

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024**

FINANCIAL HIGHLIGHTS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	Variance
REVENUE	251,507	220,336	14.1 %
GROSS PROFIT	36,232	28,433	27.4 %
PROFIT FOR THE YEAR			
ATTRIBUTABLE TO OWNERS			
OF THE COMPANY	17,535	1,451	1,108.5 %
EARNINGS PER SHARE			
(Expressed in RMB cents per share)			
Basic and diluted	1.76	0.17	935.3 %

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 audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2024 (the “Reporting Period”) together with the comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
Revenue	4	251,507	220,336
Cost of sales		(215,275)	(191,903)
Gross profit		36,232	28,433
Other income, net	5	5,691	2,417
Other net gain/(loss)	6	7,279	(6,143)
Selling and distribution expenses		(1,053)	(1,024)
General and administrative expenses		(21,399)	(14,811)
Gain on disposal of a subsidiary	13	2,906	–
Impairment loss on cryptocurrencies	7, 13(e)	(4,912)	–
Fair value gain on financial liabilities at fair value through profit or loss	7, 13(e)	4,935	–
Finance costs	7(a)	(2,236)	(2,753)
Profit before taxation	7	27,443	6,119
Income tax expenses	8	(9,908)	(4,668)
Profit for the year		17,535	1,451
Other comprehensive loss for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
– Exchange differences on translation of financial statements to presentation currency		(1,666)	(1,637)
<i>Item that are or may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of financial statements to presentation currency		2	–
– Release of translation reserves upon disposal of a subsidiary		(1)	–
Total comprehensive income/(loss)		15,870	(186)

		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:			
– Owners of the Company		17,249	1,451
– Non-controlling interests		286	–
		<u>17,535</u>	<u>1,451</u>
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		15,583	(186)
– Non-controlling interests		287	–
		<u>15,870</u>	<u>(186)</u>
		<i>RMB cents</i>	<i>RMB cents</i>
EARNINGS PER SHARE	10		
Basic and diluted		<u>1.76</u>	<u>0.17</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		274	311
Right-of-use assets		4,064	1,107
Deferred tax assets		1,791	2,944
		<u>6,129</u>	<u>4,362</u>
CURRENT ASSETS			
Trade and other receivables	11	52,871	52,547
Cash and bank balances		1,256,898	1,235,816
		<u>1,309,769</u>	<u>1,288,363</u>
CURRENT LIABILITIES			
Trade and other payables	12	140,717	120,659
Corporate bonds		1,773	11,781
Lease liabilities		3,760	468
Tax payable		3,749	729
		<u>149,999</u>	<u>133,637</u>
NET CURRENT ASSETS		<u>1,159,770</u>	<u>1,154,726</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,165,899</u>	<u>1,159,088</u>
NON-CURRENT LIABILITIES			
Corporate bonds		–	20,884
Lease liabilities		353	711
Deferred tax liabilities		664	–
		<u>1,017</u>	<u>21,595</u>
NET ASSETS		<u><u>1,164,882</u></u>	<u><u>1,137,493</u></u>
CAPITAL AND RESERVES			
Share capital	14	91,718	86,149
Reserves		1,073,164	1,051,344
TOTAL EQUITY		<u><u>1,164,882</u></u>	<u><u>1,137,493</u></u>

NOTES:

1. GENERAL INFORMATION

Pan Asia Environmental Protection Group Limited (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 of Hong Kong Limited (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 annual report.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the sales of environmental protection (“EP”) products and equipment, and undertaking of EP construction engineering services in the People’s Republic of China (the “PRC”), and investment holding.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. 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 information is reported internally to the Group’s chief operating decision maker 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.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below:

	EP products and equipment		EP construction engineering services		Total	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue from external customers	251,507	220,336	–	–	251,507	220,336
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	<u>251,507</u>	<u>220,336</u>	<u>–</u>	<u>–</u>	<u>251,507</u>	<u>220,336</u>
Reportable segment profit (adjusted EBITDA)	<u>44,502</u>	<u>21,032</u>	<u>–</u>	<u>–</u>	<u>44,502</u>	<u>21,032</u>

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.

	2024	2023
	RMB'000	RMB'000
The PRC (place of domicile)	<u>251,507</u>	<u>220,336</u>

4. 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 during the year are as follows:

	EP products and equipment	EP construction engineering services	Total
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sales of goods			
– Water treatment products and equipment	221,017	–	221,017
– Flue gas treatment products and equipment	<u>30,490</u>	<u>–</u>	<u>30,490</u>
	<u>251,507</u>	<u>–</u>	<u>251,507</u>
Timing of revenue recognition			
A point in time	<u>251,507</u>	<u>–</u>	<u>251,507</u>

	2023 EP construction engineering services RMB'000	Total RMB'000
Types of goods or services		
Sales of goods		
– Water treatment products and equipment	122,182	122,182
– Flue gas treatment products and equipment	98,154	98,154
	<u>220,336</u>	<u>220,336</u>
Timing of revenue recognition		
A point in time	<u>220,336</u>	<u>220,336</u>

Information about the Group's performance obligation

Sales of EP products and equipment

The performance obligation is satisfied when the control of the EP products and equipment has been transferred to the customers, which is usually upon completion of the installation and on-site testing. The trading terms with customers are mainly on credit and payment in advance is normally required from customers. A certain percentage of payment is retained by customers until the end of the retention period. Warranties associated with the sales of EP products and equipment cannot be purchased separately and they serve as an assurance that the products and equipment sold comply with agreed-upon specifications.

5. OTHER INCOME, NET

	2024 RMB'000	2023 RMB'000
Interest income on bank deposits	2,516	2,412
Agency fee income (<i>Note 13(e)</i>)	1,716	–
Net income from provision of decentralised disaster recovery storage solution (<i>Note 13(e)</i>)	1,459	–
Sundry income	–	5
	<u>5,691</u>	<u>2,417</u>

6. OTHER NET GAIN/(LOSS)

	2024 RMB'000	2023 RMB'000
Net impairment loss reversed/(recognised) on:		
– trade receivables	6,800	(4,347)
– contract assets	552	(1,515)
– other receivables	–	(281)
Loss on early redemption of corporate bonds	<u>(73)</u>	<u>–</u>
	<u>7,279</u>	<u>(6,143)</u>

7. PROFIT BEFORE TAXATION

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

	2024 RMB'000	2023 RMB'000
a) Finance costs:		
Interest expenses on corporate bonds	1,071	2,706
Interest expenses on financial liabilities at fair value through profit or loss (<i>Note 13(e)</i>)	902	–
Interest on lease liabilities	263	47
	<u>2,236</u>	<u>2,753</u>
b) Other items:		
Impairment loss on cryptocurrencies (<i>Note 13(e)</i>)	4,912	–
Fair value gain on financial liabilities at fair value through profit or loss (<i>Note 13(e)</i>)	(4,935)	–
Depreciation of property, plant and equipment	113	110
Depreciation of right-of-use assets	3,364	628
	<u>3,364</u>	<u>628</u>

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2024 RMB'000	2023 RMB'000
Current tax – Provision for the year		
– PRC Enterprise Income Tax	7,843	6,134
– U.S. Income Tax (<i>Note 13(e)</i>)	248	–
	<u>8,091</u>	<u>6,134</u>
Deferred taxation		
– Origination and reversal of temporary difference	1,817	(1,466)
	<u>1,817</u>	<u>(1,466)</u>
	<u>9,908</u>	<u>4,668</u>

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands, respectively, 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 years ended 31 December 2024 and 2023.

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.

The U.S. Income Tax includes federal income tax calculated at a fixed rate of 21% on the estimated U.S. federal taxable income and state income tax calculated at various state income tax rates for the year ended 31 December 2024 on the estimated state taxable income for the respective states.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2024 and 2023 as the Group did not have assessable profits arising in Hong Kong during both years.

9. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

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

	2024 RMB'000	2023 RMB'000
Profit for the year attributable to owners of the Company for the purposes of calculating basic earnings per share	<u>17,249</u>	<u>1,451</u>
	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>981,287,762</u>	<u>844,373,223</u>

Diluted earnings per share

Diluted earnings per share equals to basic earnings per share as the Company has no potential dilutive ordinary share outstanding during the year ended 31 December 2024 and 2023.

11. TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	28,800	39,520
Less: Impairment loss on trade receivables	(2,614)	(9,414)
Trade receivables, net	26,186	30,106
Other receivables	279	281
Less: Impairment loss on other receivables	(279)	(281)
Other receivables, net	—	—
	26,186	30,106
Contract assets	28,176	24,624
Less: Impairment loss on contract assets	(1,809)	(2,361)
Contract assets, net	26,367	22,263
Prepayments and deposits	307	167
Other tax recoverable	11	11
	52,871	52,547

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 the collection of these receivables.

The following is an ageing analysis of trade receivables, net of impairment loss, at the end of the reporting period, presented based on the invoice date, which approximated the respective revenue recognition dates:

	2024 RMB'000	2023 RMB'000
Less than six months	28,800	26,622
Over six months but less than one year	—	12,898
	28,800	39,520
Less: Impairment loss	(2,614)	(9,414)
	26,186	30,106

12. TRADE AND OTHER PAYABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade payables	56,013	41,672
Accruals and other payables	12,250	12,759
Amount due to a related company	72,454	62,217
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	140,717	116,648
Contract liabilities	–	3,540
Other tax payable	–	471
	<hr/>	<hr/>
	140,717	120,659
	<hr/> <hr/>	<hr/> <hr/>

Ageing analysis of trade payables

The ageing analysis of trade payables at the end of each reporting period based on invoice date is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Less than six months	29,270	30,555
Over six months but less than one year	25,755	10,129
Over two years	988	988
	<hr/>	<hr/>
	56,013	41,672
	<hr/> <hr/>	<hr/> <hr/>

13. GAIN ON DISPOSAL OF A SUBSIDIARY

On 30 December 2024, the Company entered into the sale and purchase agreement to dispose of 51% equity interest of Turing AI Technologies Group USA LLC (“Turing AI”) (formerly known as Pan Asia Environmental Protection Group USA LLC) to Mr. Lucas Wu Perez (a minority shareholder of Turing AI) at a consideration of US\$450,000 (equivalent to approximately RMB3,216,000) (the “Disposal”). Turing AI was principally engaged in the provision of decentralised disaster recovery storage solution and provision of agency services in accordance with the cooperative agreement with the Group’s related company, PowerMeta Corporation. The Disposal was completed on 31 December 2024.

(a) Consideration received

RMB'000

Consideration received in cash and cash equivalents	3,216
---	-------

(b) Analysis of assets and liabilities over which control was lost

RMB'000

Cryptocurrencies	27,867
Amount due from a related company	2,268
Cash and cash equivalents	10
Tax payables	(249)
Financial liabilities at fair value through profit or loss	(29,298)
	<hr/>
Net assets disposed of	598

(c) Gain on disposal of a subsidiary

RMB'000

Consideration received	3,216
Net assets disposed of	(598)
Non-controlling interests	287
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss	1
	<hr/>
Gain on disposal of a subsidiary recognised in profit or loss	2,906

(d) Net cash inflows on disposal of a subsidiary

RMB'000

Consideration received in cash and cash equivalents	3,216
Less: Cash and cash equivalents disposed of	(10)
	<hr/>
Net cash inflows on disposal	3,206

(e) **Extract of the results of Turing AI attributable to the Group**

	2024 RMB'000
Other income, net	
– Agency income (<i>Note 5</i>)	1,716
– Net income from provision of decentralisation disaster recovery storage solution (<i>Note 5</i>)	1,459
General and administrative expenses	(1,463)
Impairment loss on cryptocurrencies (<i>Note 7(b)</i>)	(4,912)
Fair value gain on financial liabilities at fair value through profit or loss (<i>Note 7(b)</i>)	4,935
Finance costs (<i>Note 7(a)</i>)	(902)
	<hr/>
Profit before taxation	833
Income tax expenses (<i>Note 8</i>)	(248)
	<hr/>
Profit of Turing AI attributable to the Group	585

(f) **Extract of the cash flows of Turing AI attributable to the Group**

	2024 RMB'000
Operating activities	
Profit before tax	833
Adjustments for:	
– Impairment loss on cryptocurrencies	4,912
– Fair value gain on financial liabilities at fair value through profit or loss	(4,935)
– Finance costs	902
	<hr/>
Net cash generated from operating activity	1,712
	<hr/>
Net cash used in investing activity	
Advance to a related company	(1,712)
	<hr/>
Net cash generated from financing activity	
Capital injection from non-controlling interests	10
	<hr/>

14. SHARE CAPITAL

Authorised and issued share capital

	Number of shares '000	Amount HK\$'000	Amount RMB'000
<i>Ordinary shares of HK\$0.1 each</i>			
Authorised:			
As at 1 January 2023, 31 December 2023 and 2024	4,000,000	400,000	
Issued and fully paid:			
As at 1 January 2023	840,000	84,000	78,073
Issue of shares (<i>Note (a)</i>)	88,679	8,868	8,076
As at 31 December 2023 and 1 January 2024	928,679	92,868	86,149
Issue of shares (<i>Note (b)</i>)	61,321	6,132	5,569
As at 31 December 2024	990,000	99,000	91,718

Notes:

- (a) On 14 December 2023, the Company settled the debt of HK\$18,800,000 (equivalent to RMB17,048,000) by issue of 88,679,245 ordinary shares of the Company in accordance with the debt capitalisation agreement signed between the subscriber and the Company on 1 December 2023.
- (b) On 22 February 2024, the Company settled the debt of HK\$13,000,000 (equivalent to RMB11,806,000) by issue of 61,320,755 ordinary shares of the Company in accordance with the debt capitalisation agreement signed between the subscriber and the Company on 1 December 2023.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

15. MATERIAL RELATED PARTY TRANSACTIONS

Apart from note 13 to this announcement, the Group has the following transactions and balances with related parties:

Transactions and balances with related parties

	<i>Note</i>	Year ended 31 December	
		2024	2023
		RMB'000	RMB'000
Interest expenses on corporate bonds			
– Mr. Jiang Xin		449	571
– Mr. Jiang Quanlong		449	571
Interest expenses on financial liabilities at fair value through profit or loss			
– 3 Body Unispace Limited	7(a), 13(e)	902	–
Agency fee income			
– PowerMeta Corporation	5, 13(e)	1,716	–

Amounts receivable/(payable) by the Group to related parties

	<i>Note</i>	At 31 December	At 31 December
		2024	2023
		RMB'000	RMB'000
Corporate bonds			
– Mr. Jiang Xin		–	(9,606)
– Mr. Jiang Quanlong		–	(9,606)
Amount due to the Company's immediate and ultimate controlling party			
– Praise Fortune Limited	12	(72,454)	(62,217)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2024, China's environmental protection engineering industry achieved steady and healthy development against the backdrop of the ongoing "Dual Carbon" strategy and the deepening of ecological civilization construction, overcoming adverse factors such as increasing global economic downward pressure. With increasing national emphasis on environmental protection and growing public awareness, the demand for environmental protection engineering continued to grow steadily, expanding the industry's scale. Looking ahead, China's environmental protection engineering industry will maintain its rapid development trajectory. With the continuous progression of the "Dual Carbon" strategy, the ongoing combat against pollution, and the advancement in environmental technology, the industry will embrace a even brighter prospects. The Group will actively respond to national policies, keep pace with industry trends and improve comprehensive service capabilities. We will provide customers with high-quality, efficient environmental protection engineering solutions, contributing to green development and the construction of a beautiful China.

FINANCIAL REVIEW

During the year under review, the Group generated total revenue of RMB251.5 million, an increase of 14.1% compared with RMB220.3 million recorded in 2023, which was attributable to the Group's business development efforts as well as the continuous growth in demand for eco-friendly and low-carbon solutions. Gross profit increased significantly by 27.4% to RMB36.2 million (2023: RMB28.4 million) with the gross profit margin of 14.4% (2023: 12.9%) on the back of continuous project portfolio management.

Profit attributable to owners of the Company amounted to RMB17.2 million for the year ended 31 December 2024, turning around from a net income of RMB1.5 million for the year ended 31 December 2023. Basic and diluted earnings per share was RMB1.76 cents (2023: basic and diluted loss per share of RMB0.17 cents).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

BUSINESS REVIEW

The Group is principally engaged in the development, manufacture and sale of EP products and equipment, and the provision of EP construction engineering solutions and services. In 2024, the sale of EP products and equipment contributed revenue of RMB251.5 million (2023: RMB220.3 million), accounting for 100% (2023: 100%) of the Group's total revenue. The Group completed five water treatment projects and one flue gas treatment projects.

As at 31 December 2024, the Group had 4 projects on hand with an aggregate value of work to be completed of approximately RMB113.2 million (tax inclusive). The Group expects the above projects on hand to be completed by the end of 2025.

In addition, there was a change in the management of the Group during the year as Mr. Guo Jiannan resigned as Chief Executive Officer. Mr. Zhu Duke Li was appointed as an Executive Director and Chief Executive Officer on 12 April 2024.

PROSPECTS

Amid the economic development and industrial upgrading driven by artificial intelligence, the central and Hong Kong governments have introduced a series of policy support, strongly boosting the “AI+” sector. Our Group is fully confident in grasping this opportunity. The central government's “Several Opinions on Promoting the High-quality Development of the Environmental Protection Equipment Manufacturing Industry” highlights AI application in environmental protection, spurring intelligent transformation. In addition, the Hongkong government work report stresses the continuous promotion of “AI+” development, combining digital technology with market strengths to support the broad application of large language models (LLM).

Accordingly, our Group will leverage its expertise and experience in the relevant fields, persistently drive technological innovation and management optimization for sustainable business growth. Meanwhile, we will expand efforts in AI-related industries to capture “AI+” market opportunities in order to diversify our business scope and revenue source. By closely collaborating with professional partners like Chengdu Qingshu Technology Co., Ltd., we will combine our knowledge, resources, and market insights to generate synergy and seize AI industry opportunities.

Looking ahead, our Group will keep using cutting-edge technologies and applications to strengthen our business's market competitiveness and long-term development capabilities. While consolidating existing operations, we'll actively align with the national long-term plan, closely monitor market development, and identify applicable investment opportunities. We are dedicated to building a high-value enterprise that delivers outstanding shareholder returns and creates a positive social impact.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the Group's total assets amounted to RMB1,315.9 million, an increase of RMB23.2 million compared with RMB1,292.7 million in 2023. The Group's total liabilities as at 31 December 2024 amounted to RMB151.0 million, a decrease of RMB4.2 million compared with RMB155.2 million in 2023. The Group's total equity as at 31 December 2024 was RMB1,164.9 million (2023: RMB1,137.5 million), and the gearing ratio, calculated on the basis of total borrowings (including corporate bonds and amount due to a related company) to equity (including all capital and reserves), was 6.4% (2023: 8.3%). The Group's cash and cash equivalents amounted to RMB1,256.9 million as at 31 December 2024 (2023: RMB1,235.8 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 has adopted a conservative financial policy, and the majority of its bank deposits are in Renminbi and Hong Kong dollars. As at 31 December 2024, the Group 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 continues to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate. As at 31 December 2024, the Group did not hold any derivatives for hedging against interest rate or foreign exchange risks.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any capital expenditure commitments for the acquisition of property, plant and equipment (2023: Nil). The Group has issued product warranties to its customers for certain of its EP products and equipment sold for a warranty period ranging from six months to two years after installation. At the same time, the Group has also received product warranties for such EP products and equipment supplied from its suppliers. The Directors believe that the amount of crystalized warranty liabilities will not be significant at the end of the reporting period.

PLEDGE OF ASSETS

There was no pledge of assets by the Group as at 31 December 2024.

RELATIONSHIP WITH EMPLOYEES AND KEY STAKEHOLDERS

As at 31 December 2024, the Group had approximately 89 employees. Employee salaries are maintained at competitive levels and are reviewed annually, with close reference to the relevant labor markets and economic situations. Directors' remuneration is determined based on a variety of factors such as market conditions and the specific responsibilities shouldered by the individual directors. In addition to providing the basic remuneration and statutory benefits as required by the law, the Group provides discretionary bonuses based on its results and the performance of the individual employee. The Group also has an employee share option scheme in operation. Total remuneration costs, including Directors' remuneration, for the year ended 31 December 2024 was RMB14.4 million (2023: RMB12.9 million). During the year under review, the Group organized professional and vocational training for its employees. The Directors believe that the Group has an admirable relationship with its employees.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024.

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 consolidated financial statements of the Group for the year ended 31 December 2024.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Company's auditor, Ascenda Cachet CPA Limited (the "Auditor"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

AUDIT OPINION

The consolidated financial statements have been audited by the Group’s auditor, Ascenda Cachet CPA Limited. The independent auditor has issued a qualified audit opinion in the auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2024. An extract of the independent auditor’s report is set out in the section headed “EXTRACT OF INDEPENDENT AUDITOR’S REPORT” below.

EXTRACT OF INDEPENDENT AUDITORS’ REPORT

The following is the extract of the independent auditor’s report from the external auditor of the Company:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As disclosed in note 25 to the consolidated financial statements, the Group had disposed of 51% equity interest of Turing AI Technologies Group USA LLC (“Turing AI”) (the “Disposal”) and the Group ceased its control of Turing AI upon completion of the Disposal on 31 December 2024 (the “Disposal Date”). All the books and records of Turing AI, including but not limited to the management accounts, ledgers and sub-ledgers accounts, vouchers, bank statements, agreements and other documentations were transfer to the purchaser.

Despite the continuous effort and repeated requests made by the management of the Group to the purchaser, we were unable to access to the books and records of Turing AI after the completion of the Disposal. As a result, we were unable to carry out audit procedures that we considered necessary to satisfy ourselves as to the nature, completeness, accuracy, existence and valuation of the results, cash flows and other transactions undertaken by Turing AI during the period from 1 January 2024 to the Disposal Date as well as the assets and liabilities of Turing AI as at the Disposal Date as set out in the note 25. Consequently, we were unable to determine whether any adjustments were necessary in respect of (i) the results and cash flows of Turing AI for the period from 1 January 2024 to the Disposal Date which were included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2024; (ii) the carrying

amounts of the assets and liabilities of Turing AI as at the Disposal Date as disclosed in note 25 to the consolidated financial statements; and (iii) the gain on disposal of Turing AI which was calculated based on the carrying amounts of the assets and liabilities of Turing AI as at the Disposal Date.

Any adjustments that might have been found to be necessary in respect of the above may have consequential effects on the profit and cash flows of the Group and the related disclosures in the consolidated financial statements for the year ended 31 December 2024. The matters which were the subject matters of the scope limitation referred to above do not have impact on the figures presented in the consolidated statement of financial position of the Group as at 31 December 2024, and it shall not have carried forward effect to the consolidated financial statements of the year ending 31 December 2025, except the effect of comparability of the relevant financial information presented as comparative figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial statements.

The aforesaid “Note 25 to the notes to the consolidated financial statements” are disclosed as note 13 of this announcement.

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 year ended 31 December 2024, the Company has complied with the code provisions as set out in the CG Code, save for code provisions C.5.1.

At Least Four Regular Board Meetings a Year

Code provision C.5.1 stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. During the year ended 31 December 2024, the Board held meetings with active participation of majority Directors, either in person or through electronic means of communication. The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (“AGM”) of the Company is scheduled to be held on 30 May 2024. For considering and approving the final results of the Group for the year ended 31 December 2024 and the recommendation of a final dividend, if any, and transacting any other business.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 26 May 2025 to Friday, 30 May 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 May 2025.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual 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 annual report for the year ended 31 December 2024 will be published on the above-mentioned websites in due course.

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

Hong Kong, 31 March 2025

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

Executive Directors:

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

Independent non-executive Directors:

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