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 2026

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2026	2025	**Variance**
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
REVENUE	**99,788**	113,340	-12%
GROSS PROFIT	**11,601**	15,316	-24%
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(3,436)**	4,718	-173%
(LOSS)/EARNINGS PER SHARE *(Expressed in RMB cents per share)*			
Basic and diluted	**(0.34)**	0.48	-171%

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 2026 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2025 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2026

		Six months ended 30 June	
		2026	2025
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4(a)	**99,788**	113,340
Cost of sales		**(88,187)**	(98,024)
Gross profit		**11,601**	15,316
Other income	5	**1,173**	1,264
Other net (loss)/gain		**(4,999)**	2,193
Selling and distribution expenses		**(406)**	(456)
General and administrative expenses		**(8,506)**	(9,226)
Finance costs	6(a)	**(106)**	(160)
(Loss)/profit before taxation	6	**(1,243)**	8,931
Income tax expenses	7	**(2,193)**	(4,213)
(Loss)/profit for the period attributable to owners of the company		**(3,436)**	4,718
Other comprehensive income for the period			
Item that will not be reclassified to profit or loss:			
– Exchange differences on translation of financial statements to presentation currency		**10,867**	1,511
Total comprehensive income for the period attributable to owners of the company		**7,431**	6,229
		RMB cents	*RMB cents*
(LOSS)/EARNINGS PER SHARE	8		
Basic and diluted		**(0.34)**	0.48

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2026

	Note	**30 June 2026**	31 December 2025
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	10	**4**	25
Right-of-use assets	10	**5,229**	190
Deferred tax assets		**1,686**	903
		6,919	1,118
Current assets			
Trade and other receivables	11	**110,350**	67,035
Cash and bank balances		**1,069,918**	1,178,365
		1,180,268	1,245,400
Current liabilities			
Trade and other payables	12	**99,382**	68,558
Dividend payables		**68,792**	178,834
Lease liabilities		**3,634**	215
Tax payables		**1,501**	2,537
		173,309	250,144
Net current assets		**1,006,959**	995,256
Total assets less current liabilities		**1,013,878**	996,374
Non-current liabilities			
Deferred tax liabilities		**1,195**	–
Net assets		**1,012,683**	996,374
Capital and reserves			
Share capital	13	**93,027**	91,718
Reserves		**919,656**	904,656
Total equity		**1,012,683**	996,374

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 2025, except for the accounting policies changes that are expected to be reflected in the 2026 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 2026

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7

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 2026 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKAS 21	Translation to Hyperinflationary Presentation Currency	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:

	Six months ended 30 June					
Segment	**EP products and equipment**		**EP construction engineering services**		**Total**	
	2026	2025	**2026**	2025	**2026**	2025
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Types of goods or services						
Sales of goods						
– Water treatment products and equipment	**54,681**	84,270	**–**	–	**54,681**	84,270
– Flue gas treatment products and equipment	**45,107**	29,070	**–**	–	**45,107**	29,070
	99,788	113,340	**–**	–	**99,788**	113,340
Timing of revenue recognition						
A point in time	**99,788**	113,340	**–**	–	**99,788**	113,340

(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 2026 and 2025 is set out below:

	Six months ended 30 June					
	EP products and equipment		**EP construction engineering services**		**Total**	
	2026	2025	**2026**	2025	**2026**	2025
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Reportable segment revenue from external customers	**99,788**	113,340	**–**	–	**99,788**	113,340
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**99,788**	113,340	**–**	–	**99,788**	113,340
Reportable segment profit (adjusted EBITDA)	**12,672**	18,627	**–**	–	**12,672**	18,627
Depreciation	**1,594**	1,328	**–**	–	**1,594**	1,328
Net impairment loss (reversed)/ recognised on						
– trade receivables	**96**	(1,662)	**–**	–	**96**	(1,662)
– contract assets	**(151)**	(955)	**–**	–	**(151)**	(955)

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**99,788**	113,340
Elimination of intra-group transactions	**–**	–
Consolidated revenue	**99,788**	113,340
Profit or loss		
Reportable segment profit derived from external customers	**12,672**	18,627
Other income	**1,173**	1,264
Depreciation	**(1,842)**	(1,734)
Finance costs	**(106)**	(160)
Net foreign exchange loss	**(5,054)**	(309)
Unallocated head office and corporate expenses	**(8,086)**	(8,757)
Consolidated (loss)/profit before taxation	**(1,243)**	8,931

(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	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC (place of domicile)	**99,788**	113,340

5. OTHER INCOME

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**1,171**	1,264
Other	**2**	–
	1,173	1,264

6. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest expenses on corporate bonds	**–**	133
Interests on lease liabilities	**106**	27
	106	160
(b) Other items		
Cost of inventories	**88,187**	98,024
Depreciation of		
– property, plant and equipment	**20**	64
– right-of-use assets	**1,822**	1,670
Net impairment loss (reversed)/recognised on		
– trade receivables *(Note)*	**96**	(1,662)
– contract assets *(Note)*	**(151)**	(955)
Net foreign exchange loss *(Note)*	**5,054**	309
Loss on early termination of a lease *(Note)*	**–**	157
Gain on disposal of property, plant and equipment *(Note)*	**–**	(42)
Lease expenses related to leases of low-value assets and short-term leases	**6**	6

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

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
– Provision for the period	**1,780**	3,205
Deferred tax		
– Origination and reversal of temporary difference	**413**	1,008
	2,193	4,213

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 2026 and 2025.

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 2026 and 2025.

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

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted (loss)/earnings per share	**(3,436)**	4,718

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss)/earnings per share	**997,942,661**	990,000,000

Diluted (loss)/earnings per share for the six months ended 30 June 2026 and 2025 are the same as the basic (loss)/earnings per share as the Company has no potential dilutive ordinary shares outstanding during both periods.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

Pursuant to the board resolution on 24 December 2025, the Board declared a special dividend with total amount of HK$198,000,000 (equivalent to approximately RMB179,434,000), comprising (i) the first tranche of special dividend with a scrip dividend alternative was paid on 26 March 2026 to shareholders whose names appear on the register of members of the Company on 5 February 2026, of which HK$10,049,000 was settled by the issuance of 14,820,842 shares at an issue price of $0.678 per share under the scrip dividend scheme, and (ii) the second tranche of special dividend will be settled by June 2026 to the shareholders whose names appear on the register of members of the Company on the date to be announced by the Company. The first and second tranches of special dividend were reduced from share premium and recognised as dividend payables at 31 December 2025.

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

During the six months ended 30 June 2026, the Group entered into lease agreements for office premise and factory building, and therefore recognised the additions to right-of-use assets of approximately RMB6,879,000 (six months ended 30 June 2025: Nil).

During the six months ended 30 June 2026 and 2025, the Group did not acquire any property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2026 *RMB'000* (Unaudited)	At 31 December 2025 *RMB'000* (Audited)
Trade receivables	**57,284**	42,984
Less: Impairment loss on trade receivables	**(2,867)**	(2,772)
Trade receivables, net	**54,417**	40,212
Other receivables	**501**	501
Contract assets	**25,395**	26,985
Less: Impairment loss on contract assets	**(690)**	(841)
Contract assets, net	**24,705**	26,144
Prepayments and deposits	**30,716**	167
Other tax recoverables	**11**	11
	110,350	67,035

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 2026 *RMB'000* (Unaudited)	At 31 December 2025 *RMB'000* (Audited)
Less than six months	**48,635**	35,916
Over six months but less than one year	**8,435**	7,068
Over one year	**214**	–
	57,284	42,984
Less: Impairment loss	**(2,867)**	(2,772)
	54,417	40,212

12. TRADE AND OTHER PAYABLES

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

	At 30 June 2026 RMB'000 (Unaudited)	At 31 December 2025 RMB'000 (Audited)
Trade payables		
– Less than six months	**53,060**	28,707
– Over six months but less than one year	**18,852**	20,263
– Over one year	**10,797**	988
	82,709	49,958
Accruals and other payables	**15,993**	16,469
Amount due to a director *(Note)*	**62**	24
Amount due to a related company *(Note)*	**–**	1,425
Other tax payable	**618**	682
	99,382	68,558

Note: The amounts due to a director and a related company are unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

	Number of shares '000	Amount HK$'000	*(Equivalent to RMB'000)*
Ordinary shares of HK$0.1 each			
Authorised:			
As at 31 December 2024, 31 December 2025 and 30 June 2026	4,000,000	400,000	
Issued and fully paid:			
As at 31 December 2024 and 31 December 2025	990,000	99,000	91,718
Shares issued in respect of scrip dividend *(Note 9)*	14,821	1,482	1,309
As at 30 June 2026 (unaudited)	1,004,821	100,482	93,027

14. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated financial statements, the Group also entered into the following material related party transactions:

(a) Balances with related parties

	Amounts receivable/(payable) by the Group to related parties	
	At 30 June 2026	At 31 December 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amount due to a related company		
– China Sky Global Investment Limited	**–**	(1,425)
Amount due to a director		
– Mr. Guo Jiannan	**–**	(24)

The directors of the Company are of the opinion that the above transactions were entered into under normal course of business and in accordance with the terms of the agreements governing these transactions.

(b) Transaction with key management personnel

The remuneration of key management personnel during the period is as follows:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other benefits	**928**	854
Retirement benefit scheme contributions	**39**	24
	967	878

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

15. EVENT AFTER THE REPORTING PERIOD

Payment of second tranche special dividend and additional special dividend

Pursuant to the board resolution on 6 July 2026, the Board resolved that the second tranche special dividend of HK$0.08 per share which declared on 24 December 2025 will be paid on or around 31 August 2026 to shareholders whose names appear on the register of member of the Company on 10 August 2026. The second tranche special dividend of HK$0.08 per share was reduced from share premium and recognised as dividend payables at 31 December 2025 and 30 June 2026.

On 6 July 2026, the Board also declared an additional special dividend of HK$0.012 per share which will be paid on or around 31 August 2026 shareholders whose names appear on the register of member of the Company on 10 August 2026.

On 31 August 2026, the Board announced that the payment date of second tranche special dividend of HK$0.08 per share and additional special dividend of HK$0.012 per share will be paid on 16 September 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

As an environmental engineering EPC service provider in China, the Group remained focused on its principal businesses and operated prudently during the review period, amid the industry's profound transition from "engineering driven" to "technology driven" development. During the review period, China's environmental protection industry reached a critical turning point. The sector is moving away from the previous extensive growth model driven by infrastructure construction and government funded projects, and entering a new stage of high quality development centred on technological innovation and digital intelligence.

The State Council's "15th Five Year Plan" for Building a Beautiful China has set clear quantitative environmental governance targets. These mandatory indicators provide long cycle demand support for the environmental engineering market. However, structural challenges in the industry remain significant, and unreasonably low price bidding practices persisted. In response to accelerating market differentiation, the Group adhered to our core principle of "winning through quality and selective project intake," and focus on high quality orders from customers with sound financial background who value our exceptional technological capabilities.

During the review period, the Group further strengthened its competitive advantages in industrial wastewater treatment. The Group's outstanding EPC backlog at period end amounted to approximately RMB85.4 million (tax inclusive) in unrecognised revenue. It expects these projects to be completed before the end of 2026.

Looking ahead to the second half of the year, the rigid environmental governance targets under the "15th Five Year Plan" will continue to drive demand for environmental engineering. The Group will continue to focus on industrial wastewater treatment markets. Meanwhile, the Group will closely monitor engineering opportunities arising from energy saving and carbon reduction upgrades in key industries, and actively expand EPC business in flue gas treatment. The Group will explore embedding artificial intelligence into our existing engineering design and O&M services, advancing our transformation from a traditional engineering contractor to a "technology + services" integrated solutions provider.

The Group remains cautiously optimistic about the long term development prospects of the industry. The Group will stay committed to its environmental protection core business, leverage technological innovation to navigate industry cycles, and create long term value for shareholders.

FINANCIAL REVIEW

In the first half of 2026, the Group recorded total revenue of RMB99.8 million, down by 12.0% year-on-year from RMB113.3 million in the same period last year, mainly attributable to the decline in sales of EP products. Gross profit decreased by 24.3% to RMB11.6 million and gross profit margin dropped to 11.6% from 13.5% in the same period last year. Decrease in gross profit margin was due to keen market competition.

Loss attributable to owners of the Company was RMB3.4 million for the six months ended 30 June 2026, compared with a profit of RMB4.7 million recorded in the same period last year. Basic and diluted loss per share were RMB0.34 cents (same period in 2025: earnings per share RMB0.48 cents). The turnaround to a loss was mainly attributable to lower gross profit and increase in net foreign exchange loss.

Reference is made to the voluntary announcements of the Company dated 6 February 2026 and 2 March 2026 in relation to the acquisition (the "**Acquisition**") of 51% of the equity interests in Xilailu Brand Management (Guangzhou) Co., Ltd.* (喜來鹿品牌管理(廣州)有限公司) (the "**Target Company**").

As at 30 June 2026, Fanzhicheng Digital Technology (Chengdu) Company Limited (泛之成數字科技(成都)有限責任公司) (the "**Purchaser**") has yet to obtain the management control over the Target Company. Thus, the financial results of the Target Company were not consolidated into the financial statements of the Group for the six months ended 30 June 2026.

To facilitate the Group in obtaining management control of the Target Company, on 24 August 2026, Mr. Lai Hao (賴浩) (as vendor of the Target Company) and the Purchaser entered into a supplemental agreement regarding the Acquisition. Pursuant to the supplemental agreement, the parties agreed that the Purchaser would obtain the management control of the Target Company upon: (i) the Purchaser obtaining authority over daily operations of the Target Company; (ii) the Puchaser taking custody of all key corporate records, seals and certifications of the Target Company; and (iii) the Purchaser being granted full administrative access to the Target Company's banking, financial and operational systems.

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 2026 (six months ended 30 June 2025: Nil).

PROSPECTS

Going forward, the Group will continue to uphold the principles of sound operation and prudent development. While consolidating its existing core businesses, the Group will continuously improve operational efficiency and business quality. In light of market conditions, industry development trends and the Group's proprietary resources, the Group will prudently pursue business opportunities with long term growth potential and continuously optimize its business structure and resource allocation.

* *For identification purpose only*

In respect of core businesses, the Group will maintain its focus on industrial environmental protection, water treatment and related equipment and solution businesses, further expand market reach, strengthen project execution and cost control, and enhance project management and operational efficiency. Against the backdrop of continuous advancement in green manufacturing, energy conservation, emission reduction and industrial upgrade, the Group will leverage its industry experience, technical capabilities and resource advantages in the environmental protection and water treatment sectors, further solidify the foundation of its core businesses and improve its capability of sustainable operation.

Meanwhile, the Group will continue to prudently advance business diversification. Going forward, the Group will also pursue investment and business development opportunities that align with its long term development direction and the overall interests of its shareholders. When evaluating potential projects, the Group will place emphasis on their business prospects, profitability, cash flows, industrial synergy, valuation and relevant risks, while adhering to the principles of prudent investment and controllable risks to allocate its resources in a rational manner.

The Board believes that a solid foundation in core businesses and prudently nurtured new businesses will jointly underpin the Group's long term development. Upholding the development principles of prudence, pragmatism, long termism and focus on shareholder value, the Group will, while maintaining a sound financial position, actively seize market opportunities with sustainable development potential, and continuously enhance its overall operating quality and long term value creation capability.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2026, the Group had total assets valued at RMB1,187.2 million, a decrease of RMB59.3 million compared to RMB1,246.5 million as at 31 December 2025. Its total liabilities as at 30 June 2026 amounted to RMB174.5 million, a decrease of RMB75.6 million compared to RMB250.1 million as at 31 December 2025. Its total equity as at 30 June 2026 was RMB1,012.7 million (31 December 2025: RMB996.4 million). It had cash and cash equivalents amounted to RMB1,069.9 million as at 30 June 2026 (31 December 2025: RMB1,178.4 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 2026, 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 2026, 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 2026, the Group did not have any capital expenditure commitment related to acquisition of property, plant and equipment (31 December 2025: 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 2026 (31 December 2025: Nil).

RELATIONSHIP WITH EMPLOYEES AND KEY STAKEHOLDERS

As at 30 June 2026, 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 2026 was RMB5.2 million (six months ended 30 June 2025: RMB6.5 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 2026.

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 2026.

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 2026, 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 2026.

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 2026 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, 31 August 2026

As at the date of this announcement, the Directors 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