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CHIHOO ENVIRONMENTAL GROUP LIMITED

齊合環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 976)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Chiho Environmental Group Limited (the “**Company**” or “**Chiho**”) announces the unaudited annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” and “**our**”) for the year ended 31 December 2024 prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as follows (together with the comparative figures for the year ended 31 December 2023):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 HK\$M (Unaudited)	2023 HK\$M (Audited and restated)
Continuing operations			
Revenue	3	16,113.8	16,324.2
Cost of sales	5	(15,189.5)	(15,279.6)
Gross profit		924.3	1,044.6
Other income		71.6	79.2
Other gains, net	4	90.0	12.8
Impairments on non-financial assets	4	(23.4)	(35.6)
Reversal of impairments on financial assets, net		7.6	24.1
Distribution and selling expenses	5	(47.5)	(46.6)
Administrative expenses	5	(953.3)	(897.8)
		69.3	180.7

		2024	2023
	<i>Notes</i>	<i>HK\$M</i>	<i>HK\$M</i>
		(Unaudited)	(Audited and restated)
Finance income		6.0	4.9
Finance costs		(191.8)	(185.4)
Finance costs, net	6	(185.8)	(180.5)
Share of post-tax (loss)/profit of an associate		(0.1)	0.5
Share of post-tax profit of joint ventures		73.7	54.5
(Loss)/Profit before income tax		(42.9)	55.2
Income tax expense	7	(33.0)	(68.5)
Loss from continuing operations		(75.9)	(13.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	Notes	HK\$M	HK\$M
		(Unaudited)	(Audited and restated)
Loss from continuing operations		<u>(75.9)</u>	<u>(13.3)</u>
Discontinued operation			
Loss from discontinued operation	13	<u>(158.2)</u>	<u>(5.9)</u>
Loss for the year		<u>(234.1)</u>	<u>(19.2)</u>
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss:			
Currency translation differences on foreign operations		(298.2)	108.8
Items that will not be reclassified to profit or loss:			
Change in fair value of equity investments at fair value through other comprehensive income		(1.4)	1.8
Remeasurements of post-employment benefit obligations		(0.3)	0.8
Share of other comprehensive (loss)/income of joint ventures		(0.3)	1.6
Exchange difference arising from capital reduction		<u>9.1</u>	<u>–</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(291.1)</u>	<u>113.0</u>
Total comprehensive (loss)/income for the year		<u>(525.2)</u>	<u>93.8</u>

		2024 <i>HK\$M</i> (Unaudited)	2023 <i>HK\$M</i> (Audited and restated)
	<i>Notes</i>		
Loss attributable to:			
Shareholders of the Company			
– Loss from continuing operations		(64.9)	(7.1)
– Loss from discontinued operation		(139.4)	(2.2)
		(204.3)	(9.3)
Non-controlling interests			
– Loss from continuing operations		(11.0)	(6.2)
– Loss from discontinued operation		(18.8)	(3.7)
		(234.1)	(19.2)
Total comprehensive (loss)/income for the year attributable to:			
Shareholders of the Company			
– (Loss)/Profit from continuing operations		(352.8)	108.7
– Loss from discontinued operation		(139.4)	(1.4)
		(492.2)	107.3
Non-controlling interests			
– Loss from continuing operations		(14.2)	(10.3)
– Loss from discontinued operation		(18.8)	(3.2)
		(525.2)	93.8
Loss per share for loss from continuing operations attributable to shareholders of the Company for the year (<i>expressed in HK\$ per share</i>)			
Basic loss per share	9	(0.04)	(0.004)
Diluted loss per share	9	(0.04)	(0.004)
Loss per share attributable to shareholders of the Company for the year (<i>expressed in HK\$ per share</i>)			
Basic loss per share	9	(0.13)	(0.006)
Diluted loss per share	9	(0.13)	(0.006)

CONSOLIDATED BALANCE SHEET

At 31 December 2024

		2024	2023
	Notes	HK\$M	HK\$M
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,941.0	2,232.6
Right-of-use assets		631.9	635.2
Investment properties		51.9	49.7
Intangible assets		732.2	793.5
Investments accounted for using the equity method		733.7	738.3
Financial assets at fair value through profit or loss		0.8	0.8
Financial assets at fair value through other comprehensive income		85.2	87.6
Other non-current assets	10	5.2	7.5
Deferred income tax assets		67.6	62.3
		<u>4,249.5</u>	<u>4,607.5</u>
Current assets			
Inventories		1,385.2	1,712.2
Trade, bills and other receivables	10	1,536.6	1,784.6
Amounts due from related parties		73.2	85.3
Derivative financial instruments		23.2	16.5
Tax recoverable		134.2	91.1
Pledged and restricted bank deposits		3.1	5.0
Cash and cash equivalents		414.8	366.5
		<u>3,570.3</u>	<u>4,061.2</u>
Assets held for sale		50.6	51.7
		<u>3,620.9</u>	<u>4,112.9</u>
Total assets		<u><u>7,870.4</u></u>	<u><u>8,720.4</u></u>

		2024	2023
	<i>Notes</i>	<i>HK\$M</i>	<i>HK\$M</i>
		(Unaudited)	(Audited)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		16.1	16.1
Other reserves		6,218.6	6,506.5
Accumulated losses		(1,798.0)	(1,591.1)
		4,436.7	4,931.5
Non-controlling interests		(60.3)	(57.0)
Total equity		4,376.4	4,874.5
Non-current liabilities			
Borrowings	11	33.1	116.6
Lease liabilities		267.6	247.0
Retirement benefit obligations		8.8	9.8
Other payables		28.0	30.2
Asset retirement obligations		67.5	70.9
Deferred income tax liabilities		265.9	285.4
		670.9	759.9
Current liabilities			
Trade and other payables	12	1,702.5	1,923.3
Contract liabilities		69.2	90.2
Current income tax liabilities		37.9	55.3
Borrowings	11	777.7	786.5
Lease liabilities		115.2	114.8
Amounts due to related parties and non-controlling interests		107.6	97.1
Derivative financial instruments		13.0	18.8
		2,823.1	3,086.0
Total liabilities		3,494.0	3,845.9
Total equity and liabilities		7,870.4	8,720.4

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION:

1 GENERAL INFORMATION

Chiho Environmental Group Limited (“**the Company**”) is an investment holding company. The Company and its subsidiaries (together “**the Group**”) are mainly engaged in the principal business of resources recycling, involving recycling of mixed metal, end-of-life vehicle, waste electrical and electronic equipment, wasted oil and Zorba in Asia and Europe.

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Effective 14 March 2025, the Company’s ultimate holding company is New Jurong (Chongqing) Information Technology Services Co., Ltd. (“**New Jurong**”), a limited liability company incorporated in the People’s Republic of China (the “**PRC**”), and the Company’s immediate holding company is USUM Investment Group Hong Kong Limited (“**USUMHK**”), a company incorporated in Hong Kong with limited liability. New Jurong is 99% owned by Mr. Zhao Ming Jun (“**Mr. Zhao**”). Prior to 14 March 2025, the ultimate controlling party was Mr. Tu Jianhua (“**Mr. Tu**”).

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Hong Kong Dollar (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with all applicable HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.1 Going concern basis

The Group reported a net loss of HK\$234.1 million. As at 31 December 2024, the Group had total borrowings of HK\$810.8 million of which HK\$777.7 million were classified as current borrowings, while the Group's cash and cash equivalents amounted to HK\$414.8 million. Included in the current borrowings as of 31 December 2024 was a secured syndicated term loan (the “**Syndicated Term Loan**”) with an outstanding balance of HK\$388.3 million, which have been overdue since 30 March 2024 (Note 11).

As set out in Capital Commitment and Contingent Liabilities, receivers and managers were appointed by the lender over the shares of certain wholly owned subsidiaries of the Group which held the interests of Scholz Holding GmbH, Scholz Recycling GmbH and their subsidiaries (the “**Scholz Group**”) in May 2025 as a result of the default of Syndicated Term Loan. Following their appointment, the receivers appointed a majority of the directors to the boards of CRD, CRIH and CTRL. Accordingly, the Company was therefore unable to exercise control over CRD, CRIH and CTRL, and lost its ability to influence the affairs of the Scholz Group through its interests in CRD and CRIH with effect from 14 May 2025, and therefore determined that the Scholz Group should be deconsolidated from the Group from that date. As a result, the Group's operations have been significantly reduced and are limited to its remaining metal recycling operations in Asia. Furthermore, in July 2026, the receivers completed the disposal of the Scholz Group for proceeds sufficient to settle the Group's obligations under Syndicated Term Loan in full. The Shares Charges were subsequently released and the receivers remitted net sale proceeds of approximately US\$334 million (equivalent to HK\$2,601 million) in September 2026.

The Board has reviewed and assessed a cash flow forecast (the “**Cash Flow Forecast**”) prepared by management covering a period not less than twelve months from the date of approval of the financial statements. Based on the Cash Flow Forecast, taken into consideration the events happened subsequent to the balance sheet date and the changes to the Group's operations, notwithstanding the inherent uncertainties the Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval of the financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

During the year ended 31 December 2024, the Group involuntarily lost control over the operating, investing, and financing activities of the Lubricating Oil Business. In accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, the results of these operations have been classified as discontinued operations for the current financial year.

To present the financial performance of the Group's continuing operations on a comparable basis, the comparative figures in the consolidated statement of profit or loss, consolidated statement of comprehensive income, and relevant segment information for the year ended 31 December 2023 have been restated as if these operations had been discontinued at the beginning of the previous reporting period.

3 SEGMENT INFORMATION

The Group's Chief Operating Decision Maker ("**CODM**"), which has been identified as the Executive Committee that makes strategic decisions, assesses the Group's performance from geographic perspective and has identified two reportable segments of its business: Asia, and Europe. The operating segments are assessed based on the measure of segment profit. This measurement basis excludes the effects of non-operating gains/losses, such as impairments on non-financial assets, fair value gain/loss on trading derivative financial instruments, and gain/loss on disposals of assets held for sale, property, plant and equipment, right-of-use assets and intangible assets. The measure also excludes centralised costs such as the Group's key managements' remunerations and other central administrative expenses. Finance income, finance costs, income tax expenses and those unallocated income and expenses are not included in the result for each operating segment that is reviewed by the Group's CODM. Inter-segment sales are charged at prevailing market price.

Total segment assets exclude deferred income tax assets, tax recoverable, derivative financial instruments and cash and cash equivalents which are managed centrally. Information relating to segment liabilities is not disclosed as such information is not regularly reported to the CODM.

The Group ceased control over the operating, investing, and financing activities of Luxincheng Clean Energy Co. Ltd and its three wholly-owned subsidiaries (the "**Subject Group Companies**"), which operate the lubricating oil business ("**Lubricating Oil Business**"). As a result, the Subject Group Companies have been deconsolidated from the Group and classified as discontinued operation effective 1 September 2024. See Note 34 for details. Accordingly, the result of such businesses are classified as discontinued operation for the year ended 31 December 2024. The 2023 comparatives have been classified to take that into effect.

3 SEGMENT INFORMATION (CONTINUED)

The following table presents revenue and segment profit information regarding the Group's reportable segments for the years ended 31 December 2024 and 2023, respectively:

	For the year ended 31 December 2024					
	Continuing operations					Discontinued operation
	Asia HK\$M	Europe HK\$M	Other HK\$M	Unallocated HK\$M	Total HK\$M	Asia HK\$M
Revenue						
Total segment revenue	1,440.5	14,859.3	–	–	16,299.8	154.1
Inter-segment sales	–	(186.0)	–	–	(186.0)	–
External sales	1,440.5	14,673.3	–	–	16,113.8	154.1
Segment (loss)/profit	(79.6)	141.6	(2.7)	10.0	69.3	(156.9)
Finance income					6.0	–
Finance costs					(191.8)	(1.3)
Share of post-tax loss of an associate					(0.1)	–
Share of post-tax profit of joint venture					73.7	–
Loss before income tax					(42.9)	(158.2)
Income tax expense					(33.0)	–
Loss for the year					(75.9)	(158.2)
Depreciation and amortisation expenses	(44.7)	(307.3)	–	(14.0)	(366.0)	(4.6)
Fair value loss on trading derivative financial instruments (Note)	–	–	–	(13.8)	(13.8)	–
Fair value loss on financial assets at fair value through profit or loss	–	–	–	(0.1)	(0.1)	–
(Loss)/Gain on disposals of property, plant and equipment and right-of-use assets	(0.1)	22.2	–	–	22.1	–
Impairments on property, plant and equipment	(22.6)	(0.8)	–	–	(23.4)	–

3 SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2023 (Restated)					
	Continuing operations					Discontinued operation
	Asia HK\$M	Europe HK\$M	Other HK\$M	Unallocated HK\$M	Total HK\$M	Asia HK\$M
Revenue						
Total segment revenue	1,564.3	14,960.9	4.1	–	16,529.3	155.6
Inter-segment sales	–	(205.1)	–	–	(205.1)	–
External sales	1,564.3	14,755.8	4.1	–	16,324.2	155.6
Segment (loss)/profit	<u>(124.5)</u>	<u>(309.9)</u>	<u>(9.0)</u>	<u>4.3</u>	180.7	(4.7)
Finance income					4.9	–
Finance costs					(185.4)	(1.2)
Share of post-tax profit of an associate					0.5	–
Share of post-tax profit of joint ventures					54.5	–
Profit/(loss) before income tax					55.2	(5.9)
Income tax expense					(68.5)	–
Loss for the year					<u>(13.3)</u>	<u>(5.9)</u>
Depreciation and amortisation expenses	(54.5)	(326.6)	–	(1.5)	(382.6)	(7.6)
Fair value loss on trading derivative financial instruments (<i>Note</i>)	–	–	–	(4.5)	(4.5)	–
Fair value loss on financial assets at fair value through profit or loss	–	–	–	(0.1)	(0.1)	–
(Loss)/Gain on disposals of property, plant and equipment and right-of-use assets	(0.5)	13.1	–	–	12.6	–
Gain on disposals of assets held for sale	–	6.0	–	–	6.0	–
(Impairment)/Reversal of impairments on property, plant and equipment and right-of-use assets	(10.7)	(0.8)	–	–	(11.5)	0.5
Impairment on intangible assets	(9.4)	–	–	–	(9.4)	–
Impairment on asset held for sale	<u>–</u>	<u>(15.2)</u>	<u>–</u>	<u>–</u>	<u>(15.2)</u>	<u>–</u>

Note: The fair value loss on trading derivative financial instruments for the year ended 31 December 2024 and 2023 represented the fair value loss related to those trading derivative financial instruments that were not subject to hedge accounting.

3 SEGMENT INFORMATION (CONTINUED)

Segment assets

Reconciliation of segment assets to total assets as at 31 December 2024 and 2023 are provided as follows:

	As at							
	31 December 2024				31 December 2023			
	Asia <i>HK\$M</i>	Europe <i>HK\$M</i>	Other <i>HK\$M</i>	Total <i>HK\$M</i>	Asia <i>HK\$M</i>	Europe <i>HK\$M</i>	Other <i>HK\$M</i>	Total <i>HK\$M</i>
Segment assets	904.3	6,324.2	2.1	7,230.6	1,313.5	6,844.6	25.9	8,184.0
Deferred income tax assets				67.6				62.3
Tax recoverable				134.2				91.1
Derivative financial instruments				23.2				16.5
Cash and cash equivalents				414.8				366.5
Total assets				7,870.4				8,720.4

Geographical information

Non-current assets, other than financial instruments and deferred income tax assets, are analysed by geographic regions as follows:

	As at	
	31 December	31 December
	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
Asia	50.1	486.1
Europe	3,708.5	3,967.1
Total	3,758.6	4,453.2

3 SEGMENT INFORMATION (CONTINUED)

Analysis of revenue by category

	For the year ended	
	31 December	31 December
	2024	2023
	HK\$M	HK\$M
Continuing operations		
Metal recycling		
– Ferrous metal	9,593.3	10,358.4
– Non-ferrous metal	6,149.5	5,629.9
Others	371.0	335.9
Total	16,113.8	16,324.2
Discontinued operation		
Others	154.1	155.6

4 OTHER GAINS, NET AND IMPAIRMENTS ON NON-FINANCIAL ASSETS

	2024	2023
	HK\$M	HK\$M
Continuing operations		
Loss on fair value change of:		
– trading derivative financial instruments not subject to hedge accounting	(13.8)	(4.5)
– financial assets at fair value through profit or loss	(0.1)	(0.1)
Foreign exchange gains/(losses), net	63.2	(11.7)
Gain on disposals of property, plant and equipment	22.1	12.6
Gain on disposals of assets held for sale	–	6.0
Impairments on non-financial assets:		
– Impairment loss of property, plant and equipment and right-of-use assets	(23.4)	(11.0)
– Impairment loss of intangible assets	–	(9.4)
– Impairment loss of assets held for sale	–	(15.2)
Others	18.6	10.5
	66.6	(22.8)

5 EXPENSES BY NATURE

	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
Continuing operations		
Changes in inventories of work-in-progress and finished goods	218.2	177.5
Raw materials and consumables used	12,755.4	12,980.7
Reversal of provision for impairments on inventories, net	(5.7)	(23.8)
Freight cost	771.0	813.0
Utilities and waste disposal cost	432.2	350.7
Employee benefit expenses	980.0	944.5
Depreciation and amortisation expenses of property, plant and equipment, intangible assets, right-of-use assets and investment properties	366.0	382.6
Legal and professional expenses	32.3	33.2
Auditors' remuneration		
– audit services	18.9	16.1
– non-audit services	4.8	2.7
Repairs and maintenance expenses	189.4	184.9
Lease expenses		
– short-term leases	2.6	4.8
– low-value leases	10.6	6.9
Administrative services provided by related parties and joint ventures	10.2	11.5
Other expenses	404.4	338.7
Total cost of sales, distribution and selling expenses and administrative expenses	16,190.3	16,224.0

6 FINANCE COSTS, NET

	2024	2023
	<i>HK\$M</i>	<i>HK\$M</i>
Continuing operations		
Interest income from bank deposits	5.5	4.0
Interest income from joint ventures and related parties	0.5	0.9
Finance income	6.0	4.9
Interest expense on bank borrowings	(95.5)	(91.3)
Interest expense on other borrowings	(74.1)	(78.2)
Interest expense on lease liabilities	(20.7)	(14.3)
Interest expense on loans from related parties	(0.5)	(0.6)
Interest expense on loan from non-controlling interest	(1.0)	(1.0)
Finance costs	(191.8)	(185.4)
Finance costs, net	(185.8)	(180.5)

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 December 2024 (2023: 16.5%).

Under the law of the PRC on Enterprise Income Tax (the “EIT”) and the relevant EIT Implementation Regulations, the tax rate of PRC EIT has been provided at the rate of 25% (2023: 25%) on the estimated assessable profit for the year.

Germany income taxes have been provided at the rate of approximately 30% (2023: 30%) on the estimated assessable profit for the year.

Taxation on profits from other jurisdictions has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
Continuing operations		
Current income tax expense:		
Germany	(43.6)	(79.4)
Hong Kong	(0.4)	–
PRC	(0.8)	(0.5)
Other jurisdictions	(4.1)	(4.3)
	(48.9)	(84.2)
Over/(Under) provision in prior years:		
Germany	2.2	1.6
Other jurisdictions	(0.2)	6.0
	2.0	7.6
Deferred income tax credit	13.9	8.1
Income tax expense	(33.0)	(68.5)

8 DIVIDENDS

No dividend was paid or proposed during 2024 and 2023, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the years ended 31 December 2024 and 2023.

9 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
Loss		
Loss for the year attributable to shareholders of the Company		
– from continuing operations	(64.9)	(7.1)
– from discontinued operation	<u>(139.4)</u>	<u>(2.2)</u>
Total loss attributable to shareholders of the Company	<u>(204.3)</u>	<u>(9.3)</u>
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	<u>1,605,152</u>	<u>1,605,152</u>
Basic loss per share for loss (expressed in HK\$)		
– from continuing operations	(0.04)	(0.004)
– from discontinued operation	(0.09)	(0.002)
Basic loss per share attributable to shareholders of the Company for the year (expressed in HK\$)	<u>(0.13)</u>	<u>(0.006)</u>

(b) Diluted

The Group has no potentially dilutive shares outstanding during the years ended 31 December 2024 and 2023.

10 TRADE, BILLS AND OTHER RECEIVABLES

	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
Trade receivables	1,246.7	1,434.7
<i>Less: loss allowance</i>	<u>(13.0)</u>	<u>(27.3)</u>
Trade receivables, net	1,233.7	1,407.4
Bills receivables	15.5	10.2
Deposits and prepayments	80.6	134.6
Deposits paid for purchase of raw materials	29.2	20.9
VAT recoverable	100.7	105.9
Other receivables (<i>Note</i>)	<u>82.1</u>	<u>113.1</u>
	1,541.8	1,792.1
<i>Less: non-current portion</i>		
Other deposits and receivables	<u>(5.2)</u>	<u>(7.5)</u>
	<u>1,536.6</u>	<u>1,784.6</u>

Note: As at 31 December 2024, the balance included a receivable of HK\$41.0 million (2023: HK\$41.9 million) from the Taizhou Bay Committee, a government authority in the PRC.

As at 31 December 2024, the Group has pledged trade receivables with a net book value of HK\$1,016.5 million (2023: HK\$1,236.5 million) to secure certain borrowings and general banking facilities to the Group.

As at 31 December 2024 and 2023, the aging analysis of the gross trade receivables based on invoice date was as follows:

	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
0 – 90 days	1,186.0	1,350.5
91 – 180 days	44.8	36.4
Over 180 days	<u>15.9</u>	<u>47.8</u>
	<u>1,246.7</u>	<u>1,434.7</u>

11 BORROWINGS

	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
Non-current		
Bank borrowings	33.1	116.6
Current		
Bank borrowings	389.4	410.5
Other borrowings (<i>Note i</i>)	388.3	376.0
	777.7	786.5
Total borrowings	810.8	903.1

Bank borrowings mature at various dates up to 2028 (2023: 2028) and bear average coupons ranging from 1.7% to 7.6% per annum (2023: 0.9% to 5.8% per annum).

Other borrowings included the Syndicated Term Loan, which was in default since 30 March 2024. The applicable default interest rate is 20% per annum.

11 BORROWINGS (CONTINUED)

As at 31 December 2024 and 2023, the Group's bank and other borrowings were repayable as follows:

	Bank borrowings		Other borrowings		Total	
	2024	2023	2024	2023	2024	2023
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Within 1 year	<u>389.4</u>	<u>410.5</u>	<u>388.3</u>	<u>376.0</u>	<u>777.7</u>	<u>786.5</u>
Between 1 and 2 years	18.3	81.3	–	–	18.3	81.3
Between 2 and 5 years	<u>14.8</u>	<u>35.3</u>	<u>–</u>	<u>–</u>	<u>14.8</u>	<u>35.3</u>
	<u>33.1</u>	<u>116.6</u>	<u>–</u>	<u>–</u>	<u>33.1</u>	<u>116.6</u>
	<u>422.5</u>	<u>527.1</u>	<u>388.3</u>	<u>376.0</u>	<u>810.8</u>	<u>903.1</u>

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2024	2023
	HK\$M	HK\$M
Euro	21.1	74.2
US dollar	388.3	376.0
Renminbi	138.3	187.6
Czech Koruna	198.7	235.4
Polish Zloty	<u>64.4</u>	<u>29.9</u>
	<u>810.8</u>	<u>903.1</u>

Note i:

The carrying amounts of the trade and other payables approximately their fair values.

As at 31 December 2024, the Group had aggregate facilities of approximately HK\$3,216.4 million (2023: HK\$3,379.4 million) for loans, factoring and guarantees. Unused facilities as at the same date amounted to approximately HK\$1,113.6 million (2023: HK\$1,207.0 million) which were unutilised facilities. These facilities are secured/guaranteed by certain properties, plant and equipment, right-of-use assets, investment properties, inventories, trade receivables, assets held for sale, and bank deposits with an aggregate amount of HK\$3,845.6 million (2023: HK\$4,418.6 million).

On 12 August 2024, the original lender, via an assignment agreement, assigned the Syndicated Term Loan to a new lender (“**New Lender**”) of all its rights under the term loan agreement without modification to any terms of the loan agreement. In and around August 2024, the New Lender had requested to appoint a director, nominated by the New Lender, into the board of directors of the Company; however such request had not been fulfilled.

11 BORROWINGS (CONTINUED)

As set out in details in Capital Commitments and Contingent Liabilities, subsequent to the year end, the New Lender called for immediate repayment of the Syndicated Term Loan. Receivers and managers were appointed over the shares of certain wholly-owned subsidiaries of the Group which held interest of the Scholz Group. In July 2026, the receivers completed the disposal of the Scholz Group and applied the proceeds to settle the Group's obligations under the Syndicated Term Loan in full.

Note ii:

As at 31 December 2024, the Group's subsidiary in Czech Republic could not meet certain restrictive financial undertakings of a current bank borrowing with outstanding balance of HK\$165.1 million. In early 2025, the aforesaid subsidiary obtained a waiver letter from the relevant bank in respect of such non-compliance of restrictive financial undertakings.

12 TRADE AND OTHER PAYABLES

	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
Trade payables	1,397.3	1,644.8
Other taxes payable	24.7	31.0
Accrued salaries and employee benefits	100.3	132.0
Accrued professional expenses	20.5	27.7
Interest payable		
– Default interest payable for syndicated loan (<i>Note 11</i>)	59.5	–
– Others	7.9	24.1
Other payables and accruals	120.3	93.9
	1,730.5	1,953.5
<i>Less: non-current portion</i>		
Other payables	(28.0)	(30.2)
	1,702.5	1,923.3

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

	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
0 – 90 days	1,379.9	1,529.1
91 – 180 days	5.1	12.5
Over 180 days	12.3	103.2
	1,397.3	1,644.8

De-consolidation of lubricating oil business

As disclosed in the announcement of the Company dated 3 March 2025, given that employees of the Group have been restricted from accessing the office of the Subject Group Companies and contacting the staff of the Subject Group Companies since 1 September 2024, the Group has been unable to carry out communication with the Subject Group Companies and also unable to access the books and records of the Subject Group Companies. Despite the Group's repeated efforts in negotiating with the Non-Controlling Shareholder and the management of the Subject Group Companies since 1 September 2024 in hope of reaching a favorable solution, such efforts have proved to be futile. The management of the Subject Group Companies ceased to report to the Group on any business matter, and the Group is unable to obtain all the necessary books and records of the Subject Group Companies to ascertain their operational status and financial situation.

For these reasons, management is of the view that the Company is unable to exercise control to the operating, investing and financing activities of the Subject Group Companies and considers that the Subject Group Companies should be deconsolidated from the Group with effect from the date of the event that the Non-Controlling Shareholder seized the Group's control over the Subject Group Companies, which is 1 September 2024. In addition, given the uncertainty to recover the Intra-group loans and investments in the Subject Group Companies, such balances were written off and, together with the results of operations of the Lubricating Oil Business for the eight months ended 31 August 2024, were classified as discontinued operation.

13 DISCONTINUED OPERATION (CONTINUED)

De-consolidation of lubricating oil business (Continued)

The unaudited financial performance and cash flow information of the Lubricating Oil Business for the period from 1 January 2024 to 31 August 2024 (date of last control), as submitted by during the year, were as follows:

	2024 <i>HK\$M</i>	2023 <i>HK\$M</i>
Revenue	154.1	155.6
Cost of sales	<u>(199.2)</u>	<u>(162.1)</u>
	(45.1)	(6.5)
Other income	7.8	12.5
Other gains, net	–	0.9
Reversal of impairments on financial assets	–	(0.5)
Distribution and selling expenses	(0.9)	(1.6)
Administrative expenses	<u>(7.5)</u>	<u>(9.5)</u>
Operating loss	<u>(45.7)</u>	<u>(4.7)</u>
Finance income – net	<u>(1.3)</u>	<u>(1.2)</u>
Loss before income tax	(47.0)	(5.9)
Income tax expense	<u>–</u>	<u>–</u>
Loss after tax of discontinued operation	(47.0)	(5.9)
Loss on disposal of discontinued operation (Note (i))	(108.5)	–
Currency translation differences of discontinued operation	<u>(2.7)</u>	<u>–</u>
Loss on deconsolidation on subsidiaries	(111.2)	–
Other comprehensive loss from discontinued operation	<u>(158.2)</u>	<u>(5.9)</u>
Loss from discontinued operation attributable to:		
– Shareholders of the Company	(139.4)	(2.2)
– Non-controlling interests	<u>(18.8)</u>	<u>(3.7)</u>
Net cash used in operating activities	(50.8)	(6.7)
Net cash generated from financing activities	<u>52.2</u>	<u>6.3</u>
Total net cash flows	<u><u>1.4</u></u>	<u><u>(0.4)</u></u>

13 DISCONTINUED OPERATION (CONTINUED)

De-consolidation of lubricating oil business (Continued)

The carrying amounts of assets and liabilities of the Lubricating Oil Business as at 31 August 2024 (date of last control), were as follows:

	31 August 2024 HK\$M
Property, plant and equipment	34.0
Right-of-use assets	11.3
Other non-current assets	–
Inventories	11.7
Trade and bills receivables	0.9
Other receivables	67.8
Cash and cash equivalents	2.1
Trade, bills payables and other payables	(27.2)
Borrowings	(82.7)
Deferred income tax liabilities	–
Current income tax liabilities	(4.4)
Total	13.5

Note (i)

	2024 HK\$M
Net assets of Subject Group Companies	13.5
Loss on disposal of discontinued operation	74.5
Non-controlling interests	20.5
Loss on disposal of discontinued operation	108.5

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operational Performance

In the face of weak recovery on the demand side, the Group continued to deepen its lean management and strengthen its market research during the year. In addition, the Group is committed to enhancing project coordination based on the current industry and market conditions and existing production capacity, making progress while maintaining stability and preventing operational risks. Through the geographic diversification, we are in a good position to mitigate the risks of depending overly on a single market. We are among the processing and technology leaders in ferrous and non-ferrous metal recycling worldwide, and own many advanced processing technologies in scrap metal shredding and post-shredding processing.

Europe

In 2024, the European operations were faced with the ongoing Russia-Ukrainian war and weak economic sentiment were posing resistance to the recovery, resulting in a decrease in sales volume and revenue. The European segment sold 3.34 million tonnes of recycled products for the year ended 31 December 2024, a decrease of 3.2% compared to the last year of 3.45 million tonnes. Segment revenue was HK\$14,859.3 million for the year which decreased by 0.7% as against 2023.

European segment's gross profit for the year was HK\$904.5 million, a decrease of 12.3% as compared to last year. The European segment experienced increase in energy costs, and the gross profit margin decreased from 6.9% in 2023 to 6.1% in 2024.

The Company benefited from its position on the market as a key competitor within the region as well as the high scrap prices during the period, which contributed to the profitability of the European segment. Segment profit for the year was HK\$215.3 million (2023: HK\$364.4 million), decreased by 40.9% as compared to last year.

Asia

The Asian segment sold 0.11 million tonnes of recycled products in the current year, a decrease of 35.3% against 2023 of 0.17 million tonnes sold. The segment revenue has decreased by 7.9% from HK\$1,564.3 million in 2023 to HK\$1,440.5 million in 2024.

The gross profit was HK\$26.4 million and gross profit margin was 1.8% for the year, whereas the segment gross profit HK\$23.1 million and segment gross profit margin 1.3% in 2023. Segment loss was HK\$79.6 million as compared to segment loss HK\$124.5 million in 2023.

PROSPECT

As global environmental issues become increasingly severe, sustainable development has become the common goal as the international community. The long-term trends of global green transformation and the circular economy are advancing in the directions of policy guidance, technological innovation, industrial collaboration, and social participation.

On July 18, 2024, the European Union's Eco-design for Sustainable Products Regulation (ESPR) officially came into effect. This regulation is regarded as a cornerstone of the European Commission's efforts to promote environmentally sustainable and circular products, aiming to address the environmental impact of product usage and help the EU achieve its climate and environmental goals. The regulation requires manufacturers to consider environmental impacts during the product design phase, including raw material selection, production processes, energy using efficiency, and end-of-life disposal. Its goal is to enhance product circularity, energy performance, and environmental sustainability, thereby reducing the environmental impact throughout the product lifecycle.

China has also announced several important policies related to resource recycling in 2024. For example, in February 2024, the General Office of the State Council of China issued the "Opinions on Accelerating the Construction of a Waste Recycling System", aiming to expedite the establishment of a comprehensive, efficient, and well-regulated waste recycling system. The document outlines policy measures in areas such as refined waste management, resource utilization, and the recycling of key waste materials. In March 2024, China announced the "Action Plan for Promoting Large-Scale Equipment Upgrades and Consumer Goods Replacement", encouraging the remanufacturing of eligible used mechanical and electrical equipment and promoting the recycling of waste electrical products, powered batteries, and other materials. Additionally, the plan supports the development of the second-hand goods market and the remanufacturing industry.

On 14 May 2025, the Group lost control of Scholz Group which was principally engaged in recycling business in Europe ("**Scholz Deconsolidation**"). Following the Scholz Deconsolidation, the Group's operation covered primarily the Asian segment, consisting of mainland China, Hong Kong and Thailand.

Despite the ongoing uncertainties in the market environment, and notwithstanding the Scholz Deconsolidation, the Group remains confident in its future development. The Group will continue to uphold its environmental mission, striving to promote the efficient recycling, reuse of metal resources, and to achieve long-term success through proactive transformation. The Group firmly believes that through refined management, technological innovation, and optimized business processes, it can effectively enhance operational efficiency, improve financial performance, seize opportunities in the global green wave, deliver stable returns to shareholders, and contribute to sustainable development across regions.

The receipt of the net proceeds from the disposal of the Scholz Group in September 2026, as set out in the below section headed Capital Commitments and Contingent Liabilities, is expected to significantly strengthen the Company's financial position and provide additional funding to support its existing operations and potential business expansion. Therefore, the Company currently intends to continue developing and stabilizing its existing businesses, which are expected to benefit from enhanced working capital, a strengthened supply chain network and increased business volume. At the same time, the Company will continue to explore potential business expansion opportunities, including through potential acquisitions and the establishment of new business entities. In evaluating such opportunities, the Company will take into account their strategic fit, commercial viability and the interests of the Company and its shareholders as a whole. As at the date of this announcement, no such potential incremental business opportunities have been secured, although management continues to actively identify, evaluate and pursue suitable opportunities.

FINANCIAL REVIEW

In 2024, market demand from manufacturers and traders in the downstream industries decreased, affected by the slowdown in global economic growth, Federal Funds Rate maintained at high level as well as geopolitical tensions. Since the metal industry is highly sensitive to demand and supply landscape and economic volatilities, capacity growth during the year was slow. These factors affected the market sentiment which in turn resulted in global price fluctuation for ferrous and non-ferrous metal. With increasing pressure from demand-side and inflation, the Group recorded slightly lower than expected sales volume in metal scrap.

The Group sold 3.45 million tonnes of recycled products in 2024, a 4.7% decrease compared to 3.62 million tonnes sold in 2023. Total external revenue for the year was HK\$16,113.8 million, a decrease of 1.3% as compared to HK\$16,324.2 million last year.

The European segment continues to be the key contributor in terms of revenue. The Asian segment has dropped relatively as businesses and assets in these regions were under the reengineering process, reflecting the continuous restructuring of the Group's business for more efficient use of our resources.

Gross Profit/Margin

Gross profit for the year was HK\$924.3 million, a decrease of 11.5% as compared to HK\$1,044.6 million recorded in the previous year. The gross profit margin decreases from 6.4% to 5.7% during the year. The decrease in gross profit was mainly due to the energy costs remaining high in Germany and decrease in both sales volume and revenue as a result of weak demand for metals in Europe during 2024.

Operating expenses

Total operating expenses for the year were HK\$1,000.8 million (2023: HK\$944.4 million), an increase of 6.0% over the last financial year. The increase was mainly contributed from the increase in salaries and benefits, consulting fee and insurance expenses. Total operating expenses as a percentage of revenue increased from 5.8% to 6.2%.

Loss from Continuing Operations Attributable to Shareholders and Loss Per Share

Loss from continuing operations attributable to shareholders of the Company for the year ended 31 December 2024 was HK\$64.9 million, as compared to a loss of HK\$7.1 million in the last financial year.

Loss from continuing operations per share for the year ended 31 December 2024 was loss per share of HK\$0.04 as compared to loss per share of HK\$0.004 in the last financial year.

Analysis of Cash Flow from Operations

The Group's cash generated from operations before changes in working capital for the year was HK\$325.1 million (2023: HK\$543.2 million). The Group has been prudent in managing the working capital to cope with the uncertainties in the market condition.

Liquidity and Financial Resources

Shareholders' funds as at 31 December 2024 were HK\$4,436.7 million (2023: HK\$4,931.5 million), a decrease of 10.0% from as at 31 December 2023. Shareholders' funds per share decreased from HK\$3.07 as at 31 December 2023 to HK\$2.76 as at 31 December 2024.

As at 31 December 2024, the Group had cash, various bank balances, pledged and restricted bank deposits amounting to HK\$417.9 million (2023: HK\$371.5 million), used mainly for repayment of external borrowings and working capital for the expansion of business operations.

The current ratio as at 31 December 2024 was 1.28 (2023: 1.33). Certain borrowings were classified as current liabilities as they will be maturing within the next twelve months. The management is in active discussions with lenders and potential lenders to refinance the maturing borrowings.

Total external borrowings as at 31 December 2024 were HK\$810.8 million (2023: HK\$903.1 million). A decrease of HK\$92.3 million as compared to 31 December 2023. Such borrowings were mainly utilized for the purchase of mixed recycle metal and working capital, and were denominated in Euro, US Dollar and Renminbi. Approximately HK\$400.1 million (2023: HK\$390.0 million) of borrowings are at fixed interest rates.

The gearing ratio of the Group as at 31 December 2024 was 15.2% (2023: 14.5%) which is calculated based on the total borrowings and lease liabilities divided by total assets. For details of the Group's liquidity position and management's measure and plans taken in relation to its borrowings, please refer to Note 2.1 and Note 11.

Working Capital Change

Overall, our net operating cycle has remained healthy during the current year, showing our commitment to improve operational efficiency.

Inventories as at 31 December 2024 were HK\$1,385.2 million (2023: HK\$1,712.2 million). The inventory turnover days, which is calculated based on inventory balance as at year ended divided by cost of sales for the year, times three hundred and sixty six days, for the financial year was 34 days (2023: 41 days).

Provision for inventories as at 31 December 2024 were reversal of provision of impairment HK\$5.7 million (2023: HK\$23.8 million). The decrease of provision was due to the price volatility towards the end of the year.

Trade and bills receivables after netting loss allowance as at 31 December 2024 were HK\$1,249.2 million, decreased from HK\$1,417.6 million as at 31 December 2023. Debtor turnover days, which is calculated based on average trade and bill receivables balance after netting loss as at year-end by revenue for the year, times three hundred and sixty six days, for the financial year were 29 days (2023: 32 days).

Trade payables as at 31 December 2024 were HK\$1,397.3 million (2023: HK\$1,644.8 million). Creditor turnover days, which is calculated based on average trade and bills payables as at year-end by cost of sales for the year, times three hundred and sixty six days, for the year ended 31 December 2024 were 34 days (2023: 40 days).

Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in commodity prices and foreign currency exchange rates arising from the Group's global operations. The Group principally uses future contracts to hedge the commodity risks, and forward foreign exchange contracts to hedge the foreign exchange risks in the ordinary course of business. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Capital Expenditure

For the year ended 31 December 2024, the Group invested HK\$299.9 million (2023: HK\$447.5 million) in the purchase of tangible assets including land, buildings, plant, machinery and equipment, leasehold improvements, and office equipment for improving production efficiency. These capital expenditures were financed through internal resources and lease arrangements.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2024, the Group had pledged certain property, plant and equipment, right-of-use assets, investment properties, inventories, trade receivables and bank deposits with an aggregate carrying value of approximately HK\$3,845.6 million (31 December 2023: HK\$4,418.6 million) to secure certain borrowings and general banking facilities granted to the Group.

As at 31 December 2024, the Group had capital commitments in respect of acquisition of property, plant, equipment and additions in construction in progress which are contracted for but not provided for in the amount of HK\$68.7 million (31 December 2023: HK\$116.5 million).

As at the date of this announcement, save as disclosed below, the Board is not aware of any material contingent liabilities.

The Group has provided financial guarantees to certain related party and joint ventures of HK\$21.3 million and HK\$36.3 million (31 December 2023: HK\$20.3 million and HK\$50.9 million), respectively. As the risk of default is very remote and there is no history of default, no financial guarantee liability was recognized.

Delco Hong Kong proceedings

The Company and Chiho-Tiande (HK) Limited (“**CTHK**”), a wholly-owned subsidiary of the Company, are two of the defendants to legal claims by Delco Participation B.V. (“**Delco**”) regarding (i) repayment by the Company of an alleged sum of HK\$57.8 million advanced by Delco Asia Company Limited (“**Delco Asia**”) (dissolved in 2011); (ii) an alleged breach by the Company of a letter of undertaking by the Company in relation to a convertible bond issued by the Company and subscribed for by Delco; (iii) repayment by CTHK of an alleged sum of US\$1.0 million. Delco further claimed interests, costs and further or other relief. The Company and CTHK defended these claims, and also counterclaimed against Delco and Mr. Fang Ankong (a former director of the Company) (“**Mr. Fang**”).

Subsequently, Delco discontinued the claim for HK\$57.8 million (i.e. claim (i) above). On 15 October 2025, the Hong Kong Court of First Instance handed down its judgment, dismissing all other claims by Delco against the Company and CTHK, and also dismissed the Company’s counterclaim against Delco, and in respect of the counterclaims against Mr. Fang, partly dismissed and partly reserved to be dealt with in a separate decision. The Hong Kong Court of First Instance also reserved its judgment in respect of costs. On 12 November 2025, insofar as the Company and CTHK are concerned, Delco appealed only against the judgment in respect of the letter of undertaking claim (i.e. claim (ii) above). The appeal is pending to be heard before the Hong Kong Court of Appeal.

Delco Netherlands proceedings

One of the Company’s Dutch subsidiaries, Delco Europe B.V. (“**Delco BV**”), was involved in civil proceedings before the Rechtbank Gelderland, the Netherlands, against its former managing director and statutory director, Mr. David Haagsma. Following an internal investigation that identified unauthorised transfers from Delco’s bank account to Mr. Haagsma’s personal account and various administrative irregularities, Delco BV summarily dismissed Mr. Haagsma on 28 April 2025 and initiated legal proceedings to recover the misappropriated funds. Mr. Haagsma challenged the validity of his dismissal and sought reinstatement or compensation, while Delco BV brought a counterclaim for repayment of approximately EUR800,000 in wrongfully withdrawn funds, together with further damages of approximately EUR44,600 relating to unpaid tax liabilities.

On 21 April 2026, the court ruled in Delco BV's favour in full: it dismissed all of Mr. Haagsma's claims, upheld the validity of the summary dismissal, and ordered Mr. Haagsma to pay Delco BV EUR800,000 plus statutory interest, a further EUR44,624 in respect of tax-related damages, and the Group's legal costs, with the judgment declared provisionally enforceable.

Labour dispute with Mr. Qin Yongming

Mr. Qin Yongming ("**Mr. Qin**") was removed as an executive Director and chairman of the Board on 1 June 2026, and on or around 5 June 2026, the Company terminated the service agreement with Mr. Qin. On or around 24 July 2026, Mr. Qin filed a claim against the Company in the Labour Tribunal of Hong Kong as plaintiff, alleging that his summary dismissal was unjustified and seeking approximately HK\$3.1 million.

A first mention hearing was held on 14 August 2026, at which the Presiding Officer gave directions for the Company to file its supplemental defence and any witness statements by 18 September 2026, for Mr. Qin as plaintiff to file his reply by 23 October 2026, and listed a second mention hearing for 4 November 2026. Subsequently, the Company's application for an extension of time was granted, and the deadlines were extended to 25 September 2026 for the Company to file its supplemental defence and witness statements, and to 30 October 2026 for Mr. Qin to file his reply. The Board considers the allegations made by Mr. Qin to be unfounded and unsubstantiated, and the Company is working with its legal counsel to defend the claim.

Chiho-Tiande Lands Tribunal dispute

On 10 June 2025, Hong Kong Science and Technology Parks Corporation ("**HKSTP**"), as landlord, filed a Notice of Application in the Lands Tribunal of Hong Kong against Chiho-Tiande (HK) Limited ("**Chiho-Tiande**"), a wholly owned subsidiary of the Group, alleging, among other things, breaches of a lease dated 15 January 1997 (as varied and supplemented by subsequent deeds of variation, the "**Lease**") in respect of certain premises at Yuen Long, Hong Kong (the "**Premises**"). HKSTP's claim is based on the allegation that, since about 23 January 2024, Chiho-Tiande ceased operations at the Premises and failed to use the Premises for the specified permitted purpose for a continuous period exceeding three months, in breach of the user covenant under the Lease, and that Chiho-Tiande failed to remedy this breach within the six-month notice period served by HKSTP expiring on 23 February 2025. On this basis, HKSTP exercised its contractual right of re-entry to terminate the Lease with effect from 11 June 2025. HKSTP claims, among other things, an order for possession of the Premises, an additional premium calculated at a specified daily rate for the period of the alleged breach, mesne profits, management and maintenance charges and government rates from 11 June 2025 until vacant possession is delivered, interest and costs.

The Company has sought legal advice in relation to the Proceedings. As at the date of this announcement, the Proceedings remain ongoing, and the parties are in discussions to settle.

Disclosure Pursuant to Rules 13.19 and 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)

Default Loan Repayment – US\$50,000,000

Reference is made to the announcements (the “**Loan Announcements**”) of the Company dated 5 July 2018, 3 April 2024, 20 May 2025, 5 June 2025, 6 May 2026, 7 July 2026, 31 July 2026, 12 August 2026, 14 August 2026, 19 August 2026 and 7 September 2026.

A facility agreement was entered into between the Company and certain independent third party institutions in relation to a term loan of up to US\$300,000,000. Unless the context requires otherwise, capitalized terms used herein shall have the same meaning as those defined in the Loan Announcements.

The Loan was initially drawn down during the year ended 31 December 2018 with a loan principal of US\$220,000,000 (equivalent to HK\$1,691.5 million) and a repayment period of two years. Upon the maturity of its initial term, the repayment date of the Loan has been extended during each of the years ended 31 December 2020, 2021, 2022 and 2023 with the final repayment date of 30 March 2024 as last extended. Over the past years, the Group has repaid the majority of the Loan and the outstanding principal of the Loan amounted to US\$50,000,000 (equivalent to HK\$376.0 million) (the “**Outstanding Loan Balance**”) as at the final repayment date of 30 March 2024 (the “**Default**”). The Default constitutes an event of default under the Facility Agreement. As a result, the facility agent to the Facility Agreement is entitled to declare the Outstanding Loan Balance immediately due and repayable.

On 2 April 2024, the Company received a demand letter from the facility agent for immediate repayment of the Outstanding Loan Balance and the applicable default interest under the Facility Agreement.

Subsequently, the Company was notified by the facility agent that an assignment agreement was made on 12 August 2024 between the facility agent, which is one of the existing lenders, as assignor and a third party institution as assignee. Pursuant to which, such third party institution becomes a party to the facility agreement as a lender and the facility agent is released from all obligations under the facility agreement. The facility agent also resigned as the facility agent and the security agent in relation to such facility.

As disclosed in the announcement of the Company dated 20 May 2025, the liabilities and obligations of the Company under the Facility Agreement are secured by, among others, charges (the “**Share Charges**”) over the shares of certain wholly-owned subsidiaries of the Company, namely: (i) Chiho Renewable Development Limited (“**CRD**”), a limited company incorporated in Hong Kong; (ii) Chiho Renewable International Holding Limited (“**CRIH**”), a limited company incorporated in Hong Kong; and (iii) Chiho-Tiande Resources Limited (“**CTRL**”), a limited company incorporated in the British Virgin Islands.

On 14 May 2025, the Group received notices from FTI Consulting regarding the appointment of the joint and several receivers (the “**Receivers**”) and managers in respect of the shares in CRD, CRIH and CTRL, each a wholly-owned subsidiary of the Company.

The Company was informed that, on 5 May 2026, the Receivers have entered into a sale and purchase agreement with Derichebourg S.A. (the “**Purchaser**”), disposing 100% of the share capital of Scholz Holding GmbH and Scholz Recycling GmbH (together, the “**Scholz Group**”), which were held by CRIH and CRD, to the Purchaser (the “**Transaction**”). On the morning of 3 August 2026, the Company was informed by its legal adviser that the Receivers’ legal adviser had sent them a letter by fax after working hours on 31 July 2026 notifying that completion of the Transaction took place on that day, and that the total gross selling price of the Transaction was EUR360,300,000.

On or around 7 September 2026, the Receivers informed the Company that the sale proceeds arising from the Transaction had been applied towards settlement of the Outstanding Loan Balance, the applicable default interest and the relevant fees, costs and expenses. All the obligations and liabilities of the Company under the Facility Agreement had been fully satisfied and discharged. The Company received approximately US\$334 million, representing the net sale proceeds from the Transaction. The Share Charges were released on 3 September 2026. As at the date of this announcement, the Company is in the process of verifying the fees, costs and expenses incurred by the Receivers, assessing whether any additional fees, costs and expenses had been incurred, and completing the relevant registration procedures in connection with the release of such Share Charges.

Separately, the Company commenced proceedings in the High Court of the Hong Kong Special Administrative Region as plaintiff against, among others, the Receivers and certain companies in the Group under the control of the Receivers, seeking, among other things, a declaration that the appointment of the Receivers and Manager over the entire issued share capital of CRIH, CRD and CTRL was invalid and void (the “**Proceedings**”). The Proceedings were initiated by a writ of summons on 5 June 2025, in respect of which the Company filed a Notice of Discontinuance with the High Court on 4 September 2026.

On or around 7 July 2026, the Company filed a new writ of summons in respect of the Proceedings. Following completion of the Transaction, the Company and the Receivers engaged in discussions with a view to resolving the dispute and, on 19 August 2026, the Company filed a Notice of Discontinuance with the High Court to discontinue the Proceedings.

Alleged loan

Reference is made to the announcements of the Company dated 31 July 2026 and 15 September 2026.

The Company was notified that the Fifth Intermediate People's Court of Chongqing Municipality (重慶市第五中級人民法院) (the “**Court**”) issued an enforcement ruling (2026) Yu 05 Zhi Bao 218 dated 9 July 2026, supplemented by an enforcement ruling (2026) Yu 05 Zhi Bao 218-1 dated 10 July 2026, in relation to a dispute concerning an alleged loan in the amount of RMB70 million (the “**Enforcement Rulings**”) against Taizhou Chiho-Tiande Metals Company Limited* (台州齊合天地金屬有限公司) (“**Chiho-Tiande Metals**”), a wholly-owned subsidiary of the Company.

The Enforcement Rulings were among Mr. Li Yizhao (李藝昭) (“**Mr. Li**”) as applicant for enforcement, and Mr. Tu Jianhua (涂建華) (“**Mr. Tu**”), a former executive Director, and Chiho-Tiande Metals as the parties subject to enforcement.

Based on the statement of claim (民事起訴狀) (the “**Claim**”) received by the Group: (i) Mr. Li, as plaintiff, alleges that on 22 August 2019 he lent RMB70,000,000 (the “**Alleged Loan**”) to Chiho-Tiande Metals as defendant, at an annual interest rate of 10%; and (ii) Mr. Tu, as defendant, confirmed in writing on 2 April 2026 that the Alleged Loan was jointly borrowed by him and Chiho-Tiande Metals, the Alleged Loan and the accrued interest remained outstanding, and that he agreed to assume joint and several liability, together with Chiho-Tiande Metals, to Mr. Li for repayment of the full principal amount and accrued interest in respect of the Alleged Loan.

On 10 September 2026, Mr. Li applied to the Court to withdraw his lawsuit against Mr. Tu and Chiho-Tiande Metals in respect of the Claim. On 15 September 2026, the Company received a civil ruling dated 14 September 2026 (“**Civil Ruling**”) issued by the Court. Under the Civil Ruling, on 14 September 2026, the Court approved the application of withdrawal by the plaintiff, Mr Li, of the Claim against Mr. Tu and Chiho-Tiande Metals.

Luxincheng legal proceeding in respect of forge documents

On 8 October 2024 and 23 December 2024, 綠鑫鉞清潔能源有限公司 (Luxincheng Clean Energy Co., Ltd.*) (“**Luxincheng**”), an indirect subsidiary held as to 60% by the Company, effected two changes to its registration with the PRC market regulator, altering its directors, legal representative, business scope and articles of association. The changes included, among others:

- (i) replacing the governing body (權力機構) of Luxincheng from the board of directors to the shareholders’ meeting;
- (ii) changing the approval requirement for key corporate matters, including amendments to the articles of association, share capital increases or reductions, mergers, divisions, dissolution and changes in corporate form, from unanimous approval by the directors to unanimous approval by all shareholders;
- (iii) increasing the approval threshold for all other shareholder matters from shareholders holding more than 50% of the voting rights to shareholders holding at least two-thirds of the voting rights; and
- (iv) removing the requirement for approval by at least two-thirds of the directors for material contracts valued at RMB1 million or above, as well as guarantee and mortgage documents.

These changes were effected without the knowledge and consent of its direct majority shareholder and a wholly-owned subsidiary of the Group, 金煉國際集團有限公司 (Jinlian International Group Limited) (“**Jinlian International**”).

According to the expert opinion issued by the judicial authentication agency commissioned by the Company's PRC legal advisers, the Jinlian International company chop and the signature of Mr. Tu Jianhua, a former executive Director, on the shareholders' resolutions effecting the relevant changes were likely to be forged.

Following the Company's discovery of the suspected forged resolutions, Jinlian International proposed and convened an extraordinary general meeting on 26 February 2025 to amend the articles and replace Luxincheng's directors and legal representative, but the relevant resolutions were not passed as they failed to obtain the unanimous shareholder consent required under the amended articles of association.

On 22 April 2025, Jinlian International brought a civil action with the Chongqing Liangjiang New Area People's Court seeking to annul the resolution of the shareholders' meetings held on 26 February 2025 prepared by Luxincheng's chairman, Ms. Xu Hui, and a declaration that the alternative version of the resolution prepared by Jinlian International be upheld as valid. The case was subsequently transferred, on jurisdictional grounds, to the Yantai Economic and Technological Development Zone People's Court in or around May 2026. As at the date of this announcement, that court had referred the matter for further designation of the competent court and the case had not yet been heard.

RISK MANAGEMENT

The Group in its ordinary course of business is exposed to market risks such as commodity price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's risk management strategy is to mitigate the adverse effects of these risks on its financial performance.

The Group continues to minimize the commodity price risk by closely monitoring the commodity market prices and by hedging whenever the significant commodity price risk is identified.

As part of its foreign currency hedging strategy, the Board closely monitors the Group's foreign currency borrowings in view of the volatile exchange rates of Euro, Renminbi and other relevant currencies to US Dollar and considers various measures to minimise foreign currency risk.

Regarding credit risk, the Group continues to follow the best practices of cash collection for sales of most recycled products in order to minimise the carrying amounts of the financial assets in the Group's financial statements. In addition, the Group continues monitoring closely its trade debtors to minimise potential impairment losses.

Regarding liquidity risk, the Group continues to maintain a balance between the continuity of funding and flexibility through the use of bank borrowings.

As set out in the section headed "Other Significant Events" in the Management Discussion and Analysis of this announcement below, the Company has engaged the Current Consultant to conduct the Forensic Investigation and Internal Control Review. The key findings of the Forensic Investigation and Internal Control Review are set out in the announcements of the Company dated 30 September 2026. As at the date of this announcement, all internal control deficiencies identified by the Current Consultant have been remediated.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had a workforce of 2,460 (31 December 2023: 2,617) employees. In addition, as at 31 December 2024, we engaged approximately 299 (31 December 2023: 470) workers and office staff through local contractors. We have not experienced any strikes, work suspension or significant labor disputes which have affected our operations in the past. We have not experienced any significant difficulties in recruiting and retaining qualified staff. We continue to maintain good relationships with our employees and we provide a variety of internal and external training programmes to our employees.

The Group's total staff costs for the year were approximately HK\$980.0 million (2023: HK\$944.5 million). The remuneration package of staff consists of basic salary, mandatory provident fund, insurances and other benefits as considered appropriate. Remuneration of employees of the Group is determined by the senior management of the Group by reference to market standards, individual performance, experience and their respective contribution to the Group so as to retain competent employees.

The emoluments of the Directors are recommended by the remuneration committee of the Company with reference to factors including the duties and responsibilities, backgrounds, qualifications and experience of the Directors, having regard to the Company's operating results, individual performance and comparable market statistics, subject to the Board's approval. Other emoluments including discretionary bonuses, are determined by the Board with reference to the Directors' duties, abilities, reputation and performance.

OTHER SIGNIFICANT EVENTS

Suspension of Trading in the Shares

Trading in the shares of the Company on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) has been suspended with effect from 9:00 a.m. 1 April 2025 and will remain suspended pending the fulfilment of the Resumption Guidance (as defined below) as specified by the Stock Exchange.

Resumption Guidance

On 27 June 2025, the Company received a letter from the Stock Exchange setting out the guidance for the resumption of trading in the Shares (the “**Resumption Guidance**”), requiring the Company to:

- (i) conduct an appropriate independent forensic investigation into the Irregularities (as defined in the announcement of the Company dated 13 January 2025) of the Company and other possible irregularities relating to the Subject Group Companies, assess the impact on the Company’s business operations and financial position, announce the findings of the investigation and take appropriate remedial actions;
- (ii) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (iii) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group’s management and/or any persons with substantial influence over the Company’s management and operations;
- (iv) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules;
- (v) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; and
- (vi) inform the market of all material information for shareholders and other investors to appraise the Company’s position.

For details of the Resumption Guidance, please refer to the announcement of the Company dated 30 June 2025.

As disclosed in the announcement of the Company dated 21 May 2026, the Company has received the additional resumption guidance from the Stock Exchange requiring the Company to re-comply with corporate governance requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21, 3.25, 3.27A and 13.92(2) of the Listing Rules on 19 May 2026. The Company has since re-complied with the relevant rules following the appointment of three independent non-executive Directors with effect from 21 May 2026.

Establishment of the Special Investigation Committee

In line with the requirements set out in the Resumption Guidance, the special investigation committee, comprising the independent non-executive Directors then in office (“**Special Investigation Committee**”), was established on 15 August 2025 to oversee an independent forensic investigation into the Irregularities and an independent review of the Group’s internal control system, and appointed PAL Advisory Limited (“**Former Consultant**”) as the independent forensic investigator and independent internal control consultant to conduct further investigation on the Irregularities (the “**Forensic Investigation**”) and conduct a review of the internal controls and procedures of the Group (the “**Internal Control Review**”). The Former Consultant prepared draft forensic investigation and internal control review reports which were submitted to the Stock Exchange on 16 March 2026 (the “**Draft Reports**”), and the Stock Exchange raised queries on the findings contained in the Draft Reports (the “**Queries**”). The Former Consultant issued to the Company the final forensic investigation report dated 14 May 2026 and the final internal control report dated 15 May 2026 (collectively the “**Former Consultant’s Reports**”).

Following the reconstitution of the Special Investigation Committee to comprise the current independent non-executive Directors (namely Mr. Ng Man Fung Walter, Ms. Wu Jian and Mr. Choi Wai Hong Clifford) on 21 May 2026, the Special Investigation Committee reviewed the Former Consultant’s Reports and noted certain limitations to the independent investigation carried out by the Former Consultant, including the non-cooperation by certain suspected perpetrators during the investigation. In light of these limitations and with a view to obtaining further evidence and findings to address the Queries more comprehensively, the Special Investigation Committee considered it necessary to appoint a separate investigator and internal control consultant with an established network in the PRC.

On 16 July 2026, the Company announced that Ernst & Young Advisory Services Limited (“**Current Consultant**”) was engaged in place of Former Consultant to conduct the Forensic Investigation and Internal Control Review with effect from 16 July 2026. The Current Consultant prepared a draft forensic investigation report and a draft internal control review report which were submitted to the Stock Exchange on 7 September 2026. The Current Consultant submitted a further draft of the forensic investigation report (“**Forensic Investigation Report**”) and internal control review report (“**Internal Control Review Report**”) to the Special Investigation Committee on 29 September 2026.

The Current Consultant conducted the Forensic Investigation and Internal Control Review independently:

- (i) in respect of the electronic data and other materials obtained by the Current Consultant from the Former Consultant through the Company’s legal advisers as part of the Forensic Investigation, the Current Consultant independently processed and reviewed such information using its own comprehensive search parameters and methodologies, without relying on the Former Consultant’s work or conclusions. During the course of its engagement, the Current Consultant also requested, through the Company’s legal advisers, access to certain underlying materials prepared by the Former Consultant, including interview memoranda, supplier and customer confirmation letters, and computer forensic search term reports. However, such requests were unsuccessful, as these materials were regarded by the Former Consultant as part of its internal working papers and were therefore not made available to the Current Consultant. Apart from these working papers, the Current Consultant substantially obtained from the Company the source data and documents previously provided to the Former Consultant, and carried out independent investigation; and
- (ii) in respect of the Internal Control Review, the Current Consultant independently conducted its review and assessment of the Group’s internal control system and did not rely upon, adopt or incorporate any work, findings or conclusions of the Former Consultant.

The scope of the Forensic Investigation and the Internal Control Review, the key findings of the Forensic Investigation and the Internal Control Review, and their key limitations are disclosed in the announcements of the Company dated 30 September 2026.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company or any of its subsidiaries during the year ended 31 December 2024. The Company did not hold any treasury share during the year ended 31 December 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this announcement, the Company has maintained sufficient public float under the Listing Rules throughout the financial year ended 31 December 2024 and as at the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Internal Control Consultant is in the process of updating and finalising the Internal Control Report, the Company considers that it is more appropriate to confirm its compliance with the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules for the relevant period after the completion of the Internal Control Review and the finalisation of the Internal Control Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors or Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Based on the information available to the Board, the Company is not aware of any securities transactions conducted by the Directors during the year ended 31 December 2024 which are not in compliance with the required standard of dealings set out in the Model Code.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Further announcement(s) will be made by the Company in respect of the proposed date on which the forthcoming annual general meeting will be held and the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company's unaudited annual results for the year ended 31 December 2024.

The unaudited annual results contained herein is only based on a preliminary assessment by the Board with reference to the information currently available which have not been agreed by the Auditors and are subject to possible adjustments. A further announcement relating to the annual results as agreed with the Auditors will be made when the auditing process has been completed.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures and any concrete future plans for material investment or capital assets during the year.

PUBLICATION OF UNAUDITED ANNUAL RESULTS

This unaudited annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chihogroup.com). The auditors are still in the process of finalising their audit procedures in respect of the year ended 31 December 2024. Further announcement(s) will be made by the Company in respect of the audited annual results and annual report for the relevant period as and when appropriate.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates, bankers, lawyers and auditors for their support throughout the year.

By order of the Board
Chiho Environmental Group Limited
Fu Tao
Chairman

Hong Kong, 30 September 2026

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Fu Tao (<i>Chairman</i>)
Ms. Zhang Aoxue
Mr. Yao Xiang
Mr. Yang Wei
Ms. Zhou Shuli

Independent Non-Executive Directors:

Mr. Ng Man Fung Walter
Ms. Wu Jian
Mr. Choi Wai Hong Clifford

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.