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CHIH O 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 2025

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 2025 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 2024):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Notes	2025 HK\$M (Unaudited)	2024 HK\$M (Unaudited and restated)
Continuing operations			
Revenue	3	992.4	1,397.2
Cost of sales	5	(960.5)	(1,365.9)
Gross profit		31.9	31.3
Other income		15.0	12.4
Other (loss)/gains, net	4	(17.4)	20.4
Impairments on non-financial assets	4	(9.1)	(23.4)
Provision for impairments on financial assets, net		(0.4)	—
Distribution and selling expenses	5	(0.3)	(2.7)
Administrative expenses	5	(167.9)	(145.0)
		(148.2)	(107.0)

		2025	2024
	<i>Notes</i>	<i>HK\$M</i>	<i>HK\$M</i>
		(Unaudited)	(Unaudited and restated)
Finance income		1.5	1.8
Finance costs		<u>(110.4)</u>	<u>(81.9)</u>
Finance costs, net	<i>6</i>	(108.9)	(80.1)
Share of post-tax profit/(loss) of an associate		<u>1.5</u>	<u>(0.2)</u>
Loss before income tax		(255.6)	(187.3)
Income tax expense	<i>7</i>	<u>(1.7)</u>	<u>(1.2)</u>
Loss from continuing operations		<u>(257.3)</u>	<u>(188.5)</u>

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

		2025	2024
	Notes	HK\$M	HK\$M
		(Unaudited)	(Unaudited and restated)
Loss from continuing operations		<u>(257.3)</u>	<u>(188.5)</u>
Discontinued operation			
Loss from discontinued operations	14	<u>(1,267.3)</u>	<u>(45.6)</u>
Loss for the year		<u>(1,524.6)</u>	<u>(234.1)</u>
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss:			
Currency translation differences on foreign operations		153.7	(298.2)
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)
Remeasurements of post-employment benefit obligations		–	(0.3)
Share of other comprehensive loss of joint ventures		–	(0.3)
Exchange difference arising from capital reduction		<u>–</u>	<u>9.1</u>
Other comprehensive income/(loss) for the year, net of tax		<u>153.7</u>	<u>(291.1)</u>
Total comprehensive loss for the year		<u><u>(1,370.9)</u></u>	<u><u>(525.2)</u></u>

	2025 HK\$M (Unaudited)	2024 <i>HK\$M</i> (Unaudited and restated)
Loss attributable to:		
Shareholders of the Company		
– Loss from continuing operations	(259.7)	(177.5)
– Loss from discontinued operation	<u>(1,267.3)</u>	<u>(26.8)</u>
	(1,527.0)	(204.3)
Non-controlling interests		
– Profit/(Loss) from continuing operations	2.4	(11.0)
– Loss from discontinued operations	<u>–</u>	<u>(18.8)</u>
	<u>(1,524.6)</u>	<u>(234.1)</u>
Total comprehensive loss for the year attributable to:		
Shareholders of the Company		
– Loss from continuing operations	(105.5)	(143.9)
– Loss from discontinued operations	<u>(1,267.3)</u>	<u>(348.3)</u>
	(1,372.8)	(492.2)
Non-controlling interests		
– Income/(Loss) from continuing operations	1.9	(14.2)
– Loss from discontinued operations	<u>–</u>	<u>(18.8)</u>
	<u>(1,370.9)</u>	<u>(525.2)</u>

		2025	2024
	Notes	HK\$M	HK\$M
		(Unaudited)	(Unaudited and restated)
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	<u>(0.16)</u>	<u>(0.11)</u>
Diluted loss per share	9	<u><u>(0.16)</u></u>	<u><u>(0.11)</u></u>
Loss per share attributable to shareholders of the Company for the year <i>(expressed in HK\$ per share)</i>			
Basic loss per share	9	<u>(0.95)</u>	<u>(0.13)</u>
Diluted loss per share	9	<u><u>(0.95)</u></u>	<u><u>(0.13)</u></u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

At 31 December 2025

	<i>Notes</i>	2025 HK\$M (Unaudited)	2024 HK\$M (Unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment		98.7	1,941.0
Right-of-use assets		187.5	631.9
Investment properties		48.8	51.9
Intangible assets		–	732.2
Investments accounted for using the equity method		2.7	733.7
Financial assets at fair value through profit or loss	10	–	0.8
Financial assets at fair value through other comprehensive income		–	85.2
Other non-current assets	11	1.1	5.2
Deferred income tax assets		0.9	67.6
		339.7	4,249.5
Current assets			
Inventories		236.0	1,385.2
Trade, bills and other receivables	11	129.9	1,536.6
Financial assets at fair value through profit or loss	10	4,125.7	–
Amounts due from related parties		0.2	73.2
Amounts due from former subsidiaries		13.2	–
Derivative financial instruments		–	23.2
Tax recoverable		1.4	134.2
Pledged and restricted bank deposits		0.9	3.1
Cash and cash equivalents		102.5	414.8
		4,609.8	3,570.3
Assets held for sale		51.9	50.6
		4,661.7	3,620.9
Total assets		5,001.4	7,870.4

		2025	2024
	Notes	HK\$M	HK\$M
		(Unaudited)	(Unaudited)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		16.1	16.1
Other reserves		6,309.5	6,218.6
Accumulated losses		(3,240.7)	(1,798.0)
		<u>3,084.9</u>	<u>4,436.7</u>
Non-controlling interests		(65.5)	(60.3)
		<u>3,019.4</u>	<u>4,376.4</u>
Non-current liabilities			
Borrowings	12	–	33.1
Lease liabilities		2.3	267.6
Retirement benefit obligations		–	8.8
Other payables		–	28.0
Asset retirement obligations		–	67.5
Deferred income tax liabilities		14.7	265.9
		<u>17.0</u>	<u>670.9</u>
Current liabilities			
Trade and other payables	13	364.1	1,702.5
Contract liabilities		3.9	69.2
Current income tax liabilities		–	37.9
Borrowings	12	525.5	777.7
Lease liabilities		1.3	115.2
Amounts due to related parties and non-controlling interests		45.3	107.6
Amounts due to former subsidiaries		1,024.9	–
Derivative financial instruments		–	13.0
		<u>1,965.0</u>	<u>2,823.1</u>
Total liabilities		<u>1,982.0</u>	<u>3,494.0</u>
Total equity and liabilities		<u>5,001.4</u>	<u>7,870.4</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION:

1 GENERAL INFORMATION

The Company is an investment holding company. 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 shredded aluminum scrap in Asia and Europe.

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Act 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 (the "**Stock Exchange**").

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.

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.

During the year ended 31 December 2025, the Group involuntarily lost control over the operating, investing, and financing activities of the Scholz Group and 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 (primarily comprising the remaining metal recycling operations in Asia) 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 2024 have been restated as if these operations had been discontinued at the beginning of the previous reporting period.

2 BASIS OF PREPARATION (continued)

2.1 Going concern basis

The Group reported a loss attributable to Shareholders of the Company loss of HK\$1,527.0 million and a net cash outflow from operating activities of HK\$67.5 million for the year ended 31 December 2025. As at 31 December 2025, the Group had total borrowings of HK\$525.5 million, all of which were classified as current borrowings, while the Group's cash and cash equivalents amounted to HK\$102.5 million. Included in the current borrowings as of 31 December 2025 was a secured syndicated term loan (the "**Syndicated Term Loan**") with an outstanding loan principal of HK\$389.2 million, which have been overdue since 30 March 2024.

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 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 Charged was 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.

2.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Group

The following amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2024:

Amendments to HKAS 21 and HKFRS 1 Lack of Exchangeability

The adoption of these amendments to existing standards does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

2.2 Changes in accounting policy and disclosures (continued)

(b) New standards, amendments to existing standards and interpretations not yet adopted by the Group

The following new standards, amendments to existing standards and interpretation, and annual improvements have been issued but are not effective for the financial year beginning on 1 January 2025 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10, and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature- dependent Electricity (amendments)	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 and its amendment	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 BASIS OF PREPARATION (continued)

2.2 Changes in accounting policy and disclosures (continued)

(b) New standards, amendments to existing standards and interpretations not yet adopted by the Group (continued)

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

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 the Scholz Group, which operate the metal recycling business in Europe. As a result, the Scholz Group have been deconsolidated from the Group and classified as discontinued operation on 14 May 2025. See Note 14(a) for details. Accordingly, the result of such businesses are classified as discontinued operation for the years ended 31 December 2025. The 2024 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 2025 and 2024, respectively:

	For the year ended 31 December 2025	
	Continuing operations Asia HK\$M	Discontinued operation Europe HK\$M
Revenue		
Total segment revenue	992.4	5,046.3
Inter-segment sales	—	—
External sales	992.4	5,046.3
Segment loss	(148.2)	(1,251.3)
Finance income	1.5	0.9
Finance costs	(110.4)	(30.5)
Share of post-tax profit of associate	1.5	—
Share of post-tax profit of joint venture	—	31.0
Loss before income tax	(255.6)	(1,249.9)
Income tax expense	(1.7)	(17.4)
Loss for the year	(257.3)	(1,267.3)
Depreciation and amortisation expenses	27.1	97.8
Fair value loss on trading derivative financial instruments (Note)	15.2	—
Impairment loss in right-of-use assets	9.1	—
Gain on disposals of property, plant and equipment and right-of-use assets	0.9	6.1

3 SEGMENT INFORMATION (continued)

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	Europe HK\$M	Total HK\$M
Revenue								
Total segment revenue	1,397.2	–	–	–	1,397.2	154.1	14,902.6	15,056.7
Inter-segment sales	–	–	–	–	–	–	(186.0)	(186.0)
External sales	1,397.2	–	–	–	1,397.2	154.1	14,716.6	14,870.7
Segment (loss)/profit	<u>(107.0)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(107.0)</u>	<u>(156.9)</u>	<u>176.3</u>	<u>93.2</u>
Finance income					1.8	–	4.2	4.2
Finance costs					(81.9)	(1.3)	(109.9)	(111.2)
Share of post-tax loss of associate					(0.2)	–	–	–
Share of post-tax profit of joint venture					–	–	73.8	–
(Loss)/profit before income tax					(187.3)	(158.2)	144.4	(13.8)
Income tax expense					<u>(1.2)</u>	<u>–</u>	<u>(31.8)</u>	<u>(31.8)</u>
(Loss)/profit for the year					<u>(188.5)</u>	<u>(158.2)</u>	<u>112.6</u>	<u>(45.6)</u>
Depreciation and amortisation expenses	(41.8)	–	–	–	(41.8)	(7.6)	(321.2)	(328.8)
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)	–	–	–
Gain on disposals of property, plant and equipment and right-of-use assets	–	–	–	–	–	–	22.1	22.1
Impairments on property, plant and equipment	<u>(23.4)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(23.4)</u>	<u>–</u>	<u>–</u>	<u>–</u>

Note: The fair value loss on trading derivative financial instruments for the year ended 31 December 2025 and 2024 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 2025 and 2024 are provided as follows:

	31 December 2025			As at 31 December 2024			
	Asia <i>HK\$M</i>	Europe <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	<u>1,591.5</u>	<u>3,305.1</u>	<u>4,896.6</u>	<u>904.3</u>	<u>6,324.2</u>	<u>2.1</u>	7,230.6
Deferred income tax assets			0.9				67.6
Tax recoverable			1.4				134.2
Derivative financial instruments			–				23.2
Cash and cash equivalents			<u>102.5</u>				<u>414.8</u>
Total assets			<u>5,001.4</u>				<u>7,870.4</u>

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 2025 <i>HK\$M</i>	31 December 2024 <i>HK\$M</i>
Asia	337.7	50.1
Europe	<u>–</u>	<u>3,708.5</u>
Total	<u>337.7</u>	<u>3,758.6</u>

3 SEGMENT INFORMATION (continued)

Sales of goods

The Group's revenue mainly represents the amounts received or receivable for the sales of recycled scraps and wastes, net of sales related taxes, during the year. The Group derives revenue mainly from transfer of these goods at a point in time.

Analysis of revenue by categories

	For the year ended	
	31 December	31 December
	2025	2024
	<i>HK\$M</i>	<i>HK\$M</i>
		(Restated)
Continuing operations		
Metal recycling		
– Ferrous metal	24.5	219.7
– Non-ferrous metal	967.9	1,176.7
Others	—	0.8
Total	<u>992.4</u>	<u>1,397.2</u>
Discontinued operation		
Metal recycling		
– Ferrous metal	3,147.9	9,380.2
– Non-ferrous metal	1,513.1	5,128.1
Others	385.3	208.3
Total	<u>5,046.3</u>	<u>14,716.6</u>

Information about major customers

The largest customer contributed 11.5% to the Group's revenue during the year ended 31 December 2025, while no single customer contributed 10% or more for the year ended 31 December 2024.

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

	2025 <i>HK\$M</i>	2024 <i>HK\$M</i> (Restated)
Continuing operations		
Loss on fair value change of:		
– trading derivative financial instruments not subject to hedge accounting	(15.2)	–
Foreign exchange (losses)/gains, net	(3.1)	14.8
Gain on disposals of subsidiary	–	6.1
Gain on disposals of property, plant and equipment	0.9	–
Impairments on non-financial assets:		
– Impairment loss of property, plant and equipment	–	(23.4)
– Impairment loss of right-of use assets	(9.1)	–
	<u>(26.5)</u>	<u>(3.0)</u>

5 EXPENSES BY NATURE

	2025	2024
	<i>HK\$M</i>	<i>HK\$M</i>
		(Restated)
Continuing operations		
Changes in inventories of work-in-progress and finished goods	48.5	195.6
Raw materials and consumables used	893.5	1,104.4
Reversal of provision for impairments on inventories, net	(4.1)	(1.4)
Freight cost	0.7	8.5
Utilities and waste disposal cost	1.1	1.9
Employee benefit expenses	60.1	89.3
Depreciation and amortisation expenses of property, plant and equipment, intangible assets, right-of-use assets and investment properties	27.1	41.8
Legal and professional expenses	54.3	12.5
Auditors' remuneration		
– audit services	6.2	5.2
– non-audit services	0.1	0.1
Repairs and maintenance expenses	1.1	2.8
Lease expenses on short-term leases	4.5	2.0
Other expenses	35.6	50.9
Total cost of sales, distribution and selling expenses and administrative expenses	1,128.7	1,513.6

6 FINANCE COSTS, NET

	2025 <i>HK\$M</i>	2024 <i>HK\$M</i> (Restated)
Continuing operations		
Interest income from bank deposits	1.3	1.8
Interest income from former subsidiaries	<u>0.2</u>	<u>–</u>
Finance income	<u>1.5</u>	<u>1.8</u>
Interest expense on bank borrowings	(5.7)	(5.2)
Interest expense on other borrowings (Note 12)	(102.4)	(74.1)
Interest expense on lease liabilities	(0.1)	(2.5)
Interest expense on loans from related parties	(1.9)	(0.1)
Interest expense on loan from non-controlling interest	<u>(0.3)</u>	<u>–</u>
Finance costs	<u>(110.4)</u>	<u>(81.9)</u>
Finance costs, net	<u>(108.9)</u>	<u>(80.1)</u>

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 2025 (2024: 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% (2024: 25%) 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.

7 INCOME TAX EXPENSE (continued)

	2025 HK\$M	2024 <i>HK\$M</i> (Restated)
Continuing operations		
Current income tax credit/(expense):		
Hong Kong	–	(0.4)
PRC	<u>(2.0)</u>	<u>(1.5)</u>
	<u>(2.0)</u>	<u>(1.9)</u>
Deferred income tax (expense)/credit	<u>0.3</u>	<u>0.7</u>
Income tax expense	<u><u>(1.7)</u></u>	<u><u>(1.2)</u></u>

8 DIVIDENDS

No dividend was paid or proposed during 2025 and 2024, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the years ended 31 December 2025 and 2024.

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.

	2025 <i>HK\$M</i>	2024 <i>HK\$M</i> (Restated)
Loss		
Loss for the year attributable to shareholders of the Company		
– from continuing operations	(259.7)	(177.5)
– from discontinued operation	(1,267.3)	(26.8)
	<u>(1,527.0)</u>	<u>(204.3)</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 (<i>expressed in HK\$</i>)		
– from continuing operations	(0.16)	(0.11)
– from discontinued operation	(0.79)	(0.02)
Basic loss per share attributable to shareholders of the Company for the year (expressed in HK\$)	<u>(0.95)</u>	<u>(0.13)</u>

(b) Diluted

The Group has no potentially dilutive shares outstanding during the years ended 31 December 2025 and 2024.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2025	2024
	HK\$M	HK\$M
Unlisted equity securities		
Non-current		
As at 1 January	0.8	0.8
Additions	0.1	0.1
Deconsolidation of subsidiaries (Note 14(a))	(0.8)	–
Fair value change	(0.1)	(0.1)
As at 31 December	–	0.8
Current		
As at 1 January	–	–
Additions (Note 14(a))	4,008.8	–
Currency exchange differences (Note 14(a))	116.9	–
As at 31 December	4,125.7	–

The financial assets at fair value through profit or loss consisted of net investments in the Scholz Group of HK\$3,175.0 million and net assets of CRD, CRIH and CTRL of HK\$833.8 million reclassified as such effective 14 May 2025. The directors of the Company considered that the gross selling price of Scholz group amounting to EUR360.3 million (equivalent to HK\$3,175.0 million) being the fair value of the financial asset as of 14 May 2025 and 31 December 2025. Due to lost in control of the Scholz Group, directors of the Group was unable to access the financial and operational data of the Scholz Group which are essential to formulate the significant assumptions and estimates which are required in determining the fair value of the financial assets at fair value through profit or loss as at 14 May 2025 and 31 December 2025 respectively. They considered that there were no significant changes in the market conditions affecting the Scholz Group from 14 May 2025 to 31 December 2025, except for a fair value gain of HK\$116.9 million resulting from foreign currency revaluation, and as a result, the gross selling price of the Scholz Group as provided by the receivers and managers subsequent to year end and was considered the best estimate of the fair value of the Scholz Group on both dates.

As the Share Charges relating to CRD, CRIH and CTRL were released on 3 September 2026, the Group has taken back the control over these three group companies. The Group considered that the aggregated carrying value of net assets of CRD, CRIH and CTRL as at 30 April 2025, HK\$833.8 million, was the best estimate of the fair value as at 14 May 2025 and 31 December 2025.

11 TRADE, BILLS AND OTHER RECEIVABLES

	2025 <i>HK\$M</i>	2024 HK\$M
Trade receivables	9.7	1,246.7
Less: loss allowance	<u>(3.3)</u>	<u>(13.0)</u>
Trade receivables, net	6.4	1,233.7
Bills receivables	5.6	15.5
Deposits and prepayments	3.6	80.6
Deposits paid for purchase of raw materials	5.1	29.2
VAT recoverable	35.2	100.7
Other receivables (<i>Note</i>)	<u>75.1</u>	<u>82.1</u>
	131.0	1,541.8
Less: non-current portion		
Other deposits and receivables	<u>(1.1)</u>	<u>(5.2)</u>
	<u>129.9</u>	<u>1,536.6</u>

Note: As at 31 December 2025, the balance included a receivable of HK\$42.1 million (2024: HK\$41.0 million) from the Taizhou Bay Committee, a government authority in the PRC.

As at 31 December 2025, the Group did not hold any trade receivables to secure borrowings and general banking facilities to the Group. As at 31 December 2024, the Group had pledged trade receivables with a net book value of HK\$1,016.5 million to secure certain borrowings and general banking facilities to the Group.

12 BORROWINGS

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

	2025 <i>HK\$M</i>	2024 <i>HK\$M</i>
Non-current		
Bank borrowings	—	33.1
Current		
Bank borrowings	136.3	389.4
Other borrowings (Note i)	389.2	388.3
	525.5	777.7
Total borrowings	525.5	810.8

Bank borrowings mature at various dates up to 2026 (2024: 2028) and bear average coupons ranging from 3.1% to 4.6% per annum (2024: 1.7% to 7.6% per annum).

Note (i)

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

12 BORROWINGS (continued)

As at 31 December 2025 and 2024, the Group's bank and other borrowings were repayable as follows:

	Bank borrowings		Other borrowings		Total	
	2025	2024	2025	2024	2025	2024
	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>
Within 1 year	<u>136.3</u>	<u>389.4</u>	<u>389.2</u>	<u>388.3</u>	<u>525.5</u>	<u>777.7</u>
Between 1 and 2 years	–	18.3	–	–	–	18.3
Between 2 and 5 years	<u>–</u>	<u>14.8</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>14.8</u>
	<u>–</u>	<u>33.1</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>33.1</u>
	<u>136.3</u>	<u>422.5</u>	<u>389.2</u>	<u>388.3</u>	<u>525.5</u>	<u>810.8</u>

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

	2025	2024
	<i>HK\$M</i>	<i>HK\$M</i>
EUR	–	21.1
US\$	389.2	388.3
RMB	136.3	138.3
Czech Koruna (“ CZK ”)	–	198.7
PLN	<u>–</u>	<u>64.4</u>
	<u>525.5</u>	<u>810.8</u>

As at 31 December 2025, the Group had aggregate facilities of approximately HK\$525.5 million (2024: HK\$3,216.4 million) for loans, factoring and guarantees, which have been fully utilised (2024: unused facilities amounted to approximately HK\$1,113.6 million). 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\$267.2 million (2024: HK\$3,845.6 million).

Note i:

Other Borrowing consisted of a Syndicated Term Loan which was initially drawn down during the year ended 31 December 2018 with a loan principal of HK\$1,691.5 million and a repayment period of two years. Upon the maturity of its initial term, the Syndicated Term Loan was extended during each of the years ended 31 December 2020, 2021, 2022 and 2023. Over the past years, the Group made repayments of loan principal, interests and arrangement fees totaling HK\$1,943.3 million under the Syndicated Term Loan and lowered its outstanding balance under the Syndicated Term Loan to HK\$376.0 million as at 31 December 2023. There has been no repayment of the Syndicated Term Loan since 30 March 2024.

During the year ended 31 December 2023, a late repayment of HK\$92.1 million constituted an event of default under the Syndicated Term Loan agreement. Furthermore, the Syndicated Term Loan amounted to HK\$388.3 million as of 31 December 2024 was due on 30 March 2024 and this also constituted another event of default under the Syndicated Term Loan agreement. According to the Syndicated Term Loan agreement, such events of default give the lender a right to demand for immediate repayment of any outstanding Syndicated Term Loan balances.

On 2 April 2024, the Company received a demand letter (the “**Demand Letter**”) from the lender of the Syndicated Term Loan for immediate repayment of the outstanding loan balance and the accrued interest. Management had prolonged continuous discussions with the lender in 2024 to further extend the due date as well as the granting of a waiver letter on the above-mentioned events of default; however no binding agreement had been entered into by the Group and the lender.

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.

As set out in details in note 14, in May 2025, 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 proceed to settle the Group’s obligations under the Syndicated Term Loan in full. In 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.

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.

13 TRADE AND OTHER PAYABLES

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and bills payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2025	2024
	HK\$M	HK\$M
Trade payables	73.8	1,397.3
Other taxes payable	6.2	24.7
Accrued salaries and employee benefits	21.7	100.3
Accrued professional expenses	49.0	20.5
Interest payable		
– Default interest payable for Syndicated Term Loan (Note)	164.2	59.5
– Others	–	7.9
Other payables and accruals	49.2	120.3
	364.1	1,730.5
Less: non-current portion		
Other payables	–	(28.0)
	364.1	1,702.5

Note:

The balance represented interest payable of the syndicated loan with loan principal of HK\$389.2 million as at 31 December 2025.

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

	2025	2024
	HK\$M	HK\$M
0 – 90 days	68.8	1,379.9
91 – 180 days	–	5.1
Over 180 days	5.0	12.3
	73.8	1,397.3

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

(a) De-consolidation of the Scholz Group, CRD, CRIH and CTRL

On 14 May 2025, the Group received a notice from FTI Consulting regarding the appointment of the joint and several receivers and managers over the shares in CRD, CRIH and CTRL, each being a wholly-owned subsidiary of the Company. Following their appointment, the receivers appointed a majority of the directors to the boards of CRD, CRIH and CTRL. Accordingly, the Company was 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. The Board therefore determined that the Scholz Group should be deconsolidated from the Group from that date.

Upon de-consolidation, the carrying value of the net assets of the Scholz Group and CRD, CRIH and CTRL as at 14 May 2025, HK\$4,621.9 million and HK\$833.8 million, respectively, in total of HK\$5,455.7 million, was re-classified as a financial asset at fair value through profit or loss.

The Group considered that the gross selling price for disposing of the Scholz Group by the receivers and managers, which took place in July 2026, i.e. EUR360.3 million (equivalent to HK\$3,175.0 million) the best estimate of the fair value as at 14 May 2025 and 31 December 2025 respectively and recorded a loss of HK\$1,439.8 million upon de-consolidation. Management considered that there were no substantial change in the fair value of the financial asset since 14 May 2025 up to 31 December 2025, except for a fair value gain of HK\$116.9 million resulting from foreign currency revaluation, as there were no significant changes in the market conditions affecting the Scholz Group.

As the Share Charges relating to CRD, CRIH and CTRL were released on 3 September 2026, the Group has taken back the control over these three group companies. The Group considered that the aggregated carrying value of net assets of CRD, CRIH and CTRL as at 30 April 2025, HK\$833.8 million, was the best estimate of the fair value as at 14 May 2025 and 31 December 2025.

The unaudited financial performance and cash flow information of the Scholz Group, CRD, CRIH and CTRL for the period from 1 January 2025 to 30 April 2025, the closest month-end date prior to the loss in control, provided by the Scholz Group, CRD, CRIH and CTRL and compared against information provided by the Receivers subsequent year end for consistency purposes, were as follows. The results of operations for the period from 1 May 2025 to 13 May 2025 was considered not material by the Group therefore they have not been accounted for.

a) De-consolidation of the Scholz Group, CRD, CRIH and CTRL (continued)

	For the period from 1 January 2025 to 30 April 2025 HK\$M	For the year ended 31 December 2024 HK\$M
Revenue	5,046.3	14,716.6
Cost of sales	<u>(4,705.1)</u>	<u>(13,823.6)</u>
	341.2	893.0
Other income	15.4	59.2
Other gains, net	17.0	77.2
Distribution and selling expenses	(15.2)	(44.8)
Administrative expenses	<u>(286.8)</u>	<u>(808.3)</u>
Operating profit	<u>71.6</u>	<u>176.3</u>
Finance income – net	(29.6)	(105.7)
Share of post-tax profit of joint venture	<u>31.0</u>	<u>73.8</u>
Profit before income tax	73.0	144.4
Income tax expense	<u>(17.4)</u>	<u>(31.8)</u>
Profit after tax from the Scholz Group, CRD, CRIH and CTRL	55.6	112.6
Loss on de-consolidation of the Scholz Group	(1,439.8)	–
Exchange difference on financial assets at fair value through profit or loss	<u>116.9</u>	<u>–</u>
Total (loss)/profit from discontinued operations – Scholz Group, CRD, CRIH and CTRL	<u>(1,267.3)</u>	<u>112.6</u>
Loss from discontinued operation attributable to:		
– Shareholders of the Company	(1,267.3)	112.6
– Non-controlling interests	<u>–</u>	<u>–</u>

a) De-consolidation of the Scholz Group, CRD, CRIH and CTRL (continued)

	For the period from 1 January 2025 to 30 April 2025 <i>HK\$M</i>	For the year ended 31 December 2024 <i>HK\$M</i>
Net cash (used in)/generated from operating activities	(93.5)	129.6
Net cash used in investing activities	(31.4)	(47.3)
Net cash generated from/(used in) financing activities	9.2	(146.6)
Total net cash flows	<u>(115.7)</u>	<u>(64.3)</u>

The carrying amounts of assets and liabilities of the Scholz Group and aggregate of CRD, CRIH and CTRL as at 30 April 2025, the closest month-end date prior to the date of last control, were as follows:

	Scholz Group 30 April 2025 <i>HK\$M</i>	CRD, CRIH and CTRL 30 April 2025 <i>HK\$M</i>	Total 30 April 2025 <i>HK\$M</i>
Property, plant and equipment	1,950.0	–	1,950.0
Right-of-use assets	452.7	–	452.7
Intangible assets	744.0	–	744.0
Investments accounted for using the equity method	825.8	–	825.8
Financial assets at fair value through profit or loss	0.8	–	0.8
Financial assets at fair value through other comprehensive income	99.8	–	99.8
Other non-current assets	3.6	–	3.6
Deferred income tax assets	74.5	–	74.5
Inventories	1,062.5	–	1,062.5
Trade and bills receivables	1,692.0	–	1,692.0
Other receivables	242.4	–	242.4
Amounts due from related parties	132.0	–	132.0
Derivative financial instrument	59.2	–	59.2
Tax recoverable	166.9	–	166.9
Pledged bank deposits and restricted bank deposits	5.6	–	5.6
Cash and cash equivalents	225.5	–	225.5
Amount due from former subsidiaries	–	920.0	920.0
Total assets	<u>7,737.3</u>	<u>920.0</u>	<u>8,657.3</u>

a) De-consolidation of the Scholz Group, CRD, CRIH and CTRL (continued)

	Scholz Group	CRD, CRIH and CTRL	Total
	30 April	30 April	30 April
	2025	2025	2025
	HK\$M	HK\$M	HK\$M
Trade, bills payable and other payables	(1,846.6)	–	(1,846.6)
Borrowings	(373.0)	–	(373.0)
Lease liabilities	(389.5)	–	(389.5)
Derivative financial instruments	(14.4)	–	(14.4)
Amounts due to related parties and non-controlling interests	(69.4)	–	(69.4)
Current income tax liabilities	(43.1)	–	(43.1)
Deferred income tax liabilities	(266.0)	–	(266.0)
Retirement benefit obligations and other payables	(113.4)	–	(113.4)
Amount due to former subsidiaries	–	(86.2)	(86.2)
Total liabilities	(3,115.4)	(86.2)	(3,201.6)
Net assets presented as financial assets at fair value	4,621.9	833.8	5,455.7
Net assets	4,621.9	833.8	5,455.7
Less: fair value	(3,175.0)	(833.8)	(4,008.8)
Non-controlling interests	(7.1)	–	(7.1)
Loss on de-consolidation of the Scholz Group and CRD, CRIH and CTRL	1,439.8	–	1,439.8

(b) 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.

(b) 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 the Non-Controlling Shareholder during the year, were as follows:

	2025 HK\$M	2024 HK\$M
Revenue	–	154.1
Cost of sales	–	(199.2)
	–	(45.1)
Other income	–	7.8
Other gains, net	–	–
Reversal of impairments on financial assets	–	–
Distribution and selling expenses	–	(0.9)
Administrative expenses	–	(7.5)
Operating loss	–	(45.7)
Finance income – net	–	(1.3)
Loss before income tax	–	(47.0)
Income tax expense	–	–
Loss after tax of discontinued operation – Yantai Group Companies	–	(47.0)
Loss on disposal of discontinued operation (Note (i))	–	(108.5)
Currency translation differences of discontinued operation	–	(2.7)
Loss on deconsolidation on subsidiaries	–	(111.2)
Other comprehensive loss from discontinued operation – Yantai Group Companies	–	(158.2)
Loss from discontinued operation attributable to:		
– Shareholders of the Company	–	(139.4)
– Non-controlling interests	–	(18.8)
Net cash used in operating activities	–	(50.8)
Net cash generated from financing activities	–	52.2
Total net cash flows	–	1.4

14 DISCONTINUED OPERATION (continued)

(b) 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 <i>HK\$M</i>
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 <i>HK\$M</i>
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

BUSINESS REVIEW

On 14 May 2025, the Group lost control of Scholz Holding GmbH, Scholz Recycling and their subsidiaries (the “**Scholz Group**”) which was principally engaged in recycling business in Europe (“**Scholz Deconsolidation**”), resulting in a loss from discontinued operation of HK\$1,267.3 million. Details of the loss from discontinued operation are set out in Note 14.

Following the Scholz Deconsolidation, the Group’s operation covered primarily the Asian segment, consisting of mainland China, Hong Kong and Thailand. The geopolitical conflicts and the uncertainty of the regional economy led to market fluctuations and changes in demand in the commodity industry, that caused pressures to the metal recycling business. In this year, the Group’s loss from continuing operations was HK\$257.3 million.

Facing the opportunities of “low carbon” and “green development”, the Company continued to diversify its business, explore geographical expansion opportunities, deepen cooperation with upstream and downstream enterprises, improve the stability and efficiency of the supply chain to meet the demand for high quality raw materials and sustainable development in the renewable resources industry.

PROSPECT

The global outlook is becoming increasingly challenging. Increases in trade barriers, tighter financial conditions, weakened business and consumer confidence, and elevated policy uncertainty all pose significant risks to growth. Developments in war in the Middle East and technology-driven investment boom overnight illustrate the uncertainty and risks that surround the outlook.

China’s GDP grew by 4.7 percent year-on-year at constant prices in the first half of 2026, reaching RMB69.57 trillion (US\$10.3 trillion). With reference to the report published by the International Monetary Fund in July 2026, the projected GDP growth of the United States and European areas for 2026 is 2.3% and 0.9% respectively, while, China is still forecast to achieve 4.6% GDP growth in 2026. China remains a strong growth engine region among the global market.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Chiho Environmental Group Limited is an investment holding company. The Company and its subsidiaries are mainly engaged in the principal business of resources recycling, involving recycling of mixed metal, waste electrical and electronic equipment, wasted oil and shredded aluminium scrap in Asia and Europe.

The Asia market faced significant challenges in 2025, as Thailand's economy slowed down, with gross domestic product (“GDP”) growth slipping to 2.4% in 2025 from 2.9% in 2024. The global trade barriers and sluggish market sentiment in China in 2025, which affected the demand for metal recycling.

Total revenue for the year was HK\$992.4 million, a decrease of 29.0% as compared to HK\$1,397.2 million last year.

One of the key reasons for the decrease in revenue was the closure of the Thailand operation during the year. The revenue sourced from Thailand fell by HK\$118.2 million in 2025 as compared to last year. The Thailand operations had experienced operating losses for years, which resulted in the operation ceasing in the second half of 2025. This also reflects the continuous restructuring of the Group's business for more efficient use of our resources.

In addition, the revenue derived from ferrous metal was HK\$24.5 million for the year, decreased by 88.8% as compared to last year.

Gross Profit/Margin

Gross profit for the year was HK\$31.9 million, a slight increase of 1.9% as compared to HK\$31.3 million recorded in the previous year. The gross profit margin improved from 2.2% to 3.2% during the year. Such increase in gross profit was mainly due to closure of business operation in Thailand in 2025 as gross loss was recorded in 2024.

Operating expenses

Total operating expenses for the year were HK\$168.2 million (2024: HK\$147.7 million), an increase of 13.9% over the last financial year. The increase was mainly due to increase in legal and professional expenses. Total operating expenses as a percentage of revenue increased from 10.6% to 16.9%.

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 2025 was HK\$259.7 million, as compared to a loss of HK\$177.5 million in the last financial year.

Loss from continuing operations attributable to shareholders per share for the year ended 31 December 2025 was loss per share of HK\$0.16 as compared to loss per share of HK\$0.11 in the last financial year.

Analysis of Cash Flow from Operations

The Group's cash used in operations for the year was HK\$67.5 million, cash generated from operations for last year was HK\$237.8 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 2025 were HK\$3,084.9 million (2024: HK\$4,436.7 million), a decrease of 30.5% from as at 31 December 2024.

As at 31 December 2025, the Group had cash, various bank balances, pledged and restricted bank deposits amounting to HK\$103.4 million (2024: HK\$417.9 million), used mainly for repayment of external borrowings and working capital for business operations.

The current ratio improved from 1.28 as at 31 December 2024 to 2.37 as at 31 December 2025. The liquidity position of the Group was improved due to increase in the financial assets arising from the deconsolidation of the Scholz Group. Details of the deconsolidation and the loss from discontinued operation are set out in the section headed "Capital Commitments and Contingent Liabilities" below and Note 14.

Total external borrowings as at 31 December 2025 were HK\$525.5 million (2024: HK\$810.8 million). A decrease of HK\$285.3 million as compared to 31 December 2024.

The gearing ratio of the Group as at 31 December 2025 was 10.6% (2024: 15.2%) 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 12.

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 2025 were HK\$236.0 million (2024: HK\$1,385.2 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 five days, for the financial year was 90 days (2024: 33 days).

Provision for inventories as at 31 December 2025 were reversal of provision of impairment HK\$4.1 million (2024: HK\$1.4 million). The reversal of provision was due to the favourable price recovery towards the end of the year.

Trade and bills receivables after netting loss allowance as at 31 December 2025 were HK\$12.0 million, decreased from HK\$1,249.2 million as at 31 December 2024. Debtor turnover days, which is calculated based on trade and bill receivables balance after netting loss allowance as at year end divided by revenue for the year, times three hundred and sixty five days, for the financial year were 4 days (2024: 28 days) which was improved mainly due to the Scholz Deconsolidation.

Trade payables as at 31 December 2025 were HK\$73.8 million (2024: HK\$1,397.3 million). Creditor turnover days, which is calculated based on average trade and bills payables balance as at year end divided by cost of sales for the year, times three hundred and sixty five days, for the year ended 31 December 2025 were 28 days (2024: 34 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 2025, the Group invested HK\$33.8 million (2024: HK\$123.8 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. As at 31 December 2025, 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\$271.0 million (31 December 2024: HK\$3,845.6 million) to secure certain borrowings and general banking facilities granted to the Group.

As at 31 December 2025, the Group had no capital commitment in respect of acquisition of property, plant, equipment and additions in construction in progress which are contracted for but not provided (31 December 2024: HK\$68.7 million).

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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 BV'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.

CTHK 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 CTHK 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, CTHK 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 CTHK 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, 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 announcement 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 Forged 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.

EVENTS DURING AND AFTER THE REPORTING PERIOD

Restructuring of the Controlling Shareholders

Reference is made to the announcements of the Company dated 30 December 2021, 7 February 2022, 21 March 2022, 22 April 2022, 22 July 2022, 31 October 2022, 18 November 2022, 23 November 2022, 23 December 2022, 19 January 2023, 17 February 2023, 6 March 2023, 22 November 2023, 22 May 2024, 29 July 2024, 20 August 2024, 23 August 2024, 17 November 2024, 27 January 2025, 21 February 2025, 22 August 2025, 30 June 2026, 22 July 2026 and 29 September 2026 in relation to the restructuring of the Ex-Controlling Shareholders (as defined below) under the supervision of the Fifth Intermediate People's Court of Chongqing City the ("**Chongqing Intermediate Court**") (collectively, the "**Restructuring Announcements**"). Unless otherwise stated, capitalized terms used in this section shall have the same meanings as those defined in the Restructuring Announcements.

As disclosed in the Restructuring Announcements, Loncin Group Co., Limited, Loncin Holdings Co., Limited and USUM Investment Group Limited (the “**Ex-Controlling Shareholders**” or “**Loncin Group**”), which were previous intermediate controlling shareholders of the Company, and ten other companies related to the Loncin Group (together the “**Loncin Restructuring Companies**”) were in the course of implementing the substantive consolidation restructuring (the “**Restructuring**”) plan. Mr. Tu Jianhua, a then Director and a then shareholder of Loncin Group Co., Limited and Loncin Holdings Co., Limited, notified the Company that he commenced lawsuits in the PRC and Hong Kong on 26 December 2024 and 21 January 2025, respectively, against, among the others, the administrators of the Loncin Restructuring Companies (the “**Administrators**”). Mr. Tu applied to withdraw the appeal on 12 January 2026, and the Beijing Third Intermediate People’s Court granted such withdrawal by issuing a final ruling. On 27 January 2026, Mr. Tu and his Respondents filed a joint application with the Hong Kong court for the discontinuance of the Originating Summons, and a court order was obtained on 25 February 2026.

On 20 January 2026, the High Court of Hong Kong ruled that the bankruptcy restructuring in the PRC of the Loncin Group Co., Ltd. and 12 other related companies and the appointment of the Administrators pursuant to the order of the Chongqing Intermediate Court dated 7 February 2022 was to be recognised, and the Administrators have and may exercise in Hong Kong, among other things, the power to take into possession and control the 100% shareholding in USUM Investment Group Hong Kong Limited, the immediate controlling shareholder of the Company.

Based on publicly available information, 100% equity interest in Loncin Group Co., Ltd. was transferred to New Jurong (Chongqing) Information Technology Services Co., Ltd. ((新玖隆(重慶)信息技術服務有限公司)) (“**New Jurong**”) at nil consideration pursuant to the Restructuring plan, and New Jurong has been indirectly interested in 978,383,181 Shares, representing approximately 60.95% of the issued share capital of the Company, since 14 March 2025.

On 17 July 2026, 240,772,843 Shares, representing 15% of the issued share capital of the Company, has been indirectly transferred to National Trust Company Limited (國民信託有限公司) in its capacity as a trustee.

On 20 August 2026, the Chongqing Intermediate Court issued the civil ruling ((2022) 渝05破76號之四十三) (the “**Civil Ruling**”) to bring the substantive consolidation restructuring proceedings of the Loncin Restructuring Companies to an end.

According to the Civil Ruling, the Administrators reported to the Chongqing Intermediate Court that, as at 31 July 2026, all conditions for execution of the Restructuring plan have been satisfied, including distributions to creditors, implementation of the debt settlement arrangements, establishment and implementation of the trust plan, transfer of relevant assets pursuant to the trust plan, and completion of the Restructuring entities' corporate registration changes. On that basis, the Administrators requested confirmation from the Chongqing Intermediate Court that the Restructuring plan had been fully implemented and that the bankruptcy restructuring proceedings be brought to an end.

In the Civil Ruling, the Chongqing Intermediate Court approved the request of the Administrators and ordered that the Restructuring proceedings in respect of the Loncin Restructuring Companies be brought to an end. The Chongqing Intermediate Court further ordered that, as certain creditors' rights remain deposited or held in custody, the Administrators shall continue to perform their supervisory duties in that respect. The Civil Ruling took effect on 20 August 2026.

Considering that the Company is not one of the Loncin Restructuring Companies and is independent from the Controlling Shareholders in respect of business, personnel, assets and finance, the Board is of the view that the conclusion of the Restructuring proceedings has no material adverse impact on the operation and the financial status of the Company.

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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group had a workforce of 75 (31 December 2024: 156) employees. In addition, as at 31 December 2025, we engaged approximately 11 (31 December 2024: 299) workers and office staff through local contractors. We have not experienced any strikes, work suspension or significant labour 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\$60.1 million (2024: HK\$89.3 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 issued a further draft of the forensic investigation report (“**Forensic Investigation Report**”) and internal control review report (“**Internal Control Report**”) 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 2025. The Company did not hold any treasury share during the year ended 31 December 2025.

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 2025 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 2025 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 2025 (2024: 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 2025.

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 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 2025. 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 (*Chairman*)
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.