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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)**

**DECLARATION OF DIVIDEND,  
AMENDED DIVIDEND POLICY,  
INTENDED ON-MARKET SHARE REPURCHASE  
AND  
BUSINESS UPDATE**

The Board would like to provide the shareholders and potential investors of the Company of the latest business development of the Group based on its current cash position, financial condition and business plans.

As stated in the Interim Report, 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. In view of the high cash position of the Group, the Board intends to pursue with the following major plans by 31 December 2026 in order to enhance return to the 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 (the “**Board**”) of directors (the “**Directors**”) of Pan Asia Environmental Protection Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to provide the shareholders and potential investors of the Company of the latest business development of the Group based on its current cash position, financial condition and business plans.

## **CASH POSITION AND PROPOSED UTILISATION OF CASH**

As stated in the interim report for the six months ended 30 June 2025 of the Company (the “**Interim Report**”), 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. In view of the high cash position of the Group, the Board intends to pursue with the following major plans by 31 December 2026 in order to enhance return to shareholders of the Company (the “**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 of the Company (the “**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.

### **Return to Shareholders**

#### ***Declaration and payment of special dividend***

In order to reward the continuous support of the Shareholders and enhance return to Shareholders, the Board is pleased to announce that at the meeting of the Board held on 24 December 2025 (the “**Board Meeting**”), the Board has resolved to declare and pay a special dividend (the “**First Tranche Special Dividend**”) of HK\$0.12 per Share. The First Tranche Special Dividend will be paid in cash on or around 26 March 2026, Thursday to the Shareholders whose names appear on the register of members of the Company at the close of business on 5 February 2026, Thursday (the “**Record Date**”). As at the date of this announcement, the Company has 990,000,000 Shares in issue. Based on the total number of issued Shares as at the date of this announcement, the First Tranche Special Dividend will approximately amount to a total of HK\$118,800,000. The Board also resolved that eligible

Shareholders may elect to receive the Special Dividend in cash, or wholly by the allotment of scrip shares in lieu of cash, or partly in cash and partly in the form of scrip shares. The two largest Shareholders have undertaken to opt for cash instead of scrip shares in the First Tranche Special Dividend.

For the purpose of calculating the number of new Shares to be allotted and issued under the First Tranche Special Dividend, the issue price of the new shares will be determined with reference to the average closing price per Share as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the five consecutive trading days commencing from the Record Date.

The First Tranche Special Dividend is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular giving further details of the First Tranche Special Dividend together with the relevant form of election will be despatched to the eligible Shareholders on or around 13 February 2026, Friday. It is expected that the dividend cheques and certificates for the new shares (in case the eligible Shareholders have elected to receive part or all of their dividend in the form of new shares) will be despatched to the eligible Shareholders on or around 26 March 2026, Thursday.

The register of members of the Company will be closed during the period from 4 February 2026, Wednesday to 5 February 2026, Thursday, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders’ entitlement to the First Tranche Special Dividend. In order to qualify for the First Tranche Special Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong, not later than 4:30 p.m. on 3 February 2026, Tuesday.

At the Board Meeting, the Board has also resolved to declare and pay a second tranche special dividend in a total amount of HK\$80,000,000 to the Shareholders by June 2026 (“**Second Tranche Dividend**”), which is payable by cash only. Based on the total number of issued Shares as at the date of this announcement, the Second Tranche Special Dividend will amount to approximately HK\$0.08 per Share.

The Board has further resolved at the Board Meeting that, should the total cash payment fall below the amount of HK\$118,800,000 (in case eligible Shareholders elect to receive the First Tranche Special Dividend in the form of scrip shares) in the First Tranche Special Dividend, the shortfall will be distributed as cash dividend in the Second Tranche Special Dividend, in addition to the amount of HK\$80,000,000. Further announcement(s) will be made after the payment of the First Tranche Dividend as to the details of the (i) total cash payment paid and total number of scrip shares allotted for the First Tranche Dividend; and (ii) additional dividend amount to be distributed as cash dividend in the Second Tranche Special Dividend.

### ***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 before the next annual general meeting in 2026 (the “**2026 AGM**”), pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting held on 30 May 2025. Such share repurchase mandate will expire at the conclusion of the 2026 AGM; and
- (ii) approximately HK\$50 million in value will be utilised for share repurchase before the annual general meeting in 2027 (the “**2027 AGM**”), pursuant to the share repurchase mandate to be approved by the Shareholders at the 2026 AGM. Such share repurchase mandate is subject to the approval by the Shareholders in the 2026 AGM and will expire at the conclusion of the 2027 AGM.

The Company believes that the share repurchase will demonstrate the Company’s confidence in its own business outlook and prospects and would, ultimately, benefit the Company and create value to the Shareholders.

### **Business development and others**

#### ***Repayment of other payables***

As stated in the Interim Report, the amounts due to the Company’s immediate and ultimate controlling party, amounted to approximately HK\$83.9 million. The Board intends to utilise HK\$83.9 million by 31 December 2025 for repayment of the amounts due to the Company’s immediate and ultimate controlling party.

#### ***Expansion of principal business***

Based on its current cash flow position, financial position and market environment, the Board intends to utilise approximately HK\$330 million by June 2026 for the development of the Group’s principal business: (i) sale of environmental protection (“**EP**”) products and equipment, such as pipes, water treatment and flue gas treatment products; and (ii) provision of EP related construction engineering services (the “**EP Business**”). The Group’s EP products involved (i) standardised EP products and equipment (標準件) where the structure, dimensions, performance and other specifications of which are standardised, and are manufactured as general-purpose parts or components; and (ii) customised EP products and equipment (非標準件), which are tailor-made to the specific requirements of the customers with fine processing (精細加工).

As at the date of this announcement, the Group purchases customised EP products and equipment from its suppliers. Considering, among others, (i) the high customer demand and great market potential for customised EP products and equipment; (ii) the fact that EP projects which are larger in size and of higher contract amount typically involve customised EP products and equipment; and (iii) it will be more cost-effective for the Group to produce customised EP products and equipment than purchasing from its suppliers, the Company intends to produce customised EP products and equipment in house.

The Board intends 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. The intended design of the production facility would include, among others, precision engineering workshop, spray painting workshop, electrical and plumbing installation workshop and warehouse. Further, an amount of approximately HK\$20 million is 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. With the expansion of the EP Business, it is expected that the Company's operating scale will increase and there will be an expansion in the Company's workforce. The Group intends to utilise approximately HK\$5 million for recruitment and training of additional staff by December 2026. To promote the development of the Company's R&D and sales headquarters, the Company intends to expand its team by hiring staff to promote the R&D and sales growth of the Company, such as (i) general manager; (ii) finance staff; (iii) purchasing manager; (iv) sales and marketing staff; and (v) R&D staff.

Under the EP Business, the Group currently primarily sells, among others, water treatment products and related equipment to its customers and provides ancillary services, which is predominantly business-to-business (B2B) in nature. Leveraging its existing water treatment technologies, equipment capabilities and operational experience, the Board has recently identified a potential business development direction involving businesses centered on water purification equipment, products and retail terminals, and has also identified a potential acquisition target which has a certain degree of synergy with such business direction.

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. It is intended that through the establishment of unified equipment standards, operation and maintenance systems, and metering and settlement rules, a replicable terminal operation model will be developed. On top of stable basic water consumption demand, beverage products and other consumer product categories with relatively higher gross margins are expected to be gradually introduced, with multi-category sales achieved through intelligent retail terminals.

The Board considers that the above business direction will be primarily advanced through the acquisition of or investment in, target companies or assets with relevant products, operational experience or channel resources, thereby enabling the Group, while maintaining its existing B2B foundation, to gradually expand into a business-to-consumer (B2C) model and achieve vertical extension into downstream application scenarios. It is currently expected that by December 2026, the Group may invest approximately HK\$220 million in the acquisition of, or investment in, such business or entities, subject to market conditions, project suitability and applicable regulatory requirements.

### ***Diversification of business***

The Group also targets at deepening its core businesses by making use of AI-driven opportunities to speed up the intelligent upgrading of the environmental protection industry and expanding its diversified presence by actively investing in and exploring new opportunities along the “AI+” value chain to broaden revenue sources and improve sustainability. Reference is made to the Company’s announcement dated 27 September 2023 regarding the Group’s strategic cooperation with Chengdu Qingshu Technology Co., Ltd\* (成都清數科技有限公司) for the development of AI business. It is expected that the Group will acquire AI machinery and assets in relation to big data and intelligent computing and construct an AI centre for its diversification into the AI business. The Group intends to establish its own AI centres 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 centre by December 2026.

### ***General working capital***

While focusing on its principal business, the Group has also been constantly exploring business opportunities to expand its existing business segments and to diversify its business portfolio which are in the interests of the Company and the Shareholders as a whole. With the expansion of the EP Business, it is expected that the number of EP projects the Group undertakes will increase, and it is therefore expected that the Company will require higher level of working capital to operate its business at a larger scale. Due to the increasing competitiveness in the market, the Group does not typically require its customers to make advance deposits after signing of contract. In general, the Group would only receive the majority of the contract sum after the delivery of products. Moreover, approximately 10% of the contract sum will generally be retained by the customers as quality retention monies for generally one year. It is therefore crucial for the Group to maintain a sufficient level of cash to prevent mismatch between accounts receivable and accounts payable for healthy cash flow management. 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.



To the extent that the cash and bank balances of the Group are not specifically used for the above purposes or if we are unable to effect any part of our future development plans as intended, we will retain our internal financial resources as it is deemed to be in the best interests of the Company and the Shareholders. The Company shall make timely announcement(s) if the Board resolves and decides to proceed with any of the abovementioned plans as and when required by the Rules Governing the Listing of Securities on the Stock Exchange.

**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 major plans of utilisation of cash as disclosed above are summarised as follows:

	<b>Total approximate amount of cash for each utilisation (HK\$'000)</b>	<b>Approximate amount of cash to be utilised Before 31 December 2025 (Note) (HK\$'000)</b>	<b>Before 30 June 2026 (Note) (HK\$'000)</b>	<b>Before 31 December 2026 (Note) (HK\$'000)</b>
<b><i>Return to Shareholders</i></b>				
– Declaration of special dividend	198,800	118,800	80,000	–
– On-market share repurchase	100,000	–	50,000	50,000
<b><i>Sub-total</i></b>	<b><i>298,800</i></b>	<b><i>118,800</i></b>	<b><i>130,000</i></b>	<b><i>50,000</i></b>
<b><i>Business development and others</i></b>				
– Repayment of other payables	83,900	83,900	–	–
– Expansion of principal business	575,000	–	465,000	110,000
– Diversification of business	198,000	–	143,000	55,000
<b><i>Sub-total</i></b>	<b><i>856,900</i></b>	<b><i>83,900</i></b>	<b><i>608,000</i></b>	<b><i>165,000</i></b>
<b>Total</b>	<b>1,157,700</b>	<b>202,700</b>	<b>738,000</b>	<b>215,000</b>

*Note: Being the commencement date of the plans to utilise the cash amount.*

## DIVIDEND POLICY

As at the date of this announcement, the dividend policy of the Group states:

*“The Directors consider that, in general, the Group’s decision to make a recommendation for the payment of dividends will depend on, inter alias, the Group’s results of operations and cash flows, the Group’s financial condition, general business conditions, the Company’s capital requirements and future prospects, Shareholders’ interests, statutory and regulatory restrictions on the payment of dividends by the Company and the operating subsidiaries of the Company and others factors the Directors deem relevant from time to time.*

*Apart from interim dividends, dividend declared by the Directors shall be subject to Shareholder’s approval.*

*It is the present intention of the Directors that, upon the Listing and subject always to the above, the Company will declare, for each year, dividends to Shareholders of not less than 30% of the audited consolidated profit after tax of the Group”*

The Board resolved to amend the Group’s dividend policy as below:

*“The Board’s decision to make a recommendation for the payment of dividends will depend on, inter alias, the Group’s results of operations and cash flows, the Group’s financial condition, general business conditions, the Company’s capital requirements and future prospects.*

*The Board intends for the Company to maintain a stable and sustainable dividend policy and, plans to declare dividends on an annual basis. The amount of dividends to be declared will normally be at least 30% of the audited consolidated profit after tax of the Group in a given year. Dividends may, however, not be declared, or deviated from this dividend policy if any one of the following exceptional circumstances arise: (i) the Group’s audited consolidated profit after tax of the Group having fallen below RMB7 million; (ii) the Group having a net current liabilities position; or (iii) inadequate cash flow to meet the Group’s capital requirements.*

*The Company shall disclose detailed reasons to the Shareholders if the Board decides not to declare dividend in a given year or to deviate from this dividend policy.”*

\* For identification purposes only

*In this announcement, amounts in RMB have been translated into HK\$ at the rate of RMB1.00 = HK\$1.1.*

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

Hong Kong, 24 December 2025



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

*Executive Directors:*

Mr. GUO Jiannan (*Chairman*)

Mr. ZHU Duke Li (*Chief Executive Officer*)

Ms. PAN Chang

*Independent Non-executive Directors:*

Mr. CHEN Xuezheng

Mr. HU Jianjun

Mr. LEUNG Shu Sun, Sunny