HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED
鴻承環保科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2265)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2025 together with the comparative figures for the year ended 31 December 2024.

RESULTS HIGHLIGHTS

For the year ended 31 December 2025, the Group's total revenue was approximately RMB323.6 million, representing an increase of approximately 38.3% as compared to the total revenue of approximately RMB233.9 million for the year ended 31 December 2024.

For the year ended 31 December 2025, the Group's gross profit was approximately RMB194.3 million, representing an increase of approximately 47.4% as compared to the gross profit of approximately RMB131.8 million for the year ended 31 December 2024. The overall gross profit margin increased from approximately 56.3% for the year ended 31 December 2024 to approximately 60.0% for the year ended 31 December 2025.

For the year ended 31 December 2025, the Group's profit for the year attributable to owners of the Company was approximately RMB88.5 million, representing an increase of approximately 47.5% as compared to the profit for the year attributable to owners of the Company of approximately RMB60.0 million for the year ended 31 December 2024.

For the year ended 31 December 2025, basic earnings per share attributable to the owners of the Company were approximately RMB0.088 (31 December 2024: approximately RMB0.060).

No final dividend for the year ended 31 December 2025 was recommended.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

		Year ended 31 December	
	Notes	**2025**	2024
		RMB'000	*RMB'000*
Revenue	*3*	**323,637**	233,908
Cost of sales	*6*	**(129,307)**	(102,122)
Gross profit		**194,330**	131,786
Other income	*4*	**1,596**	1,254
Other losses — net	*5*	**(2,490)**	(521)
(Provision for impairment)/reversal of provision on financial assets		**(119)**	355
Selling expenses	*6*	**(5,215)**	(2,121)
Administrative expenses	*6*	**(53,240)**	(39,165)
Research and development expenses	*6*	**(19,290)**	(12,800)
Operating profit		**115,572**	78,788
Finance income	*7*	**41**	99
Finance costs	*7*	**(5,618)**	(5,643)
Finance costs — net	*7*	**(5,577)**	(5,544)
Profit before income tax		**109,995**	73,244
Income tax expense	*8*	**(21,671)**	(13,472)
Profit for the year		**88,324**	59,772

	Notes	Year ended 31 December **2025** *RMB'000*	2024 *RMB'000*
Other comprehensive income:			
Item that may be reclassified to profit or loss			
— Currency translation differences on foreign operation		**691**	(251)
Item that will not be reclassified to profit or loss			
— Currency translation differences on translation from functional currency of the Company to presentation currency		**67**	(58)
		758	(309)
Total comprehensive income for the year		**89,082**	59,463
Profit for the year attributable to:			
Owners of the Company		**88,498**	60,012
Non-controlling interests		**(174)**	(240)
		88,324	59,772
Total comprehensive income for the year, attributable to:			
Owners of the Company		**89,256**	59,703
Non-controlling interests		**(174)**	(240)
		89,082	59,463
Earnings per share for the year attributable to owners of the Company			
Basic and diluted (expressed in RMB per share)	*9*	**0.088**	0.060

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2025

	Notes	As at 31 December 2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	*11*	**73,056**	76,020
Property, plant and equipment	*12*	**666,119**	488,831
Investment properties		**112,047**	116,433
Intangible assets		**1,708**	28
Prepayment for non-current assets		**2,054**	44,032
Deferred income tax assets		**2,115**	4,150
		857,099	729,494
Current assets			
Inventories	*13*	**12,630**	21,558
Trade and note receivables	*14*	**58,101**	24,208
Other receivables and prepayments	*15*	**53,191**	75,033
Financial assets at fair value through other comprehensive income		**23,873**	5,687
Cash and cash equivalents		**154,766**	65,213
Time deposits		**10,000**	–
		312,561	191,699
Total assets		**1,169,660**	921,193
EQUITY			
Equity attributable to owners of the Company			
Share capital		**8,208**	8,208
Share premium		**517,965**	517,965
Other reserves		**(298,670)**	(299,428)
Retained earnings		**392,646**	304,148
		620,149	530,893
Non-controlling interests		**11,836**	12,010
Total equity		**631,985**	542,903

	Notes	As at 31 December 2025 RMB'000	2024 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*19*	**117,789**	33,800
Deferred income tax liabilities		**9,033**	6,167
Lease liabilities	*11*	**–**	413
Other long-term payables		**473**	265
Other liabilities	*18*	**91,670**	89,183
		218,965	129,828
Current liabilities			
Trade and note payables	*16*	**29,554**	3,991
Other payables and accruals	*17*	**88,301**	75,312
Borrowings	*19*	**165,456**	104,847
Current income tax liabilities		**20,872**	20,438
Contract liabilities	*3*	**4,969**	16,422
Lease liabilities	*11*	**–**	394
Other liabilities	*18*	**9,558**	27,058
		318,710	248,462
Total liabilities		**537,675**	378,290
Total equity and liabilities		**1,169,660**	921,193

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 January 2021 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Act**"). The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1–1111, Cayman Islands.

The Company is an investment holding company. During the year ended 31 December 2025, the Group is engaged in (i) the provision of gold mine hazardous waste treatment services and sales of pyrite concentrate; (ii) the sales of products from the reprocessing of pyrite concentrate and sulphuric acid; and (iii) the sales of magnesium fertiliser in Laizhou city, Shandong province of the PRC. The Group's headquarter is in Laizhou city, Shandong province of the PRC.

The ultimate controlling party of the Company is Mr. Liu Zeming.

To prepare for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"), the Group has undertaken a reorganisation (the "**Reorganisation**") pursuant to which the Company became the holdings company of the subsidiaries comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 29 October 2021.

The shares of the Company have been listed on the Stock Exchange since 12 November 2021 by way of initial public offering.

The consolidated financial statements are presented in RMB and rounded to the nearest thousand RMB ("**RMB'000**"), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Compliance with IFRS Accounting Standards and HKCO (as defined below)

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRS Accounting Standards**") and requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

2.1.2 Historical cost convention

The consolidated financial statements have been prepared on the historical cost convention, except for Financial assets at fair value through other comprehensive income (FVOCI), which are carried out at fair value.

2.1.3 Going concern

As at 31 December 2025, the Group had net current liability of RMB6,149,000. The Group's cash and bank balances amounted to RMB154,766,000 and total amount of borrowings was RMB283,245,000. Out of the total amount, borrowings with aggregated amount of RMB165,456,000 were due for repayment within twelve months from 31 December 2025. The Group's ability to continue as a going concern is primarily dependent upon cash flow from its operation and financing from bank borrowings. In preparing the financial statements, the directors of the Company have reviewed the cashflow forecast prepared by the management of the Company for a period not less than twelve months from period end date of these financial statements. Taking into consideration the Group's net cash inflows from operating activities and the financing from bank borrowings under the existing revolving loan agreements and available bank credit quotas, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months. The directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing its consolidated financial statements.

2.1.4 New and amended standards adopted by the Group

The following new and amended accounting standards and interpretations become applicable for annual reporting periods commencing on or after 1 January 2025, and have been adopted by the Group in current period:

Standards and amendments	**Key requirements**	**Effective for annual periods beginning on or after**
IAS 21 (Amendment)	Lack of Exchange ability	1 January 2025

2.1.5 New and amended standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2025 and have not been early adopted by the Group. Those new standards, amendments of standards and interpretations are as follows:

Standards and amendments	**Key requirements**	**Effective for annual periods beginning on or after**
IFRS 9 and IFRS 7 (Amendment)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 9 and IFRS 7 (Amendment)	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual improvement project	Annual improvements to IFRS Accounting Standards	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2028
IFRS 10 (Amendment) and IAS 28 (Amendment)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors have performed assessment on the new standards, and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements when they become effective, except for IFRS 18 which will mainly impact the presentation of statement of profit and loss. The Group is still in the process of evaluating the impact of adoption of IFRS 18.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue during the years

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Revenue from contract with customers within the scope of IFRS 15		
Recognized over time		
Revenue from provision of gold mine hazardous waste treatment services	**38,769**	41,506
Recognized at a point in time		
Revenue from sales of pyrite concentrate	**101,853**	67,663
Revenue from sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**161,731**	115,181
Revenue from sales of magnesium fertiliser	**11,681**	–
	314,034	224,350
Other revenue		
Rental income	**9,603**	9,558
	323,637	233,908

(b) Description of segments and principal activities

The executive directors of the Board and the chief financial controller have been identified as the Group's chief operating decision-maker (the "**CODM**").

The Group is principally engaged (i) the provision of gold mine hazardous waste treatment services and sales of pyrite concentrate; (ii) the sales of products from reprocessing of pyrite concentrate and sulphuric acid; and (iii) the sales of magnesium fertiliser in Laizhou city, Shandong province of the PRC. The process of the treatment services and production of pyrite concentrate constitute one integrated process, whereas the reprocessing flow which includes the processing of pyrite concentrate into sulphuric acid, iron powder, and electricity, as well as the further processing of sulphuric acid into sulfamic acid and magnesium sulfate is another series of production activities ; and the production of magnesium fertiliser comprises a distinct business activity, therefore the CODM assesses the performance of the Group now from these three segments: hazardous waste treatment and recycling; reprocessing of pyrite concentrate and sulphuric acid and others; and production of magnesium fertiliser. Unallocated cost mainly includes administrative expenses incurred by the Company and inter-mediate holding companies of the Group. Management of the Group assesses the performance of operating segments based on segment profit or loss.

Assets grouped under unallocated category comprise cash and bank balances and other receivables held by the Company and intermediate holding companies of the Group.

Liabilities grouped under unallocated category comprise payroll payables, deferred income tax, other payables and accruals of the Company and intermediate holding companies of the Group.

Additions to non-current assets comprise additions to property, plant and equipment, right-of-use assets and intangible assets.

The Group's principal market, where majority of revenue and operating profit and all operations and non-current assets, are in Laizhou city of Shandong province of the PRC, except for revenue from magnesium fertiliser, which is derived from overseas customers.

The segment information for the year ended 31 December 2025 and 2024 is as follows:

	Hazardous waste treatment and recycling	Reprocessing of pyrite concentrate and sulphuric acid and others	Production of magnesium fertiliser	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2025					
Segment revenue	238,350	171,790	11,681	–	421,821
Inter-segment revenue	(88,125)	(10,059)	–	–	(98,184)
Revenue from external customers	150,225	161,731	11,681	–	323,637
Segment result	56,971	58,869	2,663	(2,931)	115,572
Finance costs — net	(3,518)	(2,064)	5	–	(5,577)
Profit before income tax					109,995
Income tax expense					(21,671)
Profit for the year					88,324
Other information					
Depreciation and amortisation	18,340	16,704	381	–	35,425
Additions to non-current assets	134,865	47,623	28,962	–	211,450
As at 31 December 2025					
Segment assets	435,464	678,839	50,405	4,952	1,169,660
Segment liabilities	255,732	251,495	20,781	9,667	537,675

	Hazardous waste treatment and recycling	Reprocessing of pyrite concentrate and others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2024				
Segment revenue	172,793	117,111	–	289,904
Inter-segment revenue	(54,066)	(1,930)	–	(55,996)
Revenue from external customers	118,727	115,181	–	233,908
Segment profit/(loss)	42,208	39,085	(2,505)	78,788
Finance costs — net	(4,401)	(1,143)	–	(5,544)
Profit before income tax				73,244
Income tax expense				(13,472)
Profit for the year				59,772
Other information				
Depreciation and amortisation	17,107	16,414	–	33,521
Additions to non-current assets	69,385	64,165	–	133,550
As at 31 December 2024				
Segment assets	486,288	432,723	2,182	921,193
Segment liabilities	249,685	124,246	4,359	378,290

(c) Contract liabilities

The Group recognised the following contract liabilities:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Contract liabilities related to provision of gold mine hazardous waste treatment services	**–**	84
Contract liabilities related to sales of pyrite concentrate	**1,241**	12,151
Contract liabilities related to sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**3,728**	4,187
	4,969	16,422

The following table shows how much of the revenue recognised during the years ended 31 December 2025 and 2024 relates to carried-forward contract liabilities:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Provision of gold mine hazardous waste treatment services	**84**	–
Sales of pyrite concentrate	**7,260**	6,242
Sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**3,932**	414
	11,276	6,656

(d) Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from contracts with customers:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Expected to be recognised within one year		
Provision of gold mine hazardous waste treatment services	**–**	84
Sales of pyrite concentrate	**1,241**	12,151
Sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**3,728**	4,187
	4,969	16,422

(e) Information about major customers

Revenue from individual customers which individually accounted for 10% or more of the Group's total revenue during the years ended 31 December 2025 and 2024 is set out below:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Customer A	**43,631**	14,345
Customer B	**N/A***	35,642

* Contributed less than 10% of the Group's total revenue for the relevant year.

4 OTHER INCOME

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Agency service income	**839**	758
Government grants	**755**	492
Others	**2**	4
	1,596	1,254

5 OTHER LOSSES — NET

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Net losses on disposal of property, plant and equipment and right-of-use assets	**(2,437)**	(521)
Others	**(53)**	–
	(2,490)	(521)

6 EXPENSES BY NATURE

The analysis of cost of sales, selling expenses and administrative expenses and research and development expenses is as follow:

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Raw materials and consumables used in cost of sales	**49,189**	32,980
Materials used in research and development expenses	**6,659**	2,806
Changes in inventories of finished goods and work-in-progress	**13,442**	8,865
Employee benefit expenses including directors emolument	**38,878**	28,751
Amortisation of right-of-use assets	**1,703**	1,900
Depreciation of property, plant and equipment	**29,300**	27,227
Depreciation of investment properties	**4,386**	4,386
Amortisation of intangible assets	**36**	8
Utility expenses	**15,333**	15,447
Taxes and levies	**8,976**	7,505
Transportation expenses	**5,996**	5,326
Consultation and professional fees	**5,003**	3,219
Auditor's remuneration — audit services	**1,855**	1,852
Others	**26,296**	15,936
Total	**207,052**	156,208

7 FINANCE COSTS — NET

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Finance income		
— Interest income derived from bank balances	**(41)**	(99)
Finance costs		
— Interest expenses on bank borrowings	**3,355**	2,335
— Interest expenses on borrowings under finance lease arrangement	**2,545**	2,485
— Interest expenses relating to warehouse lease arrangements	**2,441**	2,340
— Interest expenses on lease liabilities	**15**	44
	8,356	7,204
Less: borrowing costs capitalised in property, plant and equipment	**(2,738)**	(1,561)
	5,618	5,643
Finance costs — net	**5,577**	5,544

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
PRC income tax		
— Current income tax expense	**16,770**	12,288
— Deferred income tax expense	**4,901**	1,184
	21,671	13,472

9 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years.

	Year ended 31 December	
	2025	2024
Profit attributable to owners of the Company *(RMB'000)*	**88,498**	60,012
Weighted average number of ordinary shares in issue	**1,000,000,000**	1,000,000,000
Basic earnings per share *(RMB)*	**0.088**	0.060

(b) Diluted

During the years ended 31 December 2025 and 2024, the diluted earnings per share presented is the same as the basic earnings per share as there were no instruments outstanding that could have a dilutive effect on the Company's ordinary shares.

10 DIVIDEND

No final dividend was recommended for the year ended 31 December 2025 and 31 December 2024.

11 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Right-of-use assets		
Land use rights	**73,056**	75,231
Lease of building	**–**	789
	73,056	76,020
Lease liabilities		
Lease of building		
— Current	**–**	(394)
— Non-current	**–**	(413)
	–	(807)

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machineries	Furniture, fixtures and equipment	Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024						
Cost	202,490	162,678	8,734	7,869	54,521	436,292
Accumulated depreciation	(25,252)	(20,346)	(3,569)	(2,265)	–	(51,432)
Net book amount	177,238	142,332	5,165	5,604	54,521	384,860
Year ended 31 December 2024						
Opening net book amount	177,238	142,332	5,165	5,604	54,521	384,860
Additions	–	1,837	2,604	1,036	126,884	132,361
Transfer upon completion	1,095	204	–	–	(1,299)	–
Disposals	–	(600)	–	(563)	–	(1,163)
Depreciation	(10,246)	(15,409)	(708)	(864)	–	(27,227)
Closing net book amount	168,087	128,364	7,061	5,213	180,106	488,831
As at 31 December 2024						
Cost	203,585	163,015	11,338	8,032	180,106	566,076
Accumulated depreciation	(35,498)	(34,651)	(4,277)	(2,819)	–	(77,245)
Net book amount	168,087	128,364	7,061	5,213	180,106	488,831
Year ended 31 December 2025						
Opening net book amount	**168,087**	**128,364**	**7,061**	**5,213**	**180,106**	**488,831**
Additions	**8,127**	**5,774**	**1,711**	**5,857**	**188,265**	**209,734**
Transfer upon completion	**53,363**	**31,688**	**1,962**	**24**	**(87,037)**	**–**
Disposals	**(2,248)**	**(456)**	**–**	**(442)**	**–**	**(3,146)**
Depreciation	**(11,010)**	**(15,574)**	**(1,583)**	**(1,133)**	**–**	**(29,300)**
Closing net book amount	**216,319**	**149,796**	**9,151**	**9,519**	**281,334**	**666,119**
As at 31 December 2025						
Cost	**262,827**	**200,021**	**15,011**	**13,471**	**281,334**	**772,664**
Accumulated depreciation	**(46,508)**	**(50,225)**	**(5,860)**	**(3,952)**	**–**	**(106,545)**
Net book amount	**216,319**	**149,796**	**9,151**	**9,519**	**281,334**	**666,119**

13 INVENTORIES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Raw materials	**6,158**	1,644
Work-in-progress	**1,513**	187
Finished goods	**4,959**	19,727
Total	**12,630**	21,558

During the years ended 31 December 2025 and 2024, the cost of inventories recognised in "cost of sales" amounted to RMB62,631,000 and RMB41,845,000, respectively.

14 TRADE AND NOTE RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Trade receivables		
— related to provision of gold mine hazardous waste treatment services	**21,555**	23,356
— related to sales of products from the reprocessing of pyrite concentrate and sulfuric acid	**6,474**	914
— related to sales of magnesium fertiliser	**7,789**	–
Note receivables	**22,464**	–
Less: provision for impairment	**(181)**	(62)
	58,101	24,208

(a) Ageing analysis of the trade receivables

The trade receivables mainly represent receivable relating to provision of gold mine hazardous waste treatment services. The credit terms grant to customers are generally from 30 to 60 days.

As at 31 December 2025 and 2024, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
1–90 days	**18,103**	8,394
91–180 days	**7,464**	11,258
181–270 days	**7,119**	4,618
271–360 days	**3,132**	–
	35,818	24,270

(b) Impairment of the trade receivables

The Group applies the simplified approach to provide for expected credit loss which was a lifetime expected loss allowance for all trade receivables and retention receivables as prescribed by IFRS 9.

The movements in provision for impairment of trade receivables were as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
As at 1 January	**62**	417
Loss allowance recognised/(reversed) in profit or loss during the year	**119**	(355)
As at 31 December	**181**	62

The carrying amounts of trade and note receivables approximated their fair values as at the balance sheet dates and were dominated in RMB.

15 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Loan to a third party (a)	**28,468**	–
Prepayments for purchase of raw materials, transportation cost and other expenses	**8,990**	28,287
Value-added tax receivables	**6,291**	22,348
Deposits with financial institutions under finance lease arrangements	**6,870**	3,570
Deposits for bidding and performance	**500**	2,600
Other receivable in relation to trading of mineral materials	**–**	14,770
Others	**2,072**	3,458
	53,191	75,033

The carrying amounts of other receivables approximated their fair values as at the balance sheet dates and were dominated in RMB.

(a) As at 31 December 2025, loan to a third party amounting to RMB28,468,000 bears the interest rate of 0.38% per month and was subsequently repaid in February 2026.

16 TRADE AND NOTE PAYABLES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Trade payables		
— related to transportation costs	**3,959**	1,220
— related to raw materials	**5,595**	2,771
Note payables	**20,000**	–
	29,554	3,991

The ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
1–30 days	**6,488**	1,794
31–60 days	**1,950**	658
61–90 days	**494**	178
91–180 days	**362**	967
Over 180 days	**260**	394
	9,554	3,991

The carrying amounts of trade and note payables approximated their fair values as at the balance sheet dates and were dominated in RMB.

17 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Payables for purchase of property, plant and equipment	**44,140**	31,451
Other taxes payable	**15,387**	16,606
Amounts due to related parties	**12,635**	2,458
Employee benefits payables	**6,908**	5,632
Others	**9,231**	19,165
Total	**88,301**	75,312

The carrying amounts of other payables and accruals approximated their fair values as at the balance sheet dates and were denominated in RMB.

18 OTHER LIABILITIES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Deferred income — asset related government grants *(a)*		
— Non-current portion	**13,102**	3,498
Warehouse lease arrangements *(b)*		
(i) Advances from lessee		
— Current portion	**9,558**	9,558
— Non-current portion	**18,025**	27,583
	27,583	37,141
(ii) Payables to LZ Assets		
Non-current		
— First warehouse	**27,347**	26,245
— Second warehouse	**33,196**	31,857
	60,543	58,102
Advances to gold-bearing roasted cyanide tailings	**–**	17,500
Total	**101,228**	116,241
Presented on the statement of financial position as:		
Other liabilities — current portion	**9,558**	27,058
Other liabilities — non-current portion	**91,670**	89,183
	101,228	116,241

(a) Deferred income — asset related government grants

These mainly represent asset related government grants received from certain municipal government of the PRC as an encouragement for the Group's construction of production sulphuric acid and iron powder.

(b) Warehouse lease arrangements

In October and December 2018, HC Mining entered into two gold mine hazardous waste storage warehouse lease agreements with LZ Assets, a state-owned enterprise, for the storage of cyanide tailings hazardous waste. Pursuant to the lease agreements, LZ Assets advanced RMB72 million in the fourth quarter of 2018 and RMB88 million in the first half year of 2019, totalling RMB160 million, to HC Mining for leases of two warehouses at an annual rental of RMB3.6 million from 1 November 2018 for the first warehouse, and RMB4.4 million from 1 January 2019 for the second warehouse, totalling RMB8 million per annum (inclusive of value added tax on rental income), for a twenty years term.

Pursuant to the lease agreements, (i) the minimum term of the lease period shall be five years from the respective lease commencement dates, unless the cyanide tailings hazardous waste in the warehouses is put for tender for detoxing treatment during the five year term, and in the event that HC Mining won the tender, the lease term would terminate and the future treatment fee would then be deducted from the remaining amount of the advanced payments made by LZ Assets, after deduction of rental income up to the date of termination; (ii) from the sixth year, either LZ Assets or HC Mining has the right to terminate the lease arrangement by paying an amount equivalent to one year rental, being RMB8 million, as compensation to the other party, and HC Mining will be required to repay the remaining balance of the advances to LZ Assets within three years, being 20% for the first year, 30% for the second year and the remaining repayment in the third year, from the receipt of the notice of termination of the lease agreements.

At inception of the lease arrangement in 2018, the Group considered there is a likelihood that LZ Assets would exercise the right to terminate the lease agreements upon the expiry of the five years committed lease term by December 2023, by then the Group would have an obligation to pay back LZ Assets the remaining balances of the advanced payments from LZ Assets, being in total RMB112 million, representing the total advances of RMB160 million less five years' rental income of RMB40 million and compensation of RMB8 million. Accordingly, on initial recognition of the two warehouse lease arrangements in October and December 2018, the Group recorded "Other liabilities — payables to LZ Assets" of RMB84.2 million, being the present value by discounting the obligations to pay back LZ Assets by December 2023 of RMB112 million by instalments as mentioned above. The discount rate applied in deriving the present value of the amounts payable to LZ Assets was the market rate available to the Group for similar financial instruments, which is 4.65% per annum.

In November 2023, the lease agreements were modified to extend the committed and non-cancellable lease term for another five years after the expiry of the first five-year lease term in October and December 2023, with other terms of the original agreements remain unchanged. The Group accounted for the leases as a five year lease contract at inception of the lease in 2018, and extended it to another five years based on the modified contract terms. According to the revised lease term, the Group applied the same accounting treatment as the first five years lease term. The discount rate applied in deriving the present value of the amounts payable to LZ Assets was the market rate available to the Group for similar financial instruments, which is 4.2%. The Group recognised rental income of RMB9,558,000 (2024: RMB9,558,000) for the year ended 31 December 2025, and the resultant payable to LZ Assets amounted to RMB60,543,000 (2024: RMB58,102,000) as at 31 December 2025.

Interest expenses from other liabilities — payables to LZ Assets are recognised using the aforementioned discount rate. The amount of interest expenses relating to the two warehouse lease arrangements during the years ended 31 December 2025 and 2024 were RMB2,441,000 and RMB2,340,000, respectively.

19 BORROWINGS

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Non-current:		
Long term bank borrowings, secured and guaranteed	**71,350**	26,600
Borrowing under finance lease arrangement	**124,630**	37,247
Less: Current portion of long-term bank borrowings, secured and guaranteed	**(4,300)**	(200)
Current portion of borrowings under finance lease arrangement	**(73,891)**	(29,847)
Total non-current borrowings	**117,789**	33,800
Current:		
Short term bank borrowings, secured and guaranteed	**64,801**	59,800
Current portion of long-term bank borrowings, secured and guaranteed	**4,300**	200
Current portion of borrowings under finance lease arrangement	**73,891**	29,847
Other borrowings — discounted note receivables with recourse	**22,464**	–
Other borrowings — liabilities under supplier finance arrangement	**–**	15,000
Total current borrowings	**165,456**	104,847
Total borrowings	**283,245**	138,647

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Consolidate the Leading Position in the Industry Based on Our Own Strengths

The Group, based in Shandong province, the PRC, has been focusing on the treatment of gold mine hazardous waste as well as the resource recovery and comprehensive utilisation of gold mine hazardous waste. We collect cyanide tailings (a kind of gold mine hazardous waste generated in the gold smelting process) from upstream customers (mainly including gold smelting companies under gold mining companies engaged in mining operations in Shandong Province (particularly Yantai City)). Leveraging its own experience and professional expertise, the Group decomposes hazardous substances from cyanide tailings and recovers economically valuable resources such as pyrite concentrates therefrom. To further expand profit margins and strengthen its capability in comprehensive resource utilisation, the Group also reprocesses pyrite concentrates with the addition of other raw materials to produce sulphuric acid, iron powder and electricity for sale to downstream customers or for use in the production of downstream products, thereby achieving the comprehensive utilisation of gold mine hazardous waste. Commencing from the fourth quarter of 2025, the Group's production lines for sulfamic acid and magnesium fertiliser have commenced operation to expand the Group's product coverage.

The Group is the only company in Laizhou city, Shandong province that has obtained the Hazardous Waste Business Licence issued by Yantai Municipal Ecology and Environment Bureau. During the Reporting Period, a wholly-owned subsidiary of the Group was successfully included in the 2025 List of "Specialised, Sophisticated, Unique and New" (專精特新) Small and Medium-sized Enterprises promulgated by the Department of Industry and Information Technology of Shandong Province, further demonstrating our leading position in the industry.

Looking back on 2025, amid the combined impact of multiple structural factors, the global economy faced significant pressure on its growth momentum. On the one hand, persistently high interest rate policies restrained global economic activities; on the other hand, geopolitical risks exacerbated market uncertainty and exerted a profound impact on global supply chains and resource allocation.

In the hazardous waste treatment industry, market competition remained intense, and the industry development was undergoing severe restructuring and challenges. Meanwhile, the volatility of prices in the commodity market also intensified significantly. Despite the severe macroeconomic and industrial operating conditions as well as the uncertainty in commodity prices, the Group demonstrated strong operational resilience. Through deepening strategic cooperation and effective implementation of various operating strategies, all core financial indicators for the current year still achieved remarkable year-on-year growth against the headwinds.

For the year ended 31 December 2025, the Group's revenue and profit attributable to owners of the Company amounted to approximately RMB323.6 million and RMB88.5 million respectively, representing an increase of approximately 38.3% and 47.5% respectively as compared with the year ended 31 December 2024.

The Group's gross profit increased from approximately RMB131.8 million for the year ended 31 December 2024 to approximately RMB194.3 million for the year ended 31 December 2025. Meanwhile, the overall gross profit margin rose from approximately 56.3% for the year ended 31 December 2024 to approximately 60.0% for the year ended 31 December 2025.

Establish a resource recycling industrial system, extend the industrial chain and expand product coverage

To continuously drive business diversification and enhance profitability, the Group has actively deployed downstream high value-added products. Commencing from the fourth quarter of 2025, the Group's brand-new production lines for sulfamic acid and magnesium fertiliser have officially commenced operation, which are expected to provide an annual production capacity of 30,000 tonnes of sulfamic acid and 180,000 tonnes of magnesium fertiliser. These new projects fully utilise sulphuric acid produced internally by the Group as raw materials, further strengthening the extension of the industrial chain and the efficient utilisation of resources. This has not only effectively expanded the Group's product coverage but also further improved our circular economy industrial chain, injecting new impetus into sustainable growth in the future.

The Group has continued to pave the way for the extension of the industrial chain. During the Reporting Period, a wholly-owned subsidiary of the Group was recognised as a "One Enterprise, One Technology" (一企一技術) R&D Centre issued by the Yantai Bureau of Industry and Information Technology by virtue of the "Technology for Harmless and Comprehensive Resource Utilisation of Gold Cyanide tailings" (黃金氰化尾渣無害化資源綜合利用技術) and the "Technology for Recovery and Utilisation of Valuable Elements from High-Silica Flotation Tailings of Gold Cyanide tailings" (黃金氰化尾渣高矽浮選尾礦有價元素回收利用技術).

Empower Resource Recycling through Scientific Research and Lead Industrial Upgrading and Technological Innovation

The Group has vigorously promoted innovation-driven development and built competitive advantages for differentiated development. Centering on the main line of "resource recycling", it leads industrial upgrading through technological innovation. During the Reporting Period, the Group established the "Joint Laboratory for Gold Tailings Resource Utilisation" with Shandong University to further enhance the treatment efficiency and technical barriers of gold tailings resource utilisation. During the Reporting Period, projects under the Group also successfully obtained approval for the "Special Central Budgetary Investment for Pollution Control" (中央預算內污染治理投資專項) and the "Special Central Budgetary Investment for the Integrated Development of Advanced Manufacturing and Modern Service Industries" (中央預算內先進製造業和現代服務業融合發展專項), marking the high recognition of the PRC government towards the Group's technological route and development direction.

Deepen the ESG Governance System and Lead the Circular Economy

The Group has fully integrated the ESG (Environmental, Social and Governance) philosophy into its corporate strategy and daily operations, promoted the full integration of ESG governance into the corporate governance system, and is committed to achieving high-quality sustainable development. During the Reporting Period, a wholly-owned subsidiary of the Group was successfully selected into the 2025 List of "Yantai Green Factories" (煙臺市綠色工廠) issued by the Yantai Bureau of Industry and Information Technology. Projects under the Group were selected into the "Catalogue of Advanced and Applicable Technologies for Mineral Resources Conservation and Comprehensive Utilisation (2025 Edition)" issued by the Ministry of Natural Resources of the People's Republic of China by virtue of the "Technology for Harmless and Comprehensive Utilisation of Gold Cyanide tailings" (黃金氰化尾渣無害化綜合利用技術). This fully demonstrates the Group's efforts in thoroughly implementing the national, provincial and municipal work arrangements for the development of the green manufacturing system, and has successfully established an advanced model of green manufacturing, leading the enterprise towards a green, low-carbon and high-quality development path.

OUTLOOK

In 2026, with the continuous and in-depth implementation of the "14th Five-Year Plan and Outline of Vision 2035 (第十四個五年規劃和2035年遠景目標綱要)" and the continuous strengthening of the national green development strategy, the Group will uphold the spirit of pragmatism and enterprise, seize the opportunities of the times, take the initiative to integrate into the overall national development and actively promote green transformation and upgrading. To this end, the Group will focus on the following strategic arrangements:

Drive high-quality business growth with capacity expansion and industrial chain extension as the dual engines

To break through the bottleneck of existing capacity approaching saturation, the Group successfully completed a key acquisition in February 2026 and obtained a production facility under construction adjacent to its existing plant in Shandong. Upon the commissioning of this project, it is expected to add approximately 200,000 tonnes of sulphuric acid production capacity for the Group and generate significant logistics and management synergies through geographical advantages. Meanwhile, by integrating downstream production lines such as sulfamic acid and magnesium sulphate of this facility, the Group will successfully extend its business reach to high value-added products.

Drive diversified development through innovation and establish a new pattern of the full resource-based industrial chain

The Group will continue to consolidate the foundation of technological innovation and focus on technical research and achievement transformation in the comprehensive utilisation of solid waste and hazardous waste resources. In terms of business layout, we are committed to optimising the existing product matrix, expanding product diversity horizontally and extending the industrial chain vertically, so as to achieve the collaborative development of multi-field, multi-category and in-depth resource utilisation, and comprehensively enhance the comprehensive service capacity of the entire industrial chain.

Furthermore, the Group will deepen strategic synergy with research institutions and industry partners. With "maximising the recycling of renewable resources" as our core objective, we will promote product iteration through continuous technological upgrading to further enhance resource recovery efficiency and market competitiveness. Looking ahead, we will unswervingly empower our business with innovation, deepen the circular economy development model, and while comprehensively strengthening our comprehensive competitive advantages, contribute to the industry's march towards high-quality and sustainable development.

Integrate the ESG Strategy to Outline a Blueprint for Sustainable Development

Faced with the rising global demand for resource recycling and the in-depth advancement of the national "dual carbon" strategy, the circular economy industry is embracing historic opportunities. To actively respond to the national policy directions of "strengthening the green and efficient utilisation of resources" and "further fighting the battle to defend blue skies, clear waters and pure lands", as a key participant in the industry, the Group seizes the opportunities of the times, takes sustainable development as the core orientation, accelerates technological innovation and improves resource recovery efficiency, so as to ensure steady progress and achieve long-term development in the new era.

In terms of green production practices, the Group's deep processing production line for pyrite concentrates demonstrated a landmark "negative energy consumption" advantage during the Reporting Period — the electricity generated during its production process substantially exceeded its own consumption. Based on current production capacity, this production line can generate electricity through waste heat recovery, reaching an annual power generation of 39,000 megawatt-hours (MWh). This achievement not only serves as strong evidence of our efficient resource utilisation and promotion of energy conservation and emission reduction, but also provides solid support for the establishment of a circular economy system, and fully demonstrates our corporate commitment to developing an environment-friendly economy.

Looking ahead, we will continue to uphold the concept of sustainable development, firmly promote the implementation of the ESG strategy, continuously improve green production and operation models, and contribute to the healthy development of the industry, the achievement of the national "dual carbon" goals and the creation of long-term value for the Shareholders.

FINANCIAL REVIEW

Revenue

	For the year ended 31 December			
	2025		2024	
	RMB'000	*%*	*RMB'000*	*%*
Provision of gold mine hazardous waste treatment services	**38,769**	**12.0**	41,506	17.8
Sales of pyrite concentrate	**101,853**	**31.5**	67,663	28.9
Provision of hazardous waste storage rental services and rental income	**9,603**	**3.0**	9,558	4.1
Sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**161,731**	**50.0**	115,181	49.2
Revenue from sales of magnesium fertiliser	**11,681**	**3.5**	–	–
	323,637	**100**	233,908	100

The Group principally collects cyanide tailings, which are a kind of gold mine hazardous waste, from the Group's upstream customers and applies our technical know-how to (i) detoxify those wastes to meet the required safety standards; and (ii) recover and recycle therefrom resources with economic value for sale and recycling, such as pyrite concentrate. Moreover, the Group reprocesses pyrite concentrate into sulphuric acid, iron powder, and electricity, and further processes sulphuric acid into sulfamic acid and magnesium sulfate for sale. Since the fourth quarter of 2025, the Group started to produce and sell magnesium fertiliser. Therefore, revenue of the Group is mainly derived from (i) provision of gold mine hazardous waste treatment services; (ii) sale of pyrite concentrate; (iii) sale of products derived from the reprocessing of pyrite concentrate and sulphuric acid; and (iv) sales of magnesium fertiliser.

For the year ended 31 December 2025, the Group's total revenue was approximately RMB323.6 million, representing an increase of approximately 38.3% as compared to that of approximately RMB233.9 million for the year ended 31 December 2024. In particular, the revenue from sales of pyrite concentrate and sales of products from the reprocessing of pyrite concentrate and sulphuric acid recorded a year-on-year increase of approximately 50.5% and 40.4%, respectively, while sales of magnesium fertiliser was a new income stream for the Group during the Reporting Period.

The significant increase in revenue was primarily and collectively attributable to: (i) a rise in the selling prices of the Group's main products, namely pyrite concentrate and sulphuric acid, during the Reporting Period, which substantially boosted the Group's overall revenue and profitability. The Group's gross profit margin increased from approximately 56.3% for the year ended 31 December 2024 to approximately 60.0% for the Reporting Period; and (ii) the Group's commencement of the production and sales of new downstream sulphuric acid products, namely sulfamic acid and magnesium fertiliser, in the fourth quarter of 2025, which contributed additional revenue for the Reporting Period.

Gross profit and gross profit margin

For the year ended 31 December 2025, the Group's gross profit was approximately RMB194.3 million, representing an increase of approximately 47.4% as compared to gross profit of approximately RMB131.8 million for the year ended 31 December 2024. This growth was in line with the increase in revenue during the same period.

The overall gross profit margin increased from approximately 56.3% for the year ended 31 December 2024 to approximately 60.0% for the year ended 31 December 2025. Such increase was primarily attributable to (i) the increase in gross profit margin of sales of pyrite concentrate from approximately 60.4% for the year ended 31 December 2024 to approximately 71.8% for the year ended 31 December 2025; and (ii) the increase in gross profit margin of sales of products (including sulphuric acid, sulfamic acid, magnesium sulfate, iron powder and electricity) derived from the reprocessing of pyrite concentrate and sulphuric acid from approximately 52.8% for the year ended 31 December 2024 to approximately 56.4% for the year ended 31 December 2025. However, the increase was partially offset by the decrease of gross profit margin for provision of gold mine hazardous waste treatment services from approximately 60.2% for the year ended 31 December 2024 to approximately 51.9% for the year ended 31 December 2025.

Other income

Our other income mainly comprises (i) agency service income from acting as an agent that facilitates the trading of magnesite materials, stones and gold/silver concentrates between a third-party supplier and customers; and (ii) government grants. Other income increased from approximately RMB1.3 million for the year ended 31 December 2024 to approximately RMB1.6 million for the year ended 31 December 2025. Such increase was mainly attributable to the increase in government grants as compared to the previous year.

Selling expenses

Our selling expenses mainly consist of (i) entertainment expenses; (ii) employee salary and benefit expenses for our sales team; and (iii) promotion expenses. For the year ended 31 December 2025, the Group's selling expenses were approximately RMB5.2 million, representing an increase of approximately 147.6% as compared to that of selling expenses of approximately RMB2.1 million for the year ended 31 December 2024. The increase was mainly due to the increase of approximately RMB2.2 million in entertainment expenses and the increase of approximately RMB0.8 million in promotion expenses as compared to the previous year.

Administrative expenses

The administrative expenses of the Group mainly represent (i) employee benefit expenses, including salaries and wages and staff welfare for administrative and management staff; (ii) taxes and levies which primarily represented various kinds of government levies or taxes such as real estate tax, urban construction tax, tenure tax and stamp duty; (iii) depreciation and amortisation of right-of-use assets and administrative facilities; (iv) office expenses and utilities; (v) entertainment expense; (vi) professional and consultation fee; (vii) transportation and related expenses, including those incurred in business travels of administrative and management staff and business use of vehicles expenses; and (viii) other expenses of similar nature.

For the year ended 31 December 2025, the Group's administrative expenses were approximately RMB53.2 million, representing an increase of approximately 35.7% as compared to administrative expenses of approximately RMB39.2 million for the year ended 31 December 2024.

The increase in the Group's administrative expenses was the combined effect of (i) the increase in salaries and wages and staff welfare of approximately RMB3.7 million which was due to the commencement of new production line of sulfamic acid and magnesium fertiliser; (ii) the increase of taxes and levies, in line with the overall growth in revenue; and (iii) increase in other office expenses due to the expansion of the operation and additional production line.

Research and development expenses

The research and development expenses of the Group mainly represent (i) depreciation and amortisation of research and development facilities; (ii) employee benefit expenses, including salaries and wages and staff welfare for research and development staff; (iii) materials used in research and development activities; and (iv) other consultancy expenses. For the year ended 31 December 2025, the Group's research and development expenses were approximately RMB19.3 million, representing an increase of approximately 50.8% as compared to that of approximately RMB12.8 million for the year ended 31 December 2024. The increase was mainly due to the increase of approximately RMB2.2 million in other consultancy expenses and increase of approximately RMB3.9 million in materials used in research and development activities as compared to the previous year.

Net finance costs

Our net finance costs reflected interest expenses on bank borrowings, borrowings under finance lease arrangement, lease liabilities and other liabilities after offsetting interest income we received from bank balances. For the year ended 31 December 2025, the Group's net finance costs were approximately RMB5.6 million, which were comparable to the net finance costs of approximately RMB5.5 million for the year ended 31 December 2024. It was the combined effect of the increase in amounts of borrowings; the increase in the amount of capitalisation of borrowing costs; and the decrease in the effective interest rate during the Reporting Period.

Income tax expense

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act and accordingly is exempted from Cayman Islands income tax. Our Company's direct wholly owned subsidiary was incorporated in the BVI as a business company with limited liability under the BVI Companies Act 2004 and accordingly is exempted from BVI income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group did not generate any assessable profit in Hong Kong for the years ended 31 December 2025 and 2024.

PRC corporate income tax ("CIT")

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group's subsidiaries operate. The Company's subsidiaries incorporated in PRC are subject to CIT at the rate of 25% (2024: 25%) for the year ended 31 December 2025, except for Shandong Jinjia, which has applied for High and New Technology Enterprise ("**HNTE**") status and is eligible for a preferential CIT rate of 15%. The relevant HNTE certificate is still in the process of being obtained.

In accordance with the Circular of the Ministry of Finance and the State Administration of Taxation on Issues concerning Implementing the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources Cai Shui [2008] No. 47 (《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》財稅[2008]47號), an enterprise, which uses the raw materials under the catalogue to produce recycled resource products under the catalogue and the products meet the national or industrial standards, is entitled to incentive tax arrangement such that 90% of the sales revenue of the products is subject to the calculation of the taxable income. The Group's sales of pyrite concentrate qualify for the incentive tax arrangement and therefore 10% of the Group's revenue from sales of pyrite concentrate was exempted from the taxable income of the Group in the calculation of CIT during the years ended 31 December 2025 and 2024.

In addition, during the years ended 31 December 2025 and 2024, the Group's PRC subsidiaries, HC Mining and Shandong Jinjia, were entitled to claim additional tax deduction of research and development expenses incurred.

For the year ended 31 December 2025, the Group's income tax expense was approximately RMB21.7 million, representing an increase of approximately 60.7% as compared to income tax expense of approximately RMB13.5 million for the year ended 31 December 2024, reflecting effective tax rates (equivalent to income tax expense divided by profit before income tax) of approximately 19.7% and 18.4% for the year ended 31 December 2025 and the year ended 31 December 2024, respectively.

The increase in the effective tax rate from approximately 18.4% for the year ended 31 December 2024 to approximately 19.7% for the year ended 31 December 2025 was mainly due to a lower proportion of research and development super deductions, despite an increase in absolute research and development expenses when comparing with that in the previous year.

PRC withholding income tax

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies' immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies and simultaneously certain conditions are satisfied.

Capital expenditures

Our capital expenditure mainly comprises expenditure for the acquisition of items of property, plant and equipment, right-of-use assets and intangible assets. During the year ended 31 December 2025, we incurred capital expenditure of approximately RMB211.5 million (31 December 2024: RMB133.6 million).

Capital commitments

As at 31 December 2025, the Group had capital commitments of approximately RMB18.9 million (31 December 2024: approximately RMB47.4 million).

Pledge of assets

As at 31 December 2025, the total net book value of assets pledged to secure the Group's bank borrowings and finance lease borrowings amounted to approximately RMB28.3 million (31 December 2024: approximately RMB25.1 million) for land use rights, approximately RMB104.0 million (31 December 2024: approximately RMB74.2 million) for buildings, approximately RMB96.7 million (31 December 2024: approximately RMB73.7 million) for machinery and approximately RMB112.0 million (31 December 2024: approximately RMB116.4 million) for investment properties.

Contingent liabilities

As at 31 December 2025, we did not have any material contingent liabilities. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings, to the knowledge of the Board, threatened against the Group and could have a material adverse effect on our business or operations.

Treasury policy

The Group adopts a prudent approach towards its treasury policies. To manage the liquidity risk, the Group closely monitors its liquidity position to ensure the liquidity structure of the Group's assets, liabilities and commitments and to ensure the fulfilment of its funding requirements for business development.

Foreign exchange risk management

The Group carries out its business operations in the PRC with most of the transactions denominated and settled in RMB save for certain fees payable to professional parties and miscellaneous administrative expenses that are denominated in Hong Kong dollars. Hence the Group does not currently have a hedging policy on foreign exchange risk as the Board does not consider the Group's exposure to foreign exchange fluctuations (primarily in the HKD) to be significant, and that any fluctuation thereof will not have any material impact on the Group's business operations or its financial results. The management will, however, closely monitor its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity, finance resources and capital structure

As at 31 December 2025, the Group had net current liabilities of approximately RMB6.1 million (31 December 2024: net current liabilities of approximately RMB56.8 million). As at 31 December 2025, the net gearing ratio was approximately 30.3% (31 December 2024: approximately 24.8%). The net gearing ratio is calculated by dividing net debt by total equity at the end of the relevant year and multiplying by 100%. Net debt is defined as amounts payable that are not incurred in the ordinary course of business and includes bank and other borrowings, lease liabilities, amount due to related parties and other liabilities payable to LZ Assets in relation to the warehouse lease arrangement minus cash and bank balances and time deposits.

As at 31 December 2025, the Group maintained a strong financial position with cash and cash equivalents of approximately RMB154.8 million (31 December 2024: approximately RMB65.2 million). The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash generated from operations and proceeds from the Listing.

During the Reporting Period, the Company had no material change in its capital structure. The capital of the Company comprised only ordinary shares.

OTHER INFORMATION

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM is expected to be held on Friday, 26 June 2026. A notice convening the AGM will be published and despatched in the manner as required by the Listing Rules in due course. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 23 June 2026 to Friday, 26 June 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. The record date will be Friday, 26 June 2026. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, on 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 22 June 2026.

FINAL DIVIDEND

No final dividend for the year ended 31 December 2025 was recommended by the Board.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, "Management Discussion and Analysis" section of this announcement and the Acquisition disclosed in the announcement of the Company dated 26 January 2026 and 9 February 2026, the Group does not have any other plans for material investments or capital assets.

USE OF NET PROCEEDS FROM THE LISTING AND UPDATE IN EXPETCED TIMELINE FOR FULL UTILISATION

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date by way of global offering, upon which 250,000,000 shares were issued, raising the total net proceeds (after deducting underwriting commissions and other related listing expenses) of approximately RMB177.3 million (equivalent to approximately HKD217.3 million).

The table below sets forth the allocation and status of utilisation of the net proceeds during the Reporting Period and the expected timeline of the use of the unutilised proceeds:

	Percentage to total amount	Planned use of net proceeds *HKD million*	Planned use of net proceeds *RMB million*	Net proceeds utilised during the year ended 31 December 2025 *RMB million*	Net proceeds utilised as at 31 December 2025 *RMB million*	Net proceeds unutilised as at 31 December 2025 *RMB million*	Expected timeline for full utilisation of the unutilised proceed
Establish the New Production Facility, comprising two production compartments, with a permitted annual treatment capacity of 600,000 tonnes, and diversification of our product offerings	86.7%	188.4	153.7	3.9	149.6	4.1	Will be fully utilised by 30 June 2026
Strengthen our research and development capabilities to enhance existing products and diversify our product offering	3.9%	8.5	6.9	–	6.9	–	
General working capital purpose	9.4%	20.4	16.7	–	16.7	–	
	100%	217.3	177.3	3.9	173.2	4.1	

During the year ended 31 December 2025, the net proceeds were utilised in accordance with the purposes as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The unutilised net proceeds have been deposited as short-term deposits in the bank account maintained by the Group.

The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the Directors barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. Further details of the breakdown and description of the proceeds are set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not hold any significant investments, nor did it have any material acquisitions or disposals of any subsidiaries, associates or joint ventures.

EVENTS AFTER THE REPORTING PERIOD

On 26 January 2026, Shandong Jinjia entered into the sale and purchase agreement to acquire the total equity interest in the Target Company at a total consideration of RMB71,170,000.

As at the date of this announcement, the total consideration for the Acquisition was fully settled and the registration of the transfer of the equity interest of the Target Company was completed.

The Target Company is currently focusing on the construction of the production facilities for the production of chemical products including sulphuric acid, sulfamic acid and magnesium sulfate. The principal assets of the Target Company comprise: (i) land use rights of a parcel of industrial land located in Yinhai Chemical Industrial Park, Laizhou city, Shandong province, the PRC, with a total gross site area of approximately 175,155.81 sq.m with the expiry date of June 2072; (ii) properties under construction, including factory premises, buildings and warehouses with a current building area of approximately 125,064.63 sq.m, and (iii) other infrastructure, production lines and machineries.

For details of the Acquisition, please refer to the announcements of the Company dated 26 January 2026 and 9 February 2026.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

(i) Purchase consideration

	RMB'000
Cash paid	71,170

(ii) The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	RMB'000
Cash and cash equivalents	225
Other receivables	8,893
Inventory	1,863
Property, plant and equipment	156,557
Right-of-use assets	53,978
Total Assets	221,516
Short term borrowings	10,000
Trade and other payables	102,014
Long term borrowings	34,850
Total Liabilities	146,864
Net identifiable assets acquired	74,652
Less: negative goodwill	(3,482)
Net assets acquired	71,170

(iii) Purchase consideration — cash outflow

	RMB'000
Consideration paid in cash	71,170
Less: cash and cash equivalent balances acquired	(225)
Net outflow of cash — investing activities	70,945

Save as disclosed above, there are no other material subsequent events undertaken by the Company or by the Group after 31 December 2025.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2025, the Group had 417 employees. For the year ended 31 December 2025, the staff cost of the Group was approximately RMB38.9 million.

The remuneration packages for our employees include salary, bonuses and allowances. The Group participates in social insurance schemes operated by the relevant local government authorities and maintain mandatory pension contribution plans, medical insurance, work-related injury insurance, unemployment insurance, housing accumulation funds and maternity insurance for some of our employees. The Group has also participated in the mandatory provident fund retirement benefit scheme in Hong Kong.

The Group's employee remuneration policy is determined by reference to factors such as remuneration standard of the local market, the overall remuneration standard in the industry, market condition, operating efficiency and employee performance. The Group provides sufficient training to our employees depending on their roles.

The emoluments of the Directors are first reviewed by the Remuneration Committee and then approved by the Board, with regard to the Directors' skill, knowledge, involvement in the Group's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

The Company has adopted a share option scheme (the "**Share Option Scheme**") as an incentive to the Directors and eligible employees, details of which are set out in the Prospectus. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and up to the date of this announcement.

During the Reporting Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding transactions of securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry with each of the Directors, the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct for the year ended 31 December 2025.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and complied with the applicable code provisions in the Corporate Governance Code contained in Appendix C1 to the Listing Rules during the year ended 31 December 2025. The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision A.2.1 of the Corporate Governance Code. The Board has reviewed and monitored: (i) the Company's corporate governance policies and practices; (ii) training and continuous professional development of directors and senior management; (iii) the Company's policies and practices on compliance with legal and regulatory requirements; (iv) the Company's code of conduct; and (v) the Company's compliance with the Corporate Governance Code disclosures requirements. The Company's corporate governance practices have complied with the Corporate Governance Code for the year ended 31 December 2025.

AUDIT COMMITTEE

We established the Audit Committee with written terms of reference in compliance with Rule 3.21 and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules on 23 October 2021. The primary duties of the Audit Committee include ensuring that effective financial reporting, internal control and risk management systems are in place and compliance of the Listing Rules, controlling the completeness of our Company's financial statements, selecting external auditors and assessing their independence and qualifications, and ensuring the effective communication between our internal and external auditors.

The Audit Committee comprises three members, namely Mr. Lau Chung Wai, Mr. Zhang Shijun and Ms. Liu Ye. Mr. Lau Chung Wai is the chairman of the Audit Committee who holds the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee has reviewed together with the management and the Board the accounting principles and practices adopted by the Group and discussed matters concerning the audit, internal control and risk management and financial reporting, including reviewing the Group's annual results and the audited consolidated financial statements for the year ended 31 December 2025. The Audit Committee also recommended and submitted the annual results and the consolidated financial statements for the year ended 31 December 2025 to the Board for approval.

AUDITOR'S SCOPE OF WORK FOR THE ANNUAL RESULTS ANNOUNCEMENT

The financial information in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2025 as set out in this results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sdhcgroup.cn). The annual report of the Company for the year ended 31 December 2025 along with the AGM circular, the notice of AGM, the proxy form and such documents will be published on the aforementioned websites and despatched to the Shareholders in due course.

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to the Shareholders, clients and suppliers for their continuous and valuable support.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

"Acquisition"	the acquisition of the 100% equity interest of the Target Company by Shandong Jinjia as contemplated under the sale and purchase agreement entered into between Shandong Jinjia, Mr. Sheng Yunti (盛雲體) and Mrs. Sheng Wenfeng (盛文峰) on 26 January 2026
"AGM"	the forthcoming annual general meeting of the Company
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CIT Law"	PRC Corporate Income Tax Law (《中華人民共和國企業所得稅法》) issued by the NPC on 16 March 2007, and subsequently amended on 24 February 2017 and 29 December 2018
"Companies Act"	the Companies Act (As Revised) of the Cayman Islands
"Company" or "our Company"	HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED (鴻承環保科技有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2265)

"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Hazardous Waste Business License"	the permit for operation of hazardous wastes within the territory of the PRC under the Measures for the Administration of Permit for Operation of Hazardous Wastes (《危險廢物經營許可證管理辦法》)
"HC Mining"	Shandong Hongcheng Mining (Group) Co., Ltd. (山東鴻承礦業(集團)有限公司) (formerly known as Shandong Hongcheng Mining Co., Ltd. (山東鴻鋮礦業有限公司) and Shandong Hongcheng Mining Co., Ltd. (山東鴻承礦業有限公司)), a limited liability company established under the laws of the PRC on 28 April 2011 and an indirect wholly owned subsidiary of our Company
"HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
"IFRSs"	International Financial Reporting Standards
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	12 November 2021, on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange

"LZ Assets"	Laizhou City State-owned Assets Management Company Limited (萊州市國有資產經營有限公司)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Model Code"	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Listing Rules
"New Production Facility"	has the meaning ascribed to it in the Prospectus
"PRC" and "China"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 29 October 2021
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended 31 December 2025
"RMB"	Renminbi, the lawful currency of the PRC
"Shandong Jinjia"	Shandong Jinjia Environment Co., Ltd (山東金嘉環保有限公司), a limited liability company established under the laws of the PRC on 8 June 2020 and an indirect wholly owned subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Laizhou Jinxing Chemical Co., Ltd.* (萊州金興化工有限責任公司), a company established in the PRC with limited liability

"we", "us", "our", "Group" and "our Group"	the Company and its subsidiaries
"%"	per cent

By order of the Board
HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED
Liu Zeming
Chairman and Executive Director

Hong Kong, 31 March 2026

As at the date of this announcement, the Board comprises Mr. Liu Zeming, Mr. Zhan Yirong and Mr. Sheng Haiyan as the executive Directors; and Mr. Zhang Shijun, Ms. Liu Ye and Mr. Lau Chung Wai as the independent non-executive Directors.