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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)

**SUPPLEMENTAL
ANNOUNCEMENT IN RELATION TO
UNAUDITED ANNUAL RESULTS
FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2025**

Reference is made to the announcements of Chiho Environmental Group Limited (the **“Company”** together with its subsidiaries, the **“Group”**) dated 30 September 2026 on the unaudited annual results of the Company for the years ended 31 December 2024 (the **“FY24 Unaudited Results Announcement”**) and 2025 (the **“FY25 Unaudited Results Announcement”**) (collectively **“Unaudited Annual Results Announcements”**), and the audited annual results for the years ended 31 December 2024 (the **“FY24 Audited Results Announcement”**) and 2025 (the **“FY25 Audited Results Announcement”**) (collectively, **“Audited Annual Results Announcements”**). Capitalised terms used in this announcement have the same meanings as those defined in the Unaudited Annual Results Announcements unless defined otherwise herein.

The board (**“Board”**) of directors of the Company (the **“Directors”**) is pleased to announce that the audit of the annual results of the Group for the years ended 31 December 2024 and 2025 have been completed. As certain adjustments and re-classification have been made to the Group’s unaudited annual results as contained in the Unaudited Annual Results Announcements, the differences between the unaudited annual results and the audited annual results contained in the Audited Annual Results Announcement are set out in the section headed **“MATERIAL DIFFERENCES BETWEEN THE UNAUDITED ANNUAL RESULTS AND AUDITED ANNUAL RESULTS”** in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **“Listing Rules”**).

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

The audit of the Group's annual results had not been completed as at the date of publication of the Unaudited Annual Results Announcements. Following completion of the audit, certain adjustments and re-classification have been made to the Group's unaudited annual results contained in the Unaudited Annual Results Announcements. Shareholders and potential investors of the Company are advised to note the differences between those unaudited annual results and the audited annual results contained in the Audited Annual Results Announcement. Details of, and reasons for, the material differences are set out below. The amendments to the notes to the consolidated financial statements are also set out below, with the changes shown in bold and underlined.

FY24 Unaudited Results Announcement

- 1 Note 2. Basis of Preparation (continued) (page 8 of FY24 Unaudited Results Announcement)

2.1 Going concern basis

As set out in Capital Commitment and Contingent Liabilities, receivers and managers were appointed by the lender over the shares of certain wholly owned subsidiaries of the Group which held the interests of Scholz Holding GmbH, Scholz Recycling GmbH and their subsidiaries (the “**Scholz Group**”) in May 2025 as a result of the default of Syndicated Term Loan. Following their appointment, the receivers appointed a majority of the directors to the boards of CRD, CRIH and CTRL. Accordingly, the Company was therefore unable to exercise control over CRD, CRIH and CTRL, and lost its ability to influence the affairs of the Scholz Group through its interests in CRD and CRIH with effect from 14 May 2025, and therefore determined that the Scholz Group should be deconsolidated from the Group from that date. As a result, the Group's operations have been significantly reduced and are limited to its remaining metal recycling operations in Asia. Furthermore, in July 2026, the receivers completed the disposal of the Scholz Group for proceeds sufficient to settle the Group's obligations under Syndicated Term Loan in full. The Shares Charges were subsequently released and the receivers remitted net sale proceeds of approximately US\$334.2 million (equivalent to HK\$2,601 million) in September 2026.

2. Note 3 (Segment Information) (page 11 of FY24 Results Announcements)

	For the year ended 31 December 2023 (Restated)					
	Continuing operations					Discontinued operation
	Asia	Europe	Other	Unallocated	Total	Asia
	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>
Revenue						
Total segment revenue	1,564.3	14,960.9	4.1	–	16,529.3	155.6
Inter-segment sales	–	(205.1)	–	–	(205.1)	–
External sales	1,564.3	14,755.8	4.1	–	16,324.2	155.6
Segment (loss)/profit	(124.5)	309.9	(9.0)	4.3	180.7	(4.7)

3 Note 11 Borrowings (continued) (page 20 of FY24 Results Announcement)

Note i:

As at 31 December 2024, the Group had aggregate facilities of approximately HK\$3,216.4 million (2023: HK\$3,379.4 million) for loans, factoring and guarantees. Unused facilities as at the same date amounted to approximately HK\$1,113.6 million (2023: HK\$1,207.0 million) which were unutilised facilities. These facilities are secured/guaranteed by certain properties, plant and equipment, right-of-use assets, investment properties, inventories, trade receivables and bank deposits with an aggregate amount of **HK\$3,841.9** million (2023: HK\$4,418.6 million)

4 Management Discussion and Analysis – Business Review (page 25 of FY24 Results Announcement)

Europe

The Company benefited from its position on the market as a key competitor within the region as well as the high scrap prices during the period, which contributed to the profitability of the European segment. Segment profit for the year was **HK\$141.6** million (2023: **HK\$309.9** million), decreased by **54.3%** as compared to last year.

Asia

The gross profit was HK\$26.4 million and gross profit margin was 1.8% for the year, whereas the segment gross profit HK\$23.1 million and segment gross profit margin 1.5% in 2023. Segment loss was HK\$79.6 million as compared to segment loss HK\$124.5 million in 2023.

5 Capital Commitments and Contingent Liabilities (page 30 of FY24 Results Announcement)

As at 31 December 2024, the Group had pledged certain property, plant and equipment, right-of-use assets, investment properties, inventories, trade receivables and bank deposits with an aggregate carrying value of approximately HK\$3,841.9 million (31 December 2023: HK\$4,418.6 million) to secure certain borrowings and general banking facilities granted to the Group.

6 Disclosure Pursuant to Rules 13.19 and 13.21 of the Listing Rules (page 34 of FY24 Results Announcement)

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\$334.2 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.

FY25 Unaudited Results Announcement

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (EXTRACTED)

For the year ended 31 December 2025

	2025 <i>HK\$'M</i> (Disclosed in the FY25 Unaudited Results Announcement)	2025 <i>HK\$'M</i> (Disclosed in FY25 Audited Results Announcement)	Difference <i>HK\$'M</i>	<i>Notes</i>
Other (losses)/gains, net	(17.4)	(14.9)	2.5	<i>i</i>
Provision for impairments on financial assets, net	(0.4)	–	0.4	<i>ii</i>
Administrative expenses	(167.9)	(184.5)	(16.6)	<i>iii</i>
	(148.2)	(161.9)	(13.7)	<i>a</i>
Loss from continuing operations	(257.3)	(271.0)	(13.7)	<i>a</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 HK\$'M (Disclosed in the FY25 Unaudited Results Announcement)	2025 HK\$'M (Disclosed in the FY25 Audited Results Announcement)	Difference HK\$'M	Notes
Discontinued operation				
Loss from discontinued operation (Extracted)	<u>(1,267.3)</u>	<u>(1,220.3)</u>	<u>47.0</u>	<i>iv</i>
Other comprehensive (loss)/ income (Extracted)				
<i>Items that may be reclassified to profit or loss:</i>				
Currency translation differences on foreign operations	153.7	124.0	(50.7)	<i>iv & v</i>
<i>Items that will not be reclassified to profit or loss:</i>				
Transfer arising from de-consolidation of subsidiaries	–	1.0	1.0	<i>iv</i>
Other comprehensive (loss)/ income for the year, net of tax	<u>153.7</u>	<u>125.0</u>	<u>(28.7)</u>	
Total comprehensive (loss)/ income for the year	<u><u>(1,370.9)</u></u>	<u><u>(1,366.3)</u></u>	<u><u>4.6</u></u>	<i>b</i>

CONSOLIDATED BALANCE SHEET

As at 31 December 2025

	2025 HK\$'M (Disclosed in the FY25 Unaudited Results Announcement)	2025 HK\$'M (Disclosed in the FY25 Audited Results Announcement)	Difference HK\$'M	Notes
Current assets (Extracted)				
Trade, bills and other receivables	129.9	113.4	(16.5)	iii
Total assets	5,001.4	4,984.9	(16.5)	
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company (Extracted)				
Other reserves	6,309.5	6,344.1	34.6	iv
Accumulated losses	(3,240.7)	(3,291.7)	(51.0)	iv
	3,084.9	3,068.5	(16.4)	
Non-controlling interests	(65.5)	(65.5)	–	
Total equity	3,019.4	3,003.0	(16.4)	

Notes:

- (i) The reduction of other loss is primarily due to increase in exchange gain arising from capital reduction of a subsidiary in Asia and various adjustments relating to foreign currency translation reserve.
- (ii) The amount is reclassified under “Other loss/(gain), net” above.
- (iii) The increase in administrative expenses is due to provision made for other receivables in relation to legal and professional fee incurred for Delco Hong Kong Proceedings as set out in the section headed “Capital Commitment and Contingent Liabilities” of the FY25 Unaudited Results Announcement.
- (iv) The changes are primarily due to adjustments and reclassification of foreign currency translation reserve movement to loss on discontinued operations arising from de-consolidation of Scholz Group.
- (v) The currency translation difference on foreign operations shown in the FY25 Unaudited Results Announcement should be HK\$174.7 million, which was understated by HK\$21 million. The difference of HK\$50.7 million has been taken into account of this impact.
- (a) Reasons for the difference are disclosed in notes (i) to (iii) above.
- (b) Reasons for the difference are disclosed in notes (i) to (iv) above.

7. Note 2 (Basis of Preparation – Going Concern Basis) (page 9 of FY25 Unaudited Results Announcement)

2 BASIS OF PREPARATION (Continued)

2.1 *Going concern basis*

The Group reported a loss attributable to Shareholders of the Company loss of HK\$1,527.01, 1,493.7 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.~~ Upon appointment of the receivers and managers, the Group involuntarily lost control of the Scholz Group. 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, 334.2 million (equivalent to HK\$2,601 million) in September 2026.

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.

Upon appointment of receivers and managers on 14 May 2025 over the shares of certain wholly-owned subsidiaries of the Group with held the interests of the Scholz Group, the
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 operations Europe HK\$M
Revenue		
Total segment revenue	992.4	5,046.3
Inter-segment sales	—	—
External sales	992.4	5,046.3
Segment loss	(161.9)	(1,204.3)
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	(269.3)	(1,202.9)
Income tax expense	(1.7)	(17.4)
Loss for the year	(271.0)	(1,220.3)
Depreciation and amortisation expenses	27.1	97.8
Fair value loss on trading derivative financial instruments (<i>Note</i>)	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 operations		
	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>19.4</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	73.8
(Loss)/profit before income tax					(187.3)	(158.2)	144.4	(13.8)
Income tax expense					(1.2)	–	(31.8)	(31.8)
(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	Europe	Total	Asia	Europe	Other	Total
	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>
Segment assets	<u>1,575.0</u>	<u>3,305.1</u>	<u>4,880.1</u>	904.3	6,324.2	2.1	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><u>4,984.9</u></u>				<u><u>7,870.4</u></u>

9. Note 4 (Other Gains, Net and Impairments on Non-Financial Assets) (page 16 of FY25 Unaudited Results Announcement)

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	<u>(1.0)</u>	<u>14.3</u>
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>Other</u>	<u>0.4</u>	<u>–</u>
	<u><u>(24.0)</u></u>	<u><u>(3.0)</u></u>

10. Note 5 (Expenses By Nature) (page 17 of FY25 Unaudited Results Announcement)

5 EXPENSES BY NATURE

	2025 HK\$M	2024 <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	<u>70.6</u>	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	<u>35.9</u>	<u>50.9</u>
 Total cost of sales, distribution and selling expenses and administrative expenses	 <u><u>1,145.3</u></u>	 <u>1,513.6</u>

11. Note 7 (Income Tax Expense) (page 19 of FY25 Unaudited Results Announcement)

7 INCOME TAX EXPENSE (Continued)

	2025 HK\$M	2024 <i>HK\$M</i> (Restated)
Continuing operations		
Current income tax ~~credit/(expense)~~ <u>expense</u> :		
Hong Kong	<u>(1.0)</u>	(0.4)
PRC	<u>(1.0)</u>	(1.5)
	<u>(2.0)</u>	(1.9)
Deferred income tax ~~(expense)/(credit)~~ <u>credit</u>	<u>0.3</u>	0.7
Income tax expense	<u><u>(1.7)</u></u>	<u><u>(1.2)</u></u>

12. Note 9 (Loss Per Share) (page 20 of FY25 Unaudited Results Announcement)

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	2024
	HK\$M	HK\$M
		(Restated)
Loss		
Loss for the year attributable to shareholders of the Company		
– from continuing operations	<u>(273.4)</u>	(177.5)
– from discontinued operations	<u>(1,220.3)</u>	(26.8)
	<u><u>(1,493.7)</u></u>	<u><u>(204.3)</u></u>
Total loss attributable to shareholders of the Company		
	<u><u>(1,493.7)</u></u>	<u><u>(204.3)</u></u>
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	<u><u>1,605,152</u></u>	<u><u>1,605,152</u></u>
Basic loss per share for loss (expressed in HK\$)		
– from continuing operations	<u>(0.17)</u>	(0.11)
– from discontinued operations	<u>(0.76)</u>	(0.02)
Basic loss per share attributable to shareholders of the Company for the year (expressed in HK\$)		
	<u><u>(0.93)</u></u>	<u><u>(0.13)</u></u>

(b) Diluted

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

13. Note 11 (Trade, Bills and Other Receivables) (page 22 of FY25 Unaudited Results Announcement)

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>58.6</u>	<u>82.1</u>
	<u>114.5</u>	1,541.8
Less: non-current portion		
Other deposits and receivables	<u>(1.1)</u>	<u>(5.2)</u>
	<u><u>113.4</u></u>	<u><u>1,536.6</u></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.

14. Note 12 (Borrowings) (page 24-25 of FY25 Results Announcement)

12 BORROWINGS

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\$267.2258.2 million (2024: HK\$3,845.63,841.9 million).

12 BORROWINGS (Continued)

Note i:

Other Borrowings consisted of a Syndicated Term Loan which was **in default since 30 March 2024. The loan** 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.

15. Note 13 (Trade and Other Payables) (page 26 of FY25 Unaudited Results Announcement)

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 <i>HK\$M</i>	2024 <i>HK\$M</i>
Trade payables	73.8	1,397.3
Other taxes payable	6.2	24.7
Accrued salaries and employee benefits	21.6	100.3
Accrued professional expenses	49.0	20.5
Interest payable		
– Default interest payable for Syndicated Term Loan	164.2	59.5
– Others	–	7.9
Other payables and accruals	49.3	120.3
	364.1	1,730.5
Less: non-current portion		
Other payables	–	(28.0)
	364.1	1,702.5

16. Note 14 (Discontinued Operations) (page 27-30 of FY25 Unaudited Results Announcement)

14 DISCONTINUED OPERATIONS

(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.~~ **therefore lost control over the Scholz Group with effect from 14 May 2025.** The Board therefore determined that the Scholz Group should be de-consolidated from the Group from that date.

Upon de-consolidation, the **fair** value of the net assets of the Scholz Group and CRD, CRIH and CTRL as at 14 May 2025, HK\$**3,175.0** million and HK\$833.8 million, respectively. **Together with a fair value gain of HK\$116.9 million resulting from foreign currency revaluation,** a total **amount** of HK\$**4,125.7** 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 **both** 14 May 2025 and 31 December 2025 respectively and recorded a loss of HK\$1,537.7 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 **gain from release of currency translation difference of the Scholz Group, CRD, CRIH and CTRL at HK\$144.9 million, and** 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.

14 DISCONTINUED OPERATIONS (Continued)
(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 ~~costs~~ – 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, CRD, CRIH and CTRL	<u>(1,537.7)</u>	–
Currency translation differences of Scholz Group, CRD, CRIH and CTRL	144.9	–
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>(1,220.3)</u>	<u>112.6</u>
Loss from discontinued operations attributable to:		
– Shareholders of the Company	(1,220.3)	112.6
– Non-controlling interests	<u>–</u>	<u>–</u>

	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	<u>229.9</u>	–	<u>229.9</u>
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	<u>–</u>	<u>920.0</u>	<u>920.0</u>
Total assets	<u>7,835.2</u>	<u>920.0</u>	<u>8,755.2</u>

	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 <u>fellow</u> subsidiaries	–	(86.2)	(86.2)
Total liabilities	(3,115.4)	(86.2)	(3,201.6)
Net assets presented as financial assets at fair value	4,719.8	833.8	5,553.6
Net assets	4,719.8	833.8	5,553.6
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	1,537.7	–	1,537.7

The net assets of CRD, CRIH and CTRL consisted of balances with the Company's subsidiaries.

Subsequent to year end, i.e. on 3 September 2026, the Share Charges related to CRD, CRIH and CTRL were released and the Company regained control over the shares of CRD, CRIH and CTRL and consolidated these accounts thereafter. Balances due from/to the Company's subsidiaries on the books of these companies would then be eliminated upon consolidation.

Breakdown of the amounts due from the Scholz Group, CRD, CRIH and CTRL as included on the balance sheet as of 31 December 2025 consisted of the following:

	<u>2025</u>	<u>2024</u>
	<u>HK\$M</u>	<u>HK\$M</u>
<u>Amounts due from Scholz Group</u>	<u>13.2</u>	<u>—</u>
<u>Amounts due from CRD,</u>		
<u>CRIH and CTRL</u>	<u>—</u>	<u>—</u>
<u>Amounts due from Scholz Group, CRD,</u>		
<u>CRIH and CTRL</u>	<u>13.2</u>	<u>—</u>
	<u>2025</u>	<u>2024</u>
	<u>HK\$M</u>	<u>HK\$M</u>
<u>Amount due to Scholz Group</u>	<u>191.0</u>	<u>—</u>
<u>Amount due to CRD, CRIH and CTRL</u>	<u>833.8</u>	<u>—</u>
<u>Amounts due to Scholz Group, CRD, CRIH</u>		
<u>and CTRL</u>	<u>1,024.8</u>	<u>—</u>

(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.~~

The Company, through its wholly-owned subsidiary Jinlian International Group Limited (a company incorporated in Hong Kong) (the "HK Holdco"), holds 60% of equity interest in 綠鑫鉞清潔能源有限公司 (Luxincheng Clean Energy Co., Ltd.)* ("Luxincheng"). 40% of the equity interest of Luxincheng is held by 山東大磁場環保工程有限公司 (Shandong Big Magnet Field Environmental Protection Engineering Co., Ltd.)*, which was ultimately controlled by an individual (the "Non-Controlling Shareholder"). Luxincheng has three wholly-owned subsidiaries, namely, (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.)* (the "Subject Group Companies"). The Subject Group Companies are principally engaged in the processing and sales of lubricating oil whose business has substantially been carried out by Yantai Liheng under the management of the Non-Controlling Shareholder. The lubricating oil business carried out by the Subject Group Companies (the "Lubricating Oil Business") have been largely financed by loans advanced by the Group (the "Intra-group loans") and was distinctive from the other businesses operated by the Group.

* For identification purpose only

During the year ended 31 December 2024, the Intra-group loans were not being repaid and upon further on-site examination by a legal advisor and a financial adviser, it was revealed that (the “Irregularities”) –

- 1) Between June and July 2024, Yantai Liheng and Yantai Qisheng borrowed loans (the “Suspicious Loans”) from two banks in the total sum of RMB30 million for purported procurement of raw materials. Upon preliminary investigation, 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 the Non-Controlling Shareholder without any proper reason. Such Suspicious Loans were never reported or approved by the Group, as required by the internal control policies;
- 2) A shareholders’ meeting resolution of Luxincheng dated 24 September 2024 was filed with the relevant government authorities (the “False Filing”), which constituted a change of directorship, the resultant of which the Group no longer holds majority of the board of Luxincheng. The False Filing bore the chop appears to be that of HK Holdco, and the signature of Mr. Tu Jianhua (“Mr. Tu”), director and ultimate shareholder of the Company;
- 3) Management noted that Subject Group Companies, in aggregate, incurred abnormal huge loss for the eight months ended 31 August 2024, which was more than 2 times of its loss recorded for the year ended 31 December 2023; and
- 4) During the Group’s examination process, Non-Controlling Shareholder 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; and refused to cooperate further in providing the books and records of the Subject Group Companies.

Upon discovery of the above Irregularities, an independent review led by the audit committee and assisted by a legal advisor, was carried out. The Group has taken the following actions:

- (a) Initiated formal proceedings against Yantai Liheng to demand the repayment of the Intra-group Loans;
- (b) Filed complaint to the Administration of Market Regulation of the PRC against the False Filing;
- (c) Filed a complaint with National Financial Regulatory Administration Yantai Branch against the Banks for not conducting proper procedures in approving the Suspicious Loans;
- (d) Reported to the relevant tax bureaus of possible breach of tax regulations by Non-Controlling Shareholder and/or his affiliated companies;

- (e) Conducted an Independent Investigation, led by the Audit Committee in February 2025; and
- (f) Called for a shareholders' meeting of Luxincheng on 26 February 2025, hoping to revoke the False Filing and discuss with the Non-Controlling Shareholder to solve the Irregularities.

At the shareholders' general meeting of Luxincheng held on 26 February 2025, certain representative of the Group physically met the Non-Controlling Shareholder and requested the Non-Controlling Shareholder to provide all the outstanding books and records of the Subject Group Companies. Non-Controlling Shareholder did not fulfil such requests. During the meeting, the Non-Controlling Shareholder presented shareholder resolutions allegedly passed on 20 December 2024, pursuant to which the Memorandum of Association ("M&A") of Luxincheng was allegedly further amended so that HK Holdco no longer had the power to pass any resolution at the board nor shareholder meeting of Luxincheng.

Management obtained a PRC legal opinion regarding whether there was any legal way to regain its rights. However it was noted that it would involve reporting to the relevant authorities to revoke the False Filing, or initiating litigation against the Non-Controlling Shareholder to confirm the resolutions being invalid or to obtain the books and records of the Subject Group Companies owing to the Group's "right to know" under Memorandum of Association. Given that Non-Controlling Shareholder has now full control of the company chops and bank accounts of the Subject Group Companies it was considered remote for the Group to regain control over the Lubricating Oil Business.

Hence, 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 de-consolidated 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.

In August 2025, a special investigation committee (“Special Investigation Committee”), comprising the then independent non-executive Directors, was established to oversee an independent investigation into the Irregularities and an independent review of the Group’s internal control system. A consultant (“Former Consultant”) was appointed as the independent forensic investigator and independent internal control consultant. The Former Consultant 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 (“Current Consultant”) 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.

In September 2026, an independent investigation report and an internal control review report were issued for the Group. The findings of the Forensic Investigation were subject to certain limitations beyond the Company’s control, including but not limited to inability to access financial records and documents such as detailed procurement/sales data, full bank statement transactions flows, or accounting vouchers and supporting documents, and unable to obtain interviews with certain key personnels. Key findings of the Forensic Investigation in respect of the abovementioned irregularities were included in the Company’s announcements made on 1 October 2026.

According to the management of the Company and as revealed by the Forensic Investigation, the books and records of the Subject Group Companies were maintained by the Non-Controlling Shareholder. Despite the alleged confiscation of the computer storing the financial books and records of Yantai Liheng by the tax authority, the information provided by the tax authority was found to be inconsistent with the findings of the Forensic Investigation. Furthermore, as the Non-Controlling Shareholder failed to cooperate, the management of the Company was unable to access the relevant books and records of the Subject Group Companies.

In the absence of these relevant books and records, the Group relied on limited management information and its understanding of the operations of these companies to account for the financial position, financial performance, and the de-consolidation of these companies as at, and for the eight months ended, 31 August 2024. Management has taken the findings into consideration and, despite these limitations, has prepared the consolidated financial statements of the Group based on their best efforts.

The Special Investigation also identified certain information suggesting that certain revenue and cost of sales transactions that appeared not been recorded in the local management accounts of the Subject Group Companies comprising unrecorded revenue and corresponding cost of sales of RMB45.9 million and RMB54.0 million, respectively, for the year ended 31 December 2022; RMB35.6 million and RMB36.9 million, respectively, for the year ended 31 December 2023; and RMB39.0 million and RMB77.6 million, respectively, for the period from 1 January 2024 to 31 August 2024 (the “Unrecorded Transactions”). The Special investigation further identified certain adjustments were made upon consolidation by the then management, comprising adjustments appeared to account for these unrecorded revenue and costs of sales, with the amounts of RMB43.3 million and RMB50.6 million, respectively, for the year ended 31 December 2022, RMB14.8 million and RMB18.8 million, respectively, for the year ended 31 December 2023, and RMB27.7 million and RMB62.5 million, respectively, for the period from 1 January 2024 to 31 August 2024 (the “Top Side Adjustments”). However, differences remained between the unrecorded revenue and cost of sales identified by the Special Investigation and the corresponding Top Side Adjustments. Due to the inability to access the books and records of the Subject Group Companies and the departure of personnel prepared the Top Side Adjustments, existing management of the Company could only rely on the information available at the consolidation level prepared by then management to assess the impact but cannot fully reconcile and explain these differences. The existing management therefore considered that unreconciled differences arising from the above may reduce the beginning retained earnings attributable to the Subject Group Companies as at 1 January 2023 by RMB0.8 million, decrease the net loss attributable to the Subject Group Companies for the year ended 31 December 2023 by RMB2.7 million and increase the net loss attributable to the Subject Group Companies by RMB3.8 million for the period from 1 January 2024 to 31 August 2024. The existing management considered these differences and the potential impact to the consolidated financial statements of the Group, including their cumulative effect to be not material to the prior and current year consolidated financial statements. Accordingly, no adjustments were considered necessary in respect of these possible differences.

14 DISCONTINUED OPERATIONS (Continued)

(b) De-consolidation of lubricating oil business (Continued)

Note (i)

	2024
	<i>HK\$M</i>
Net assets of Subject Group Companies	13.5
Loss on disposal of discontinued ~~operation~~ operations	74.5
Non-controlling interests	<u>20.5</u>
Loss on disposal of discontinued ~~operation~~ operations	<u><u>108.5</u></u>

17. Business Review (page 34 of FY25 Unaudited Results Announcement)

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 De-consolidation**”), resulting in a loss from discontinued operation of HK\$1,267.3**1,220.3** million. Details of the loss from discontinued operation are set out in Note 14.

Following the Scholz De-consolidation, 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**271.0** million.

18. Prospect (page 35 of FY25 Results Announcement)

The receipt of the net proceeds from the disposal of the Scholz Group in September 2026, **of US\$334.2 million**, 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.

19. Management Discussion and Analysis (Financial Review) (page 36, 37 and 39 of FY25 Results Announcement)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operating expenses

Total operating expenses for the year were HK\$~~168.2~~**184.8** million (2024: HK\$147.7 million), an increase of ~~13.9~~**25.1**% 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~~**18.6**%.

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~~**273.4** 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~~**0.17** as compared to loss per share of HK\$0.11 in the last financial year.

Liquidity and Financial Resources

Shareholders' funds as at 31 December 2025 were HK\$~~3,084.9~~**3,068.5** million (2024: HK\$4,436.7 million), a decrease of ~~30.5~~**30.8**% from as at 31 December 2024.

As at 31 December 2025, the Group had cash, ~~various bank balances, pledged and restricted bank deposits~~**cash equivalents** amounting to HK\$~~103.4~~**102.5** million (2024: HK\$~~417.9~~**414.8** 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~~**2.36** 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.

Capital Expenditure

For the year ended 31 December 2025, the Group invested HK\$~~33.8~~**51.8** million (2024: HK\$~~123.8~~**299.9** million) in the purchase of tangible assets including ~~land~~, buildings, **right-of-use assets**, plant, machinery and equipment, leasehold improvements, and office equipment for improving production efficiency. These capital expenditures were financed through internal resources and lease arrangements.

20. Capital Commitments and Contingent Liabilities (page 39, 41 And 43 of FY25 Unaudited Results Announcement)

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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~~**258.2** million (31 December 2024: HK\$~~3,845.6~~**3,841.9** 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.

CTHK Lands Tribunal dispute

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

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~~**334.2** 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. **On 1 September 2026, the Company, the lender under the Facility Agreement and the Receivers entered into a settlement agreement to settle matters relating to Scholz Group.**

21. Other Significant Events (Establishment of the Special Investigation Committee) (page 51-52 of FY25 Unaudited Results Announcement)

OTHER SIGNIFICANT EVENTS

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. to the Special Investigation Committee and a further draft of the internal control review report to the audit committee of the Company (“Audit Committee”) on 29 September 2026. The Current Consultant issued the final forensic investigation report (“Forensic Investigation Report”) on 12 October 2026 and the final internal control review report (“Internal Control Report”) on 16 October 2026.

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. As at the date of this announcement, all internal control deficiencies identified by the Current Consultant have been remediated, although testing for certain remedial measures could not be conducted due to unavailability of test samples.

22. Purchase, Sales or Redemption of the Company’s Listed Securities (page 52 of FY25 Unaudited Results Announcement)

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

Based on information available to the Board, 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.

DIRECTORS' SECURITIES TRANSACTIONS

Based on information available to the Company, the~~The~~ Company has adopted the Model Code for Securities Transaction by Directors ~~or of~~ 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.

The above clarification does not affect other financial information contained in the Unaudited Annual Results Announcements. Saved as disclosed above, all other information in the Unaudited Annual Results Announcements remains unchanged. This announcement is supplemental to and shall be read in conjunction with Unaudited Annual Results Announcements.

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

Hong Kong, 23 October 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