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CHIHO ENVIRONMENTAL GROUP LIMITED

齊合環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 976)

INSIDE INFORMATION KEY FINDINGS OF THE FORENSIC INVESTIGATION

This announcement is made by Chiho Environmental Group Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated (i) 13 January 2025 in relation to the irregularities of certain non-wholly owned subsidiaries of the Company; (ii) 31 March 2025 in relation to the delay in publication of the announcement in relation to the annual results of the Group for the year ended 31 December 2024, the postponement of the meeting of the board (the “**Board**”) of directors (the “**Directors**”) of the Company and the suspension of trading in the shares of the Company on the Stock Exchange; (iii) 30 April 2025 in relation to, among others, the further delay in publication of the 2024 Annual Results, the delay in despatch of the 2024 annual report; (iv) 9 June 2025 in relation to the key findings of the independent investigation; (v) 30 June 2025 in relation to the resumption guidance and quarterly update on resumption progress; (vi) 15 August 2025 in relation to the establishment of Special Investigation Committee and appointment of PAL Advisory Limited (the “**Former Consultant**”) as the independent forensic investigator and independent internal control consultant; (vii) 21 May 2026 in relation to, among others, change in composition of the Special Investigation Committee; (viii) 29 August 2025 in relation to, amongst others, the delay in publication of the 2025 Interim Results and the dispatch of the 2025 Interim Report; and (ix) 30 September 2025, 31 December 2025, 31 March 2026, 21 May 2026 and 30 June 2026 on the respective quarterly updates and amongst others, the delay in publication of the 2025 Annual Results and dispatch of the 2025 Annual Report; and (x) 16 July 2026 on the engagement of Ernst & Young Advisory Services Limited (the “**Current Consultant**”) as the independent forensic accountant in place of the Former Consultant (collectively, the “**Announcements**”). Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

BACKGROUND

The Irregularities

On 13 January 2025, the Company announced that the Irregularities had been identified in (i) 煙台立衡環保科技有限公司 (Yantai Liheng Environmental Protection Technology Co., Ltd.*) (“**Yantai Liheng**”); (ii) 煙台齊盛石油化工有限公司 (Yantai Qisheng Petrochemical Co., Ltd.*) (“**Yantai Qisheng**”) and (iii) 重慶鑄金環保科技有限公司 (Chongqing Zhujin Environmental Protection Technology Co., Ltd.*) (collectively the “**Subject Group Companies**”). The Subject Group Companies were wholly owned subsidiaries of 綠鑫鉞清潔能源有限公司 (Luxincheng Clean Energy Co., Ltd.*) (“**Luxincheng**”), which is held as to 60% by the Company through its wholly owned subsidiary Jinlian International Group Limited (“**Jinlian International**”), and 40% by 山東大磁場環保工程有限公司 (Shandong Big Magnet Field Environmental Protection Engineering Co., Ltd.*) (“**Shandong Magnet**”), which is held as to 49% by Mr. Li Yuhu (李玉虎) (“**Mr. Li**”) and 51% by Ms. Xu Hui (徐輝) (“**Ms. Xu**”).

The following Irregularities in relation to the Subject Group Companies were revealed:

- (i) between June and July 2024, Yantai Liheng and Yantai Qisheng have advanced the Suspicious Loans from the Banks in the total sum of RMB30 million. The Suspicious Loans were paid to a supplier and a third party, who were believed to be related to or affiliated with Mr. Li and other former employee of the Group. Yantai Liheng and Yantai Qisheng have failed to report and obtain such approval;
- (ii) false filing of the minutes of a shareholders’ meeting of Luxincheng, which was purported to be held on 24 September 2024. It was also suspected that such minutes were forged;
- (iii) Yantai Liheng and its wholly-owned subsidiary incurred abnormal huge loss during the second half of 2024; and
- (iv) Mr. Li alleged that the computers in which the financial information of Yantai Liheng was stored and the financial books and records of Yantai Liheng were confiscated by the tax authority for the purpose of tax audit.

On 3 March 2025, the Company announced that the Subject Group Companies were to be deconsolidated from the Group with effect from 1 September 2024, which is the date the Group lost control over the Subject Group Companies.

The key findings of the independent investigation on the Irregularities led by the Audit Committee and remedial actions taken by the Group were announced on 9 June 2025.

The Resumption Guidance

As disclosed in the announcement of the Company dated 30 June 2025, the Company received a letter from the Stock Exchange setting out the Resumption Guidance for the resumption of trading in the Shares, including but not limited to, the following:

- (i) conduct an independent forensic investigation into the Irregularities and other possible irregularities relating to the Subject Group Companies;
- (ii) assess the impact on the Company's business operations and financial position; and
- (iii) announce the findings of the investigation and take appropriate remedial actions.

In response to the Resumption Guidance, on 15 August 2025, the Special Investigation Committee, comprising the then independent non-executive Directors, was established to oversee an independent forensic investigation into the Irregularities and an independent review of the Group's internal control system. On the same date, the Former Consultant was appointed as the independent forensic investigator and independent internal control consultant. The Former Consultant submitted draft investigation reports to the Stock Exchange on 16 March 2026 and subsequently issued its final forensic investigation report ("**Former Consultant's Investigation Report**") to the Company on 14 May 2026.

Following the change in the composition of the Special Investigation Committee on 21 May 2026 and its review of the Former Consultant's Investigation Report, the Special Investigation Committee noted certain limitations in the independent investigation conducted by the Former Consultant, including the lack of cooperation from certain suspected perpetrators during the investigation. In light of these limitations, the Special Investigation Committee considered it necessary to appoint an independent forensic investigator and internal control consultant with an established network in the PRC to conduct further investigations into the Irregularities (the "**Forensic Investigation**") and a further review of the Company's internal control system. With effect from 16 July 2026, the Current Consultant was appointed by the Special Investigation Committee to replace the Former Consultant as the independent investigator and internal control consultant to conduct an independent investigation into the Irregularities and an independent review of the Company's internal control system.

THE FORENSIC INVESTIGATION

The Current Consultant conducted its investigation and internal control review independently and in accordance with the agreed scope (as set out below). The procedures performed included, among others: (i) interviewing relevant management personnel, employees, former and current directors of the Company; (ii) conducting on-site reviews at relevant subsidiaries to examine accounting records, system controls and supporting documentation for selected transactions; (iii) carrying out visits to relevant PRC tax authorities to independently obtain information concerning the Subject Group Companies; and (iv) collecting and reviewing electronic data from relevant personnel, including individuals beyond those identified by the Former Consultant.

In respect of the electronic data and other materials obtained by the Current Consultant from the Former Consultant through the Company's legal advisers, 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 procedures as outlined in the preceding paragraph. Based on the source data/documents obtained and independent procedures performed, the Current Consultant considers that the pending information from Former Consultant supporting certain observations in the Former Consultant's Investigation Report, including but not limited to, the contents of regular reporting and frequencies by Mr. Li and the finance officer of Yantai Liheng, Mr. Peng Zhenyu (彭振宇) (“**Mr. Peng**”) regarding operations of the Subject Group Companies and the extent of collection effort by one of the former executive directors of the Company towards the overdue Intragroup Loans, would not constitute material impact on the investigation findings.

The Current Consultant has substantially completed the Forensic Investigation and the draft forensic investigation report prepared by the Current Consultant was submitted to the Stock Exchange on 7 September 2026. The Current Consultant submitted an updated draft of the forensic investigation report on 29 September 2026 (“**Forensic Investigation Report**”) to the Special Investigation Committee of the Company.

Scope of the Forensic Investigation

The scope of the Forensic Investigation covered the following matters:

1. Failure of Yantai Liheng to repay approximately RMB66.68 million in overdue principal and accrued interest under intragroup loans due to the wholly-owned subsidiaries of the Company (“**Issue 1**”);
2. Failure of Yantai Liheng to produce its accounting books and records as it is alleged that those accounting books and records were confiscated by the tax authority for the purpose of tax audit, without providing supporting documents substantiating the existence of the tax inspection (“**Issue 2**”);
3. Suspicious bank loans for an aggregate amount of RMB30 million borrowed by Yantai Liheng and its subsidiary, Yantai Qisheng without the Company’s approval (“**Issue 3**”);
4. The abnormal losses in the amount of approximately RMB34.8 million recorded by Yantai Liheng and Yantai Qisheng in the second half of 2024 (“**Issue 4**”); and
5. The forged shareholders’ meeting minutes of Luxincheng purporting to approve changes to its directors and business scope (“**Issue 5**”).

KEY FINDINGS OF THE FORENSIC INVESTIGATION

Key findings of the Forensic Investigation Report are summarised below.

Issue 1: Unrepaid Intra-Group Loans

Background

- As disclosed in the announcement of the Company dated 13 January 2025, the Subject Group Companies’ operation had been largely financed by intra-group loans advanced by other members of the Group to Yantai Liheng (“**Intragroup Loans**”). Some of the Intragroup Loans were guaranteed by Mr. Li. As at 13 January 2025, the outstanding principal and accrued interest under the Intragroup Loans amounted to approximately RMB66.7 million.

Findings

- According to the available records of loan agreements provided by the Company, the Intragroup Loans were advanced pursuant to 25 separate loan agreements entered into between (i) 台州齊合天地鑄造有限公司 (Taizhou Chiho-Tiande Founding Co., Ltd.*) (“**Taizhou Casting**”), (ii) 台州齊合天地金屬有限公司 (Taizhou Chiho-Tiande Metals Co. Ltd*) (“**Taizhou Metals**”), and (iii) Chiho-Tiande (HK) Limited (“**Chiho Tiande**”) as lenders (collectively the “**Lenders**”) and Yantai Liheng as borrower between May 2018 and January 2023, under which the Lenders advanced loan principal of approximately RMB107.93 million to Yantai Liheng, mainly for production operations and equipment upgrades. Approval records could only be located for 15 of these agreements, of which 11 lacked appropriate management-level approval. No approval records could be retrieved for the remaining 10 loan agreements. On the payment side, 16 of the 18 principal drawdowns (totalling approximately RMB104 million) were made without proper approval, and two agreements totalling RMB23 million were split into smaller tranches to fall below the Chief Executive Officer’s approval threshold.
- As at 31 October 2024, all 25 loan agreements had matured. Yantai Liheng had repaid principal of approximately RMB53.97 million and interest of approximately RMB2.01 million, and owed the Lenders a principal of approximately RMB53.29 million and accrued interest of approximately RMB13.39 million, with total outstanding principal and interest of approximately RMB66.68 million. Under one of the agreements involving outstanding loans between Yantai Liheng and Chiho Tiande, Mr. Li as guarantor agreed to assume joint and several liability for 40% of the relevant loan, but the guarantee period expired on 27 May 2024.
- In June and August 2023, certain former Directors and senior management of the Company were reminded by the then Group Finance Manager of the accrued outstanding balance of the Intragroup Loans. In November and December 2024, demand letters were sent to Yantai Liheng for repayment of the outstanding Intragroup Loans, but no response was received. In April 2025, Taizhou Metals commenced arbitration proceedings before the Yantai Arbitration Commission in respect of one outstanding loan to Yantai Liheng, and two hearings were held in May and August 2026.

Issue 2: Unsubstantiated Tax Audit Claim

Background

- In or around December 2024, during the former investigation into the affairs of Yantai Liheng, Mr. Li alleged that, since September 2024, the computers containing the financial information of Yantai Liheng and the financial books and records of Yantai Liheng had been confiscated by the tax authority for the purpose of tax audit. Yantai Liheng and Mr. Li failed to provide to the Group the notice of tax audit issued by the relevant tax authority or a list of properties confiscated by the tax authority to support the authenticity of the alleged tax audit.

Findings

- The Current Consultant visited the competent tax authorities for Yantai Liheng, namely the Yantai Economic and Technological Development Zone Tax Bureau of the State Taxation Administration and the Inspection Bureau of the Yantai Municipal Tax Bureau of the State Taxation Administration, on 5 August 2026 and was informed that Yantai Liheng had been subject to only one tax audit in February 2021, which was closed in March 2021, and that Yantai Qisheng had not been subject to any tax audit since 2000. The tax bureau also confirmed that if an enterprise is not currently subject to a tax inspection case, it will not seize the enterprise's financial books or accounting computers; and if the tax authorities do retrieve an enterprise's accounting records, they will issue the enterprise with a corresponding notice and a detailed inventory of the materials taken.
- The Forensic Investigation Report therefore concluded that Yantai Liheng's stated reason for withholding financial books and records is inconsistent with the information provided by the tax authorities.

Issue 3: Suspicious Bank Loans and Potential Related-Party Fund Flows

Background

- As disclosed in the Company's announcement dated 13 January 2025, between June and July 2024, Yantai Liheng and Yantai Qisheng advanced loans (the "**Suspicious Loans**") from two banks (the "**Banks**") in the total sum of RMB30 million for purported procurement of raw materials. Upon preliminary investigation by the Company, it was revealed that the Suspicious Loans were paid to a supplier and a third party, who were believed to be related to or affiliated with Mr. Li and another former employee of the Group. Under the internal control menu of the Group, any external financing (e.g. bank borrowings) made by a subsidiary of the Group, regardless of the amount, require approval from the financial controller of the Group. Based on the records available to the Company, Yantai Liheng and Yantai Qisheng did not appear to have reported to nor obtained such approval from the Group in respect of the Suspicious Loans.

Findings

- According to the bank loan agreements provided by the Company, between June and July 2024, Yantai Liheng and Yantai Qisheng entered into three bank loan agreements with two Banks. Each loan agreement had a principal amount of RMB10 million, resulting in an aggregate borrowing amount of RMB30 million. Under all three loan agreements, the loan proceeds were designated for the procurement of raw materials.
- According to Yantai Liheng's cash flow statement reported to the Group Finance Department by Mr. Peng on 29 July 2024, the Suspicious Loans comprise three bank facilities advanced by two Banks, two of which matured on 10 June 2025 and the remaining loan is due to mature on 19 July 2027. Since the Group did not possess the company chop of Yantai Liheng and Yantai Qisheng, without the authorisation from the respective legal representative, the Current Consultant was unable to obtain the repayment record from the Banks. Given that the Company has lost the effective control over Yantai Liheng and its subsidiary Yantai Qisheng since 1 September 2024, it is unclear whether the matured loans have been repaid. For the RMB10 million loan advanced to Yantai Qisheng that is due to mature on 19 July 2027, Yantai Liheng, Ms. Xu Hui (徐輝) ("**Ms. Xu**") and Mr. Jing Fuguo (荆付國) have provided joint and several guarantees for this facility.

- Under the Group’s internal delegated authority policy, external financing obtained by a Group subsidiary required approval from the relevant management personnel at both the entity and Group levels. However, none of the three bank loan agreements was approved in accordance with the Group’s relevant internal approval procedures. The Group Finance Department also stated that Yantai Liheng and Yantai Qisheng had not reported these financing activities prior to arranging and drawing down the bank loans. The Group did not become aware of the Suspicious Loans until 29 July 2024 when Mr. Peng reported the cash flow statement of Yantai Liheng to the Group Finance Department.
- Around the time when entering into the Suspicious Loans, Yantai Liheng and Yantai Qisheng entered into purchase contracts with potential related parties, namely 煙台匯星環保工程有限公司 (Yantai Huixing Environmental Engineering Co., Ltd.*) (“**Yantai Huixing**”) and 煙台立赫環保科技有限公司 (Yantai Lihe Environmental Protection Technology Co., Ltd.*) (“**Yantai Lihe**”). For details regarding the potential related parties, please refer to the section headed “Other Findings” in this announcement. Under entrusted payment arrangements, the banks remitted Yantai Liheng’s RMB10 million loan to Yantai Huixing and Yantai Qisheng’s RMB20 million loans to Yantai Lihe as payments for purchases. According to the WeChat communications between Mr. Peng and the then Group Financial Controller, the RMB30 million loan proceeds were then intended to be routed back to Yantai Liheng and Yantai Qisheng through “suitable companies” in the form of advance payments. According to the journal entries of Yantai Liheng and Yantai Qisheng, in conjunction with the bank slips provided by Mr. Peng to the then Group Financial Controller, during the period from 30 July to 13 August 2024, RMB6.3 million and RMB3.7 million were routed back to Yantai Liheng via Yantai Lihe and Yantai Huixing respectively, and RMB20 million was routed back to Yantai Qisheng by 青島潤宏達環保工程有限公司 (Qingdao Runhongda Environmental Engineering Co., Ltd.*) (“**Qingdao Runhongda**”), another potential related party. Based on the journal entries reviewed by the Current Consultant, between 30 July 2024 and 31 August 2024 approximately RMB32.07 million of a total outflow of about RMB44.34 million was remitted to the potential related party Yantai Lihe as payment for goods.
- At the relevant time when entering into the Suspicious Loans, Ms. Xu was the director and the legal representative of the two borrowers, namely Yantai Liheng and Yantai Qisheng. According to the public records, Ms. Xu has been the director and legal representative of Yantai Liheng since 10 January 2024, and has been the director and the legal representative of Yantai Qisheng since 9 September 2022.

- The Current Consultant was unable to obtain the relevant bank statements of Yantai Liheng and Yantai Qisheng, and the RMB30 million that was subsequently routed back was commingled with other inflows/outflows in the relevant bank accounts, so the specific amount ultimately paid to Yantai Lihe could not be precisely identified. However, based on its fund-flow analysis, the Current Consultant considered it likely that all or most of the Suspicious Loans were ultimately remitted to the potential related party Yantai Lihe by Yantai Liheng and Yantai Qisheng.

Issue 4: Abnormal Losses in the Second Half of 2024

Background

- As disclosed in the Company's announcement dated 13 January 2025, during the second half of 2024, Yantai Liheng and its wholly-owned subsidiary incurred abnormal huge loss of approximately RMB34.8 million in aggregate (subject to verification and adjustments), which was more than 2 times of its loss recorded for the year ended 31 December 2023. Yantai Liheng and Mr. Li alleged that such loss was caused by decrease in gross profit margin during the relevant period.

Findings

- Yantai Liheng and Yantai Qisheng recorded aggregate losses of approximately RMB34.76 million in July and August 2024 alone, representing 99.65% of the Subject Group Companies' total losses for that period. Average monthly losses in July and August 2024 surged to approximately RMB17.38 million, representing increases of approximately 1,382% and 980% compared to the average monthly losses in 2023 and January to June 2024, respectively.
- The Current Consultant found that these losses were principally attributable to the retrospective recording of revenue and costs relating to previously unrecorded sales, for which value-added-tax (VAT) invoices had not yet been issued at the time of sale. From March to August 2024, Yantai Liheng and Yantai Qisheng retrospectively recorded aggregate revenue of approximately RMB38.96 million against costs of approximately RMB77.57 million, resulting in losses of approximately RMB38.61 million; of this, approximately RMB27.69 million in revenue and RMB62.50 million in costs (resulting in losses of approximately RMB34.81 million) related to entries made in July and August 2024 alone, involving four customers including Yantai Huixing and Qingdao Runhongda, potential related parties.

- The average loss per tonne on the belatedly invoiced sales for the period from March to August 2024 was markedly higher than on the previously uninvoiced sales, and the Current Consultant was unable to verify whether the products covered by the belated invoices matched the earlier uninvoiced sales, or whether the related costs were accurate, due to the limitation arising from the lack of access to the transaction-level details.
- Of the approximately RMB31.29 million of invoices issued between July and August 2024 (comprising revenue and VAT), the Current Consultant was able to identify corresponding receipt records for only about RMB14.17 million based on the journal entries; no matching receipt records could be found for the remaining approximately RMB17.12 million. Notably, a RMB3.70 million receipt recorded on 13 August 2024 as payment for goods from Yantai Huixing was also identified as part of the bank loan proceeds routed back by Yantai Huixing to Yantai Liheng under Issue 3 above.
- According to interviews conducted by the Current Consultant, former executive Director Mr. Yao Jietian (姚杰天) (“**Mr. Yao**”) first became aware of Yantai Liheng’s practice of recognising revenue based on only invoices, through an auditor’s management letter in April 2023. He subsequently received emails from former Group Finance Manager Wu Xiaodong (吳曉東) in May and June 2023 regarding the irregularities relating Yanti Liheng, and Mr. Yao claimed that he instructed a risk assessment to be conducted and reported the same to the then Board and proposed the closure of Yantai Liheng to Mr. Qin Yongming (秦永明), then executive Director and chairman of the Board on 27 June 2023 but did not retain any meeting records. However, the Current Consultant did not find any record of the matter being discussed in the minutes of any board minutes from 2023 to 2025 provided for the Current Consultant’s review.

Based on the electronic data reviewed by the Current Consultant, after Mr. Yao submitted the proposal of the closure of Yantai Liheng to Mr. Qin Yongming who replied that further discussion with Mr. Tu Jianhua (涂建華) (“**Mr. Tu**”), the former executive Director of the Company, there appears to be no further follow-up discussions could be identified in respect of this matter after the aforementioned email exchange between Mr. Yao and Mr. Qin Yongming.

- The proposed closure of Yantai Liheng was ultimately not pursued.

Issue 5: Suspected Forged Shareholders' and Board Resolutions

Background

- As disclosed in the Company's announcement dated 13 January 2025, Luxincheng convened a shareholders' meeting on 24 September 2024 to approve the change of directors and business scope. The minutes filed with the relevant government authorities bore the chop of what appeared to be that of Jinlian International and the signature of Mr. Tu, the then executive Director. However, neither Jinlian International had attended that meeting nor affixed its chop, nor Mr. Tu had seen or signed such document. Therefore, such shareholders' meeting minutes were forged.

Findings

- Between August to October 2024, Ms. Sun Aijuan (孫愛娟) ("**Ms. Sun**"), then Group Legal Manager, had discussions with Mr. Li and the director of the Audit Department of Yantai Liheng Mr. Song Shuang (宋雙) ("**Mr. Song**") regarding certain proposed changes to Luxincheng's corporate registrations:
 - (i) replacing the Group's two nominated directors of Luxincheng, Mr. Qin Siji (覃四季) ("**Mr. Qin**") and Mr. Tu, with Ms. Xu and Mr. Ye Min (葉敏) ("**Mr. Ye**"), resulting in a board comprising Mr. Li, Ms. Xu and Mr. Ye (being the only one director nominated by the Group at the level of Luxincheng after the change);
 - (ii) changing the legal representative of Luxincheng from Mr. Qin to Ms. Xu; and
 - (iii) amending the articles of association, including the introduction of director veto rights in respect of certain investment decisions, disposals of assets, guarantees and financing arrangements (the "**Veto Rights**").
- During her interview, Ms. Sun stated that the proposed corporate registration changes had been instructed by then executive Director, Mr. Yao.

- The proposed changes would have removed the Group's previously two nominated representatives, namely Mr. Qin and Mr. Tu, from Luxincheng's board and replaced them with Ms. Xu, a 51% shareholder of Shandong Magnet, and Mr. Ye, the current public relations department manager of Taizhou Metals and an employee of the Group. In addition, Ms. Xu would replace Mr. Qin as Luxincheng's legal representative. Ms. Xu had also served as the legal representative of Yantai Liheng and Yantai Qisheng since January 2024 and September 2022, respectively. Although Ms. Xu held a 51% shareholding interest in Shandong Magnet, she did not appear to be an employee of the Group. Based on the records available, the Current Consultant was unable to identify any Company-issued computer or corporate email account assigned to Ms. Xu.
- On 8 October 2024 and 23 December 2024, Luxincheng completed two sets of registration changes with the PRC authorities, altering its directors, legal representative, business scope and articles of association. While the personnel changes requested by Ms. Sun were implemented, the proposed Veto Rights were not incorporated into the amended articles of associations. Instead, a number of other amendments that had not been approved by Jinlian International or the Company were made to the articles of association of Luxincheng. The changes included, among others:
 - (i) replacing the authority 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.
- Based on the review of the relevant records and the electronic data, no application or approval records could be identified relating to the use of the official chop of Jinlian International nor any communication records with Mr. Tu, a former executive Director of the Company, regarding the above proposed corporate registration changes to Luxincheng.

- It was further noted that Mr. Ye, the current public relations department manager of Taizhou Metals and who was nominated as one of the new directors of Luxincheng, was named as attending the 24 September 2024 board meeting of Luxincheng. Mr. Ye denied attending that meeting or signing the corresponding board resolution.
- On 22 April 2025, Jinlian International brought a civil action with the People’s Court of Chongqing Liangjiang New Area (重慶市兩江新區人民法院) seeking to annul the resolution of the shareholders’ meetings held on 26 February 2025 prepared by Luxincheng’s chairman, Ms. Xu, 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 August 2026, the Yantai court had referred the matter for further designation of the competent court, and the case had not yet been heard.

Other Findings

Analysis of related party relationships

- The Forensic Investigation Report noted the five entities with potential related-party relationships to the Subject Group Companies: (i) Yantai Lihe; (ii) Yantai Huixing; (iii) Qingdao Runhongda; (iv) 煙台新納福環保科技有限公司 (Yantai Xinnafu Environmental Protection Technology Co., Ltd.*) (“**Yantai Xinnafu**”); and (v) 優晟澤投資發展(山東)有限公司 (Youshengze Investment Development (Shandong) Co., Ltd.*) (“**Youshengze**”), based on overlapping personnel serving as shareholders, legal representatives, directors or supervisors of both the Subject Group Companies and the relevant counterparties, and overlapping contact numbers and registered addresses. One of the overlapping personnel Mr. He Guochu (何國楚) (“**Mr. He**”), is the specialist of Goods & Material Department of Yantai Qisheng, serving as former supervisor of Yantai Lihe and current supervisor of Youshengze, director and legal representative of Yantai Huixing, and current supervisor and shareholder of Yantai Xinnafu.
- Based on an employee list for Yantai Liheng and Yantai Qisheng, the Current Consultant identified that the residential addresses of Mr. He and Mr. Li located in the same building. The list described Mr. He as a “leader’s family member” without specifying which leader he was related to.

- In an interview with Mr. Yao, the then executive Director, Mr. Yao stated that he was unfamiliar with Mr. He and was unaware of any relationship between Mr. He and Mr. Li. He further recalled hearing that a relative of Mr. Li had worked for the Subject Group Companies, but did not know the individual's identity. According to Mr. Yao, Mr. Li had never formally disclosed to the Group that any of his relatives were employed by the Subject Group Companies.
- Of the five potential related parties identified: (1) Yantai Lihe was the largest supplier of waste mineral oil of the Subject Group Companies; (2) The Subject Group Companies supplied lubricating oil to Yantai Huixing; (3) Qingdao Runhongda was both a customer and a supplier of the Subject Group Companies, and (4) Yantai Xinnaifu was the transferee of the 100% interest in Yantai Qisheng in respect of the unauthorised disposal by Yantai Liheng on 14 July 2026 as further discussed below.

Unauthorised Disposal of Yantai Qisheng to Third Party

- On 14 July 2026, the registered shareholder of Yantai Qisheng was changed from Yantai Liheng (100%) to Yantai Xinnaifu. Yantai Xinnaifu may be a potential related party of Mr. Li's network based on overlapping personnel with Yantai Lihe. The Company only became aware of the aforementioned change of registered shareholder of Yantai Qisheng through the public records available in August 2026.
- According to the Group's internal control menu then applicable to Luxincheng, the change of legal structure of subsidiary (including increasing or decreasing capital) is subject to the review of vice general manager, general manager and the approval of board of Luxincheng. However, the Current Consultant was not able to confirm whether the change of shareholder of Yantai Qisheng in fact underwent the approval procedures required under the Group's policy, as the Current Consultant was unable to obtain the Subject Group Companies' offline approval records, was unable to access the Subject Group Companies' office automation system to review any approval records that may exist there, and was unable to make effective contact with Mr. Li and his team, who are the primary managers of Luxincheng and its subsidiaries.
- Based on the records maintained by the Company, the change in shareholding of Yantai Qisheng did not undergo any approval in accordance with the prescribed approval procedures.
- The Current Consultant was also unable to obtain the financial information (including the most recent audited accounts or interim report figures) needed to calculate the relevant percentage ratios under Chapter 14 of the Listing Rules to determine the transaction's classification, again due to Mr. Li's non-cooperation.

KEY LIMITATIONS OF THE INVESTIGATIONS

The findings of the Forensic Investigation Report were subject to certain limitations beyond the Company's control. The key limitations include, but are not limited to, the following:

- (i) the Current Consultant could not conduct forensic examination of the electronic devices of nine former executive Directors of the Company and several other former employees (including Mr. Li, Mr. Song, Ms. Xu, Mr. Peng and Mr. Ye), due to absent device records, unreturned equipment, lack of cooperation, or technical barriers such as a lost BitLocker password;
- (ii) server email, OneDrive cloud storage and mobile phone forensics were incomplete for a number of individuals, either because no corporate accounts/devices had been issued to them or because their account data had already been deleted. According to the Company, no corporate mobile phone was assigned to directors or employees by the Company;
- (iii) the Current Consultant was unable to obtain interviews with several key current and former personnel, including Mr. Li, Mr. Song, Mr. Peng, Mr. Tu and Mr. Qin Yongming, due to non-response, disconnected phone numbers, or unavailable contact details;
- (iv) following the Group's deconsolidation of the Subject Group Companies from 1 September 2024, the Current Consultant could only obtain financial data and management reports up to August 2024, and could not obtain data for September to December 2024;
- (v) the Current Consultant could not obtain the Subject Group Companies' detailed procurement/sales data, full bank statement transaction flows, or accounting vouchers and supporting documents for the review period, limiting verification of transaction authenticity;
- (vi) the Current Consultant could not obtain the Subject Group Companies' standalone audit reports for 2023 and 2024. The Company had requested the Subject Group Companies to provide the relevant standalone audit report but the Subject Group Companies did not respond to the request; and
- (vii) the Current Consultant had no access to the Subject Group Companies' independent office automation system and could not identify any online approval records relating to them within the Group's own systems.

VIEWS OF THE SPECIAL INVESTIGATION COMMITTEE

The Special Investigation Committee will separately disclose their views and recommendations to the Board upon the finalization of the Forensic Investigation Report.

INTERNAL CONTROL

In relation to the Irregularities, the Company has also engaged the Current Consultant to conduct an independent review of the Group's internal control system (the “**Internal Control Review**”). The Current Consultant has substantially completed the Internal Control Review. For details of the findings of the Internal Control Review, please refer to the separate announcement of the Company dated 30 September 2026.

In the event there are material updates after the publication of this announcement, the Company will make further announcement(s) upon the completion of the Forensic Investigation, as and when appropriate, in compliance with the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the Company's shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2025, and will remain suspended until further notice pending the fulfilment of the Resumption Guidance. Further announcement(s) will be made by the Company as and when appropriate and in compliance with the requirements under the Listing Rules.

By Order of the Board
Chiho Environmental Group Limited
Fu Tao
Chairman and Executive Director

Hong Kong, 30 September 2026

* *For identification purpose only*

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