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)

SECOND TRANCHE SPECIAL DIVIDEND, INTENDED ON-MARKET SHARE REPURCHASE AND BUSINESS UPDATE

As stated in the 2025 December Announcement, in view of the high cash position of the Group, the Board intended to pursue with the following major plans by 31 December 2026 in order to enhance return to Shareholders and reduce cash level of the Group:

(1) to utilise approximately HK$200 million for declaration and payment of special dividend;

(2) to utilise approximately HK$100 million for on-market repurchase of Shares;

(3) to utilise approximately HK$84 million for repayment of amounts due to the Company's immediate and ultimate controlling party;

(4) to utilise approximately HK$580 million for expansion of principal business;

(5) to utilise approximately HK$200 million for diversification of business; and

(6) to retain approximately HK$220 million as general working capital.

The Board would like to inform the Shareholders and potential investors of updates regarding the implementation of the abovementioned plans.

RETURN TO SHAREHOLDERS

Declaration and payment of First Tranche Special Dividend and Second Tranche Special Dividend

Pursuant to a board resolution on 24 December 2025, the Board declared a special dividend with total amount of HK$198 million, comprising the First Tranche Special Dividend of HK$118.8 million (HK$108.8 million paid in cash with 14,820,842 scrip shares allotted in March 2026) and the Second Tranche Special Dividend of HK$79.2 million.

The Board resolved to declare the payment of the Second Tranche Special Dividend, together with the 2025 special dividend and the additional special dividend, in a total amount of approximately HK$92.4 million, equivalent to HK$0.092 per ordinary Share, by cash. The Second Tranche Special Dividend, together with the 2025 special dividend and the additional special dividend, will be paid on or around Monday, 31 August 2026. Further details regarding the Second Tranche Special Dividend are set out in the announcement of the Company dated 6 July 2026.

On-market share repurchase

The Board intends to repurchase shares of the Company from the open market from time to time as follows:

(i) approximately HK$50 million in value will be utilised for share repurchase pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting held on 8 June 2026. Such share repurchase mandate will expire at the conclusion of the 2027 AGM; and

(ii) approximately HK$50 million in value will be utilised for share repurchase pursuant to the share repurchase mandate to be approved by the Shareholders at the 2027 AGM.

BUSINESS DEVELOPMENT AND OTHERS

Repayment of other payables

As disclosed in the 2025 December Announcement, the amounts due to the Company's immediate and ultimate controlling party, amounted to approximately HK$84 million as at 30 June 2025. Such amounts were repaid by 31 December 2025.

Expansion of principal business

The Company had utilised approximately HK$5.0 million for the expansion of principal business as at 30 June 2026.

The Board intends to utilise the remaining HK$570 million by June 2027, including (i) utilising approximately HK$330 million for the acquisition of properties for R&D and sales headquarters and production facility by June 2027; (ii) utilising approximately HK$20 million for the acquisition of machineries and equipment with fine processing specifications for the production of customised EP products and equipment by June 2027; and (iii) utilising approximately HK$5 million for the recruitment and training of additional staff by June 2027. As well, the Company intends to continue investing approximately HK$215 million in the acquisition of, or investment in, business or entities relating to its principal business, subject to market conditions, project suitability and applicable regulatory requirements by June 2027.

Diversification of business

The Company had utilised approximately HK$33.6 million for the diversification of business as at 30 June 2026.

The Board intends to utilise approximately HK$80.0 million for the acquisition of relevant AI assets and equipment, and the setting up of the AI centres in Sichuan and Xinjiang by June 2027. The Board is committed to utilising the remaining approximately HK$85.0 million to pursue business diversification and capitalise on emerging market opportunities by June 2027.

General working capital

As disclosed in the 2025 December Announcement, the Group intends to retain at least approximately HK$220 million for general working capital purposes, which is mainly reserved for the Group's procurement cost of materials and equipment, production costs of customised EP products and equipment, on site construction cost for EP projects and to cover the quality retention monies retained by the customers. As at the date of this announcement, there has been no changes in the Board's proposed retention of such general working capital.

Reference is made to the announcement of Pan Asia Environmental Protection Group Limited (the "**Company**") dated 24 December 2025 (the "**2025 December Announcement**"). Unless otherwise defined, terms used herein shall have the same meanings as defined in the 2025 December Announcement.

The cash and bank balances of the Group amounted to approximately RMB1.3 billion (equivalent to approximately HK$1.4 billion), attributing to approximately 97% of its total assets as at 30 June 2025. The cash and bank balances of the Group amounted to approximately RMB1.2 billion (equivalent to approximately HK$1.3 billion), attributing to approximately 95% of its total assets as at 31 December 2025.

As stated in the 2025 December Announcement, in view of the high cash position of the Group, the Board intended to pursue with the following major plans by 31 December 2026 in order to enhance return to Shareholders and reduce cash level of the Group:

(1) to utilise approximately HK$200 million for declaration and payment of special dividend;

(2) to utilise approximately HK$100 million for on-market repurchase of Shares;

(3) to utilise approximately HK$84 million for repayment of amounts due to the Company's immediate and ultimate controlling party;

(4) to utilise approximately HK$580 million for expansion of principal business;

(5) to utilise approximately HK$200 million for diversification of business; and

(6) to retain approximately HK$220 million as general working capital.

The Board would like to inform the Shareholders and potential investors of updates regarding the implementation of the abovementioned plans.

RETURN TO SHAREHOLDERS

Declaration and payment of First Tranche Special Dividend and Second Tranche Special Dividend

Pursuant to a board resolution on 24 December 2025, the Board declared a special dividend with total amount of HK$198 million, comprising the First Tranche Special Dividend of HK$118.8 million (HK$108.8 million paid in cash with 14,820,842 scrip shares allotted in March 2026) and the Second Tranche Special Dividend of HK$79.2 million. As stated in the 2025 December Announcement, should the total cash payment fall below the amount of HK$118.8 million (in case eligible Shareholders elect to receive the First Tranche Special Dividend in the form of scrip shares) in the First Tranche Special Dividend, an additional special dividend will be distributed as cash dividend in the Second Tranche Special Dividend. Taking into account the profit attributable to owners of the Company for the year ended 31 December 2025 of RMB7.8 million, on 6 July 2026, the Board resolved that RMB2.3 million shall be declared and paid as 2025 special dividend.

As disclosed in the 2025 December Announcement, the Second Tranche Special Dividend will be paid to the Shareholders by June 2026. As a result of multiple changes in directorships of the Company, the Board was of the view that the payment of the Second Tranche Special Dividend, together with the 2025 special dividend and the additional special dividend, was required to be confirmed and ratified prior to its declaration and payment. Notwithstanding the deviation from the abovementioned plan, on 6 July 2026, the Board resolved to declare the payment of the Second Tranche Special Dividend, together with the 2025 special dividend and the additional special dividend, in a total amount of approximately HK$92.4 million, equivalent to HK$0.092 per ordinary Share, by cash. The Second Tranche Special Dividend, together with the 2025 special dividend and the additional special dividend, will be paid on or around Monday, 31 August 2026. Further details regarding the Second Tranche Special Dividend are set out in the announcement of the Company dated 6 July 2026.

On-market share repurchase

As disclosed in the 2025 December Announcement, the Board intended to repurchase shares of the Company from the open market from time to time as follows:

(i) approximately HK$50 million in value will be utilised for share repurchase before the 2026 AGM, pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting held on 30 May 2025; and

(ii) approximately HK$50 million in value will be utilised for share repurchase before the 2027 AGM, pursuant to the share repurchase mandate to be approved by the Shareholders at the 2026 AGM.

As at the date of this announcement, the Company has not been able to repurchase shares from the open market as intended, as a result of ongoing administrative formalities with securities brokerage firms, including outstanding Know-Your-Customer (KYC) compliance procedures and additional documentation required by such securities brokerage as a result of multiple changes in directorships of the Company. Although the Company has made good-faith efforts to supply the requested information, certain compliance procedures remain pending with such security brokerage's internal compliance team. As at the date of this announcement, certain compliance procedures, including internal review by such security bokerage's internal compliance team, remain pending. The Company expects that the securities account opening procedures will be completed by September 2026.

Based on current circumstances, the Board intends to repurchase shares of the Company from the open market from time to time as follows:

(i) approximately HK$50 million in value will be utilised for share repurchase pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting held on 8 June 2026. Such share repurchase mandate will expire at the conclusion of the 2027 AGM; and

(ii) approximately HK$50 million in value will be utilised for share repurchase pursuant to the share repurchase mandate to be approved by the Shareholders at the 2027 AGM.

BUSINESS DEVELOPMENT AND OTHERS

Repayment of other payables

As disclosed in the 2025 December Announcement, the amounts due to the Company's immediate and ultimate controlling party, amounted to approximately HK$84 million as at 30 June 2025. Such amounts were repaid by 31 December 2025.

Expansion of principal business

As disclosed in the 2025 December Announcement, the Board intended to utilise approximately HK$330 million by June 2026 to acquire properties for establishment of the Group's R&D and sales headquarters and production facility. Further, an amount of approximately HK$20 million was expected to be utilised to acquire machineries and equipment with fine processing specifications for the production of customised EP products and equipment by June 2026. The Group also intended to utilise approximately HK$5 million for recruitment and training of additional staff and investing approximately HK$220 million in the acquisition of, or investment in, such business or entities relating to the EP Business, subject to market conditions, project suitability and applicable regulatory requirements by December 2026.

As at the date of this announcement, the Group has not been able to expand its principal business as intended. In particular, the Company has yet to acquire properties for the establishment of its R&D and sales headquarters and production facility. Since the date of the 2025 December Announcement, the Company was in negotiations with a proposed vendor to acquire properties for the establishment of its R&D and sales headquarters and production facilities in Chengdu, the PRC, however, the proposed vendor opted to lease the said property to other entities.

As at the date of this announcement, the Company continues to strive to identify suitable property(ies) that could serve as its R&D and sales headquarters and its production facility. As at the date of this announcement, the Company has identified a potential property for the purposes of establishing its R&D and sales headquarters in Kunming, the PRC. Upon such acquisition being successful, the Group would likely acquire properties in Kunming, the PRC for the establishment of its production facility.

Upon the establishment of its R&D and sales headquarters, the Company intends to recruit and train additional staff. Upon the establishment of its production facility, the Company intends to acquire machineries and equipment with fine processing specifications for the production of customised EP products and equipment. Such recruitment and acquisition will depend on the actual acquisition of the abovementioned R&D and sales headquarters and production facility.

As at 30 June 2026, the Company had utilised approximately HK$5.0 million for development of the Group's principal business, including acquiring and expanding Xilailu Brand Management (Guangzhou) Co., Ltd.* (喜來鹿品牌管理(廣州)有限公司) ("**Xilailu**"), a potential business development direction involving businesses centered on water purification equipment, products and retail terminals, which was identified by the Board and disclosed in the 2025 December Announcement.

Such business utilises standardised water purification equipment, drinking water and beverage products, and intelligent retail terminals as the principal carriers, which are embedded into high-frequency daily life scenarios, such as communities, campuses and commercial complexes, and adopts integrated channel arrangements mainly through joint operations and franchising. As disclosed in the announcement of the Company dated 6 February 2026 and 2 March 2026, the Company acquired 51% of the equity interests in Xilailu. The Group may, depending on actual circumstances, scale up its investment in Xilailu.

As a result of the above, the Company had utilised approximately HK$5.0 million for the expansion of principal business as at 30 June 2026.

Based on current circumstances, the Board intends to utilise the remaining HK$570 million by June 2027, including (i) utilising approximately HK$330 million for the acquisition of properties for R&D and sales headquarters and production facility by June 2027; (ii) utilising approximately HK$20 million for the acquisition of machineries and equipment with fine processing specifications for the production of customised EP products and equipment by June 2027; and (iii) utilising approximately HK$5 million for the recruitment and training of additional staff by June 2027. As well, the Company intends to continue investing approximately HK$215 million in the acquisition of, or investment in, business or entities relating to its principal business, subject to market conditions, project suitability and applicable regulatory requirements by June 2027.

Diversification of business

As disclosed in the 2025 December Announcement, the Board intends to set up its own AI centres by December 2026. in Xinjiang and Sichuan, the PRC, and it expects to utilise around HK$200 million for the acquisition of relevant AI assets and equipment, and the construction of the AI centres by December 2026.

As at the date of this announcement, the Group had not been able to diversify its business as intended.

As disclosed in the announcement of the Company dated 5 January 2026, the Company had acquired certain artificial intelligence hardwares and softwares including Graphics Processing Units (GPU) servers, high-performance storage servers, large-capacity storage servers, network switches, Gigabit Ethernet Switches, firewalls and modules at the consideration of RMB30,554,900 (equivalent to approximately HK$33.6 million). Such AI assets are currently located in an AI centre in Sichuan, the PRC.

The Board has recently identified a potential AI centre in Xinjiang which it is considering to invest in, and is expected to utilise around HK$80 million in acquiring and setting up such AI centre. The Board intends to utilise HK$30 million by December 2026 and HK$50 million by June 2027 for acquiring and setting up such AI centre in Xinjiang. As at the date of this announcement, pending the granting of requisite licences and approvals (including, among others, electricity and operational permits) for the operation of the AI centre in Xinjiang, the Company has not commenced negotiations with the proposed vendor.

As a result of the above, the Company had utilised approximately HK$33.6 million for the diversification of business as at 30 June 2026. Based on current circumstances, the Board intends to utilise approximately HK$80.0 million for the acquisition of relevant AI assets and equipment, and the setting up of the AI centres in Sichuan and Xinjiang, by June 2027. The Board is committed to utilising the remaining approximately HK$85.0 million to pursue business diversification and capitalise on emerging market opportunities by June 2027.

General working capital

As disclosed in the 2025 December Announcement, the Group intends to retain at least approximately HK$220 million for general working capital purposes, which is mainly reserved for the Group's procurement cost of materials and equipment, production costs of customised EP products and equipment, on site construction cost for EP projects and to cover the quality retention monies retained by the customers. As at the date of this announcement, there has been no changes in the Board's proposed retention of such general working capital.

The Board wishes to emphasise that the abovementioned expansion of principal business and diversification of business are based on current market environment and financial position of the Group and may or may not proceed. There is no assurance as to whether and when the abovementioned expansion of principal business and diversification of business will take place. Shareholders of the Company and/or potential investors are advised to exercise caution when dealing in the securities of the Company.

SUMMARY OF MAJOR PLANS OF UTILISATION OF CASH

The Company's utilisation, and intended utilisation, of cash as disclosed above are summarised as follows:

	Approximate amount of cash intended to be utilised as at 24 December 2025	Approximate amount of cash utilised as at 30 June 2026	Approximate amount of cash pending to be utilised as at 30 June 2026	Approximate amount of cash intended to be utilised	
				Before December 2026	Before December 2027
	(HK\$'000)	*(HK\$'000)*	*(HK\$'000)*	*(HK\$'000)*	*(HK\$'000)*
Return to Shareholders					
– Declaration of special dividend	198,800	108,000	90,800	90,800	–
– On-market share repurchase	100,000	–	100,000	50,000	50,000
Sub-total	298,800	108,000	190,800	140,800	50,000
Business development and others					
– Repayment of other payables	83,900	83,900	–	–	–
– Expansion of principal business	575,000	5,000	570,000	285,000	285,000
– Diversification of business	198,000	33,600	164,400	30,000	134,400
Sub-total	856,900	122,500	734,400	315,000	419,400
Total	1,157,700	230,500	925,200	455,800	469,400

By order of the Board
Pan Asia Environmental Protection Group Limited
Guo Jiannan
Chairman

Hong Kong, 6 July 2026

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

Executive Directors:
Mr. GUO Jiannan *(Chairman)*
Ms. PAN Chang *(Chief Executive Officer)*

Non-Executive Director:
Ms. SONG Xiaojuan

Independent Non-executive Directors:
Mr. CHEN Xuezheng
Mr. GAO Hongbin
Mr. LEUNG Shu Sun, Sunny

* *For identification purpose only*