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齐合环保
CHIHO

(Incorporated in the Cayman Islands with limited liability)

CHIHO ENVIRONMENTAL GROUP LIMITED

(Stock Code: 976)

Chiho Announces 2018 Annual Results

Revenue Up Over 10% with Stable and Positive Business Growth

Financial Highlight

	2018 HK$ million	2017 HK$ million	Change
Revenue	20,912.8	18,491.0	+13.1%
Gross profit	2,304.7*	2,329.0	(1.1%)
Profit attributable to shareholders of the Company	401.2	426.8	(6.0%)

** This was before adoption of HKFRS 15; gross profit upon adoption of HKFRS 15 was HK$1,683.9 million.*[1]

(26 March 2019, Hong Kong) Chiho Environmental Group Limited (the "Company"; Stock Code: 976.HK; together with its subsidiaries, the "Group") is pleased to announce the audited consolidated financial results for the year ended 31 December

[1] Effective from the financial year beginning 1 January 2018, HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a Group's contracts with customers. The standard replaces HKAS 18 Revenue and HKAS 11 Construction contracts and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.
Outbound freight expenses have been reclassified in the consolidated statement to profit or loss due to the more detailed requirements under HKFRS 15 on allocation of the transaction cost to the performance obligations identified. During the year ended 31 December 2018, cost of outbound freight of HK$620.6 million were reclassified from "distribution and selling expenses" to "cost of sales".

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2018 (the “Reporting Period” or the “Period”).

Maintain Steady Growth and Gear Up For Upgrade and Transformation

During the Reporting Period, the Group continued to strengthen leadership and management capabilities. With extensive industrial and professional experience, the Group will upgrade and transform, achieve stable growth, and create returns for shareholders.

Revenue of the Group amounted to HK$20,912.8 million, representing a substantial increase of HK$2,421.8 million approximately 13.1% when compared to HK$18,491 million recorded in 2017. Gross profit was HK$2,304.7 million (*this was before adoption of HKFRS 15; gross profit upon adoption of HKFRS 15 was HK$1,683.9 million)*, representing a decrease of HK$24.3 million or 1.0% compared to HK$2,329.0 million recorded in 2017. Gross profit margin also decreased from 12.6% in 2017 to 11.0% (*this was before adoption of HKFRS 15; gross profit upon adoption of HKFRS 15 was 8.0%)* in 2018 on a comparable basis, mainly attributable to higher transportation costs in the Europe region due to shortage of railway and shipping transport capacity. Profit attributable to shareholders of the Company was HK$401.2 million, decreased by HK$25.60 million as compared to the last financial year, mainly attributable to the decline in the gross profit margin. Equity attributable to shareholders of the Company was HK$5,175.3 million, representing an increase of HK$102.20 million or approximately 2.0% compared to HK$5,073.1 million recorded in 2017.

Revenue from Europe and North America Segments Surge

In 2018, revenue from Europe and North America segments grew 23.1% to HK$17,553.2 million (2017: segment revenue HK$14,260.6 million), while segment profit dropped 1.3% to HK$451.9 million (2017: segment profit HK$457.8 million). In the second half of the year, the performance of this segment suffered from the one-off impact brought about by increased transportation costs and delays in delivery due to the shortage of land transport capacity resulting from the bumper agricultural product harvest in Austria and the Czech Republic, as well as the shortage of shipping capacity caused by the drought in Germany which led to declining water levels.

Revenue from Greater China Region is Stable

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In 2018, revenue of the Asia region decreased by 22.1% to HK$3,751.4 million when compared to last year (2017: segment revenue HK$4,813.6 million), and segment profit was HK$275.2 million, representing a decrease of 7.0% when compared to last year (2017: segment profit HK$295.9 million). The decline in results of the Asia region was mainly attributable to the gradually contracted import business in the second half of the year.

Guard Against Risks For Stronger Growth and Remain Optimistic About Business Development in Long Run

In 2019, after a year of strong growth in the economy of western countries, the global economy is more likely to see a softer growth. In China, the government will adopt various measures to stabilise the macro economy. On the other hand, the difference of Sino-US trade negotiations in principle should have been resolved, thus the trade war may come to an end.

The Group will continue to implement stringent risk management and hedging policies on business in this year, enhance the development strategy of organic growth together with prudent mergers and acquisitions, and expand its business scale gradually. On the whole, the Group will enjoy an increasingly sound financial position, maintain business growth, constantly improve its cash flow and lower its debt ratios to reduce finance costs. The note issued by the Group in 2016 with a principal amount of US$200.0 million has also been redeemed upon maturity through refinancing and its own funds, and a new round of financing was completed at a lower cost than before even when the Federal Reserve raised interest rates. The management of the Group remains cautiously optimistic about the long-term prospects of Chiho. At the same time, the Group will be well prepared to cope with short-term changes in the market in which it operates.

In 2019, the Group will remain cautiously optimistic about the challenges and opportunities it may face. The Group believes that sustainable development in the circular economy sets the tone for future growth across the globe without boundaries. Given this trend of development, the Group will turn waste into resources in efficient and green ways and expand its business to the rest of the world.

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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 has advanced technologies which make it become one of a few recyclers in the world capable of handling and recycling a diverse range of materials and become the leader in the industry. Employing the "Urban Mining" concept to recycle reusable resources, Chiho aims to reduce our impact on the environment, reliance on natural resources and our carbon footprint.

In 2018, the Group processed and sold 5.29 million tonnes of metals, contributing to an approximate saving of 4 million tonnes of CO2, doing its part in creating a sustainable economy.

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

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