank deposits are in Renminbi and Hong Kong dollars. As at 30 June 2025, it did not have any foreign currency bank liabilities, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and take prudent measures as and when appropriate. As at 30 June 2025, the Group did not hold any derivatives for hedging against interest rate or foreign exchange risks.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2025, the Group did not have any capital expenditure commitment related to acquisition of property, plant and equipment (31 December 2024: Nil). The Group provides product warranties for certain of its EP products and equipment sold to customers for a warranty period ranging from six months to two years after installation. At the same time, the Group is entitled to warranties from suppliers of those EP products and equipment. The Directors believe the amount of crystalized warranty liabilities would not be significant at the end of the reporting period.

PLEDGE OF ASSETS

There was no pledge of assets by the Group as at 30 June 2025 (31 December 2024: Nil).

RELATIONSHIP WITH EMPLOYEES AND KEY STAKEHOLDERS

As at 30 June 2025, the Group had 90 employees. It maintains employee salaries at competitive levels, which are reviewed annually taking into consideration relevant labor market conditions and economic situations. Directors' remuneration is determined based on a variety of factors such as market conditions and the specific responsibilities of the individual directors. In addition to providing the basic remuneration and statutory benefits required by law, the Group provides discretionary bonuses based on its results and the performance of individual employees. Total remuneration costs, including Directors' remuneration, for the six months ended 30 June 2025 was RMB6.5 million (six months ended 30 June 2024: RMB9.9 million). During the period under review, the Group organized professional and vocational training for employees. The Directors believe the Group has a good relationship with its employees.

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 2025.

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 2025.

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 C1 to the Listing Rules.

In the opinion of the Directors, throughout the six months ended 30 June 2025, the Company has complied with the code provisions as set out in the CG Code, save for CG Code provisions C.5.1.

At Least Four Regular Board Meetings a Year

Code provision C.5.1 stipulates that at least four regular meetings a year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. The Company will only hold two board meetings a year at second quarter and fourth quarter respectively as the Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "Company's Securities Dealing Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Securities Dealing Code throughout the period ended 30 June 2025.

The Company's Securities Dealing Code, no less exacting than the Model Code, for securities transactions also applies to all employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Company's Securities Dealing Code by the employees was noted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.paep.com.cn) and the interim report for the six months ended 30 June 2025 will be despatched to the shareholders (if appropriate) and published on the abovementioned websites in due course.

By Order of the Board
Pan Asia Environmental Protection Group Limited
GUO Jiannan
Chairman

Hong Kong, 27 August 2025

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

Executive Directors:

Mr. GUO Jiannan
Mr. ZHU Duke Li
Ms. PAN Chang

Independent non-executive Directors:

Mr. CHEN Xuezheng
Mr. HU Jianjun
Mr. LEUNG Shu Sun, Sunny