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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)

QUARTERLY UPDATE ANNOUNCEMENT
RETURN TO SHAREHOLDERS
AND
BUSINESS UPDATE

RETURN TO SHAREHOLDERS

Payment of special dividend

The second tranche special dividend together with the 2025 special dividend and an additional special dividend in a total amount of approximately HK\$92.4 million, equivalent to HK\$0.092 per ordinary share of the Company, was paid to the Shareholders on 16 September 2026.

On-market share repurchase

The Company will proceed to implement the intended on-market share repurchase 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

Expansion of principal business

The Board intends to utilise approximately HK\$575 million for the expansion of the principal business, comprising approximately HK\$355 million by June 2027 and approximately HK\$220 million by December 2027. By June 2027, the Board intends to (i) utilise approximately HK\$330 million for the acquisition of properties for R&D and sales headquarters and production facilities; (ii) utilise approximately HK\$20 million for the acquisition of machinery and equipment with fine processing specifications for the production of customised EP products and equipment; and (iii) utilise approximately HK\$5 million for the recruitment and training of additional staff. By December 2027, the Board intends to invest approximately HK\$220 million in the acquisition of, or investment in, businesses or entities relating to its principal business, subject to market conditions, project suitability and applicable regulatory requirements.

Diversification of business

The Board intends to utilise approximately HK\$165 million for business diversification, comprising approximately HK\$30 million by June 2027 and approximately HK\$135 million by December 2027. Specifically, the Board intends to utilise approximately HK\$30 million by June 2027 and approximately HK\$50 million by December 2027 for the acquisition of relevant AI assets and equipment and the setting up of the AI centres in Xinjiang. The Board is committed to utilising the remaining approximately HK\$85 million to pursue business diversification and capitalise on emerging market opportunities by December 2027, including the operation and collaboration in respect of the AI token factory.

General working capital

As disclosed in the 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 customers.

Reference is made to the announcement of Pan Asia Environmental Protection Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 6 July 2026 (the “**Announcement**”) in relation to, among others, the second tranche special dividend, intended on-market share repurchase and business update of the Company. Unless otherwise defined, terms used herein shall have the same meanings as defined in the Announcement.

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

RETURN TO SHAREHOLDERS

Payment of special dividend

References are made to the announcements of the Company dated 6 July 2026 and 31 August 2026 in relation to, among others, declaration of the second tranche special dividend together with the 2025 special dividend and an additional special dividend in a total amount of approximately HK\$92.4 million, equivalent to HK\$0.092 per ordinary share of the Company (the “**Dividend**”), by cash. The Dividend was paid to the Shareholders on 16 September 2026.

As at the date of this announcement, the Company has utilised approximately HK\$200 million for payment of special dividend.

On-market share repurchase

As stated in the Announcement, the intended conducting of repurchase of shares of the Company from the open market was pending completion of certain ongoing administrative formalities with securities brokerage firms. As at the date of this announcement, the relevant account opening procedures have been completed, and the Company will proceed to implement the intended on-market share repurchase 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.

As at the date of this announcement, the Company has not utilised any funds for the intended on-market share repurchase. The Board expects approximately HK\$50 million in value to be utilised for share repurchase by June 2027 and approximately HK\$50 million in value to be utilised for share repurchase by December 2027.

BUSINESS DEVELOPMENT AND OTHERS

Expansion of principal business

As disclosed in the Announcement, subsequent to utilising HK\$5 million for acquisition and expanding Xilailu, the Board intended to utilise HK\$570 million by June 2027 for expansion of principal business, including (i) utilising approximately HK\$330 million for 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.

As disclosed in the announcements of the Company dated 31 August 2026 and 11 September 2026, the Group had yet to obtain management control over Xilailu, nor had it in fact participated in the daily operations and management of Xilailu. The Group disposed of 51% equity interest in Xilailu (the “**Disposal**”), following which the Group received RMB10,000 in respect of the Disposal, resulting in a gain of approximately RMB9,999 from the Disposal, and financial results of Xilailu were not and will not be consolidated into the financial statements of the Group for the six months ended 30 June 2026. The HK\$5 million previously disclosed as utilised by the Company for the purposes of Xilailu resulted from the Group setting aside HK\$5 million to be injected into Xilailu as capital injection pursuant to the arrangement with other shareholders of Xilailu. As the other shareholders of Xilailu had not made the relevant capital injection, such HK\$5 million was not injected. Save for the RMB1 paid for the purpose of acquiring Xilailu in March 2026, the Group did not make any capital injection, nor did it provide any commitment, guarantees, financial assistance or advances to Xilailu.

Based on current circumstances, the Board intends to utilise approximately HK\$575 million for the expansion of the principal business, comprising approximately HK\$355 million by June 2027 and approximately HK\$220 million by December 2027. By June 2027, the Board intends to (i) utilise approximately HK\$330 million for the acquisition of properties for R&D and sales headquarters and production facilities; (ii) utilise approximately HK\$20 million for the acquisition of machinery and equipment with fine processing specifications for the production of customised EP products and equipment; and (iii) utilise approximately HK\$5 million for the recruitment and training of additional staff. By December 2027, the Board intends to invest approximately HK\$220 million in the acquisition of, or investment in, businesses or entities relating to its principal business, subject to market conditions, project suitability and applicable regulatory requirements.

Diversification of business

As disclosed in the Announcement, 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).

As disclosed in the Announcement, the Board had identified a potential AI centre in Xinjiang which it considered to invest in, is expected to utilise around HK\$80 million in acquiring and setting up such AI centre. The Board intended 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, as the AI centre in Xinjiang has obtained requisite licences and approvals for the operation of the AI centre in Xinjiang, the Company has commenced negotiations with the proposed vendor regarding the investment in an AI centre in Xinjiang.

As at the date of this announcement, the Company has also commenced negotiations with an independent third party regarding a potential partnership to operate and manage an AI token factory.

Based on current circumstances, the Board intends to utilise approximately HK\$165 million for business diversification, comprising approximately HK\$30 million by June 2027 and approximately HK\$135 million by December 2027. Specifically, the Board intends to utilise approximately HK\$30 million by June 2027 and approximately HK\$50 million by December 2027 for the acquisition of relevant AI assets and equipment and the setting up of the AI centres in Xinjiang. The Board is committed to utilising the remaining approximately HK\$85 million to pursue business diversification and capitalise on emerging market opportunities by December 2027, including the operation and collaboration in respect of the abovementioned AI token factory.

General working capital

As disclosed in the 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 customers. As at the date of this announcement, there has been no change 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 AND 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 (HK\$'000)	Approximate amount of cash utilised as at 30 September 2026 (HK\$'000)	Approximate amount of cash pending to be utilised as at 30 September 2026 (HK\$'000)	Approximately amount of cash intended to be utilised	
				Before June 2027 (HK\$'000)	Before December 2027 (HK\$'000)
Return to Shareholders					
– Declaration of special dividend	198,800	198,800	–	–	–
– On-market share repurchase	100,000	–	100,000	50,000	50,000
Sub-total	<u>298,800</u>	<u>198,800</u>	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>
Business development and others					
– Repayment of other payables	83,900	83,900	–	–	–
– Expansion of principal business	575,000	– ^{Note}	575,000	355,000	220,000
– Diversification of business	198,000	33,600	164,400	30,000	134,400
Sub-total	<u>856,900</u>	<u>117,500</u>	<u>739,400</u>	<u>385,000</u>	<u>354,400</u>
Total	<u>1,155,700</u>	<u>316,300</u>	<u>839,400</u>	<u>435,000</u>	<u>404,400</u>

Note: HK\$5 million was previously set aside for capital injection in Xilailu. The Group did not make such capital injection prior to the Disposal.

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

Hong Kong, 13 October 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