



*(Incorporated in the Cayman Islands with limited liability)*

**CHIHO ENVIRONMENTAL GROUP LIMITED**

(Stock Code: 976)

## Chiho Environmental Group Limited Announced 2018 Interim Results The Group Recognized a Record-High Revenue and Profit

### Financial Highlight

	<u>Six months ended 30 June</u>		
	<u>2018</u>	<u>2017</u>	<u>Changes</u>
	<u>HKD\$</u> Million (Unaudited)	<u>HKD\$</u> Million (Unaudited)	
<u>Revenue</u>	<u>11,062.2</u>	<u>8,801.5</u>	<u>+25.7%</u>
<u>Gross profit</u>	<u>1,305.2</u>	<u>1,044.5</u>	<u>+25.0%</u>
<u>Profit attributable to shareholders of the Company</u>	<u>331.6</u>	<u>197.9</u>	<u>+67.6%</u>

[August 27th, 2018—Hong Kong] Chiho Environmental Group Limited (the “Company” ; Stock Code: 976; together with its subsidiaries, the “Group”) is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 (the “Reporting Period” or the “period”).

### **The Group Recognized a Record-High Revenue**

The Group recognized a record-high revenue in the first half of 2018. The revenue was approximately HK\$11,062.2 million in the first half of 2018, representing an increase of approximately 25.7% compared to approximately HK\$8,801.5 million in the same period of 2017. The increase in revenue was largely driven by the higher sales quantities in Europe and North America. It was also attributable to the continued price recovery of ferrous and non-ferrous metals after it bottomed out in the fourth quarter of 2016 and reached a four-year new high during the first

**Wonderful Sky Financial Group** 皓天財經集團

9/F, The Center, 99 Queen’s Road Central, Central, Hong Kong

香港皇后大道中 99 号中环中心 9 楼全层

T 852 2851 1038 F 852 2815 1352 E enquiry@wsfg.hk W www.wsfg.hk

half of 2018.

### **The Group Recorded a Substantial Increase in Gross Profit and Profit Attributable to Shareholders of the Company**

The Group recorded a substantial increase in gross profit and profit attributable to shareholders of the Company in the first half of 2018, which was mainly attributable to the continuous volume growth in Europe and gross margin improvement in China. Gross profit for the first half of 2018 was HK\$1,305.2 million, an increase of HK\$260.7million or 25.0% compared to HK\$1,044.5 million recorded in the first half of last year. Gross profit margin for the period remained at approximately 11.8%. The increase in gross profit was mainly attributable to volume growth in Europe and North America segments, increase in gross profit margin in Asia segment due to lower material cost and appropriate procurement and synergistic effects between the European, North American and Asian operations.

In addition, profit attributable to shareholders of the Company for the first half of 2018 was HK\$331.6 million, increased substantially by HK\$133.7 million or 67.6% as compared to the first half of 2017. Net profit margin also rose up from 2.2% to 3.0%.

### **For the Asian Business, There was an Increase in Gross Profit**

In the Asian business segment, the largest revenue contributor was the scrap motor dismantling business. Despite a reduction in the processing volume of scrap motors due to the reduction of import quota, there was an increase in gross profit by 15.6% which represented a gross profit margin increase of 3.5% as compared to the same period of last year. The main reason is that, in addition to the ongoing optimization measures within the Group, the scrap motor market has become favorable to buyers as China limits the import of scrap motors, enabling the Group's experienced global purchasing team to procure scrap motors at lower costs.

China will stop imports of scrap motors from the first day of 2019, which will have a short-term impact on the Group's business in Taizhou, China. This is a necessary step for China's resource recycling industry to adopt the European and American development models. Only large scale participants with standardized operation will last. At the same time, the policy change provides an opportunity for the transformation. As there is no drop in demand in China market, Chiho will continue its efforts to secure upstream scrap copper resources and maintain its ability to supply clean finished products to China's market through an optimized supply chain model.

The Group has a plan to relocate scrap motors dismantling to other parts of Asia, including certain countries in South and Southeast Asia, while the Group has also started to shred certain types of scrap motors in European and North American bases. The Group is confident that it will continue to

**Wonderful Sky Financial Group** 皓天財經集團

capture the largest share of the global scrap motor dismantling market.

### **The Group's European and North American Business Segment Continued to Grow Steadily**

The Group's European and North American business segment continued to grow steadily following their consolidation into the Group's financial statement in 2017. During the Reporting Period, the total tonnage handled increased by 18.2%, resulting in the revenue increase of 40.2%. Under the leadership of the Group's new management team, the business and financial optimization measures implemented for European and North American subsidiaries have been effective. The Group's business in Europe and North America continued to recover, gaining back market share and customers.

In the first half of 2018, total sales tonnage and revenue in Europe segment increased by approximately 19.5% from 1.90 million tonnes to 2.27 million tonnes and 38.2% from HK\$5,729.4 million to HK\$7,916.1 million, respectively, as compared to the first half of previous year. The North America segment revenue increased by approximately 17.1% from HK\$1,150.3 million to HK\$1,346.5 million while the total segment sales tonnage remained flat at 0.30 million tonnes.

### **Integrating Global Business and Exploiting Synergies and Dedicating to Become a Total Waste Management Solution Provider**

After the completion of the acquisition of Scholz Group a year and a half ago, the Group is integrating business operations in Asia, Europe and North America, and became one of the leading worldwide mixed metal recyclers with the capabilities to handle and recycle multiple types of materials. Through geographical and supply chain diversification, the Group is in a good position to mitigate the risks of relying on a single market.

In the future, Chiho will not only focus on creating synergies between its Western and Asian operations in global sourcing, vertical integration and technology transfer, but also requires various business units within China to fully cooperate and share resources, so as to serve a wider range of customers even better.

In addition, the Group will develop a set of targeted strategies in order to cater to its future development. The Group will expand its business scope, including adding metal smelting business; expand product offerings; focus on development of China's domestic scrap recycling market and relocate the scrap motor dismantling activities to South and South East Asia, and to expand Hong Kong to include motor dismantling, scrap cable chopping, metal cleaning and so on, so as to make good use of the benefits of its proximity to China and the rule of law advantage of one country, two system. The Group strives to become a total waste management solution provider.

The Group will continue its development strategy of organic growth and mergers and acquisitions in further expanding its business scope and scale. The Group's overall financial position has strengthened while its core business operations have performed well, resulting in continuous improvement in profitability and cash flow. The management is confident in the long-term development prospects of the Group. At the same time, the Group is well prepared to cope with short-term changes in the market in which it operates.

– END –

### **About Chiho Environmental Group Limited**

Chiho Environmental Group Limited (“CEG”, 976.HK) is the largest metal scrap recycling and processing company in China as well as one of the largest listed metal recycling companies in the world, primarily engaged in the recycling of ferrous and non-ferrous metal scraps, end-of-life vehicles (“ELV”) and electronic waste, waste oil recycling and the production of recycled aluminum ingot. The business of the Group currently covers Asia, Europe and America, operating more than 200 processing plants.

The Group completed the acquisition of Scholz Holding GmbH (“Scholz”), one of the world's largest mixed metal recyclers and processors with advanced ELV processing capability, at the end of 2016. With more than a century of history in metal scrap recycling and processing, Scholz and its U.S. based subsidiary Liberty Iron & Metal have developed advanced internal technologies, allowing the Group to become one of the world leaders in handling and recycling of multiple types of metals and other materials.

***This press release is issued by Wonderful Sky Financial Group Limited on behalf of Chiho Environmental Group Limited.***

**For further information, please contact:**

Wonderful Sky Financial Group Limited

Rachael Yu/ Jessie Shi

Tel : (852) 3970 2126/ 3970 2107

Fax : (852) 2598 1588

Email : rachaelyu@wsfg.hk / jessieshi@wsfg.hk

**Wonderful Sky Financial Group** 皓天財經集團

9/F, The Center, 99 Queen's Road Central, Central, Hong Kong

香港皇后大道中 99 号中环中心 9 楼全层

T 852 2851 1038 F 852 2815 1352 E enquiry@wsfg.hk W www.wsfg.hk