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齐合环保
CHIHO

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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 AND SUPPLEMENTARY INFORMATION IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- The Group's operating environment was challenging under the novel coronavirus pandemic ("**COVID-19**") during the first half of 2020. However, our recycling operations are considered essential industry by the governments and the Group was able to maintain operations in most countries where we operate despite many countries around the world imposing lockdown measures to combat the spread of COVID-19. The lockdowns in most countries have since been lifted and customers and suppliers are resuming operations in most part of the world, albeit most need to accustom to the new normal.

- The Group sold over 2.0 million tonnes of recycled products with a revenue of HK$5,843.7 million during the interim period, representing a decrease of 20.1% and 32.8%, respectively, as compared to the same period last year. The decline was mainly during the period of the lockdowns when materials inflows and outflows were disrupted.

- Gross profit margin dropped slightly from 5.9% for the first six months in 2019 to 5.4% for the current period as the adverse market conditions affected our suppliers and customers, as well as the commodity prices, across the world. Margins declined also due to the temporary restrictions the Group imposed to restrict peddlers into our yards during the lockdown period, hence affecting the inflow of old scrap which typically has a higher margin compared to new scrap. The restrictions have since been lifted post lockdowns and old scrap flow has resumed.

- Total operating expenses dropped 2.1% to HK$542.4 million as management took rigorous cost reduction measures including management pay cuts to mitigate the impact brought about by the pandemic.

- The Group reported gross profit of HK$314.4 million and a loss attributable to shareholders of the Company for the first half of 2020 of HK$278.7 million as compared to a gross profit of HK$515.6 million and a profit attributable to shareholders of the Company of HK$2.0 million for the same period last year.

- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: Nil).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Chiho Environmental Group Limited (the "**Company**") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**", "**we**" and "**our**") for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2020	2019
	Notes	***HK$M***	*HK$M*
		(Unaudited)	(Unaudited)
Revenue	*3*	**5,843.7**	8,700.3
Cost of sales		**(5,529.3)**	(8,184.7)
Gross profit		**314.4**	515.6
Other income		**76.9**	75.0
Other losses, net	*4*	**(55.4)**	(1.2)
Net reversal of impairment on financial assets		**0.2**	20.9
Distribution and selling expenses		**(23.6)**	(25.1)
Administrative expenses		**(518.8)**	(528.7)
		(206.3)	56.5
Finance income		**6.3**	12.8
Finance costs		**(119.1)**	(107.0)
Finance costs, net		**(112.8)**	(94.2)
Share of post-tax loss of an associate		**–**	–
Share of post-tax profits of joint ventures		**30.5**	38.0
(Loss)/Profit before income tax		**(288.6)**	0.3
Income tax credit	*5*	**0.7**	0.8
(Loss)/Profit for the period	*6*	**(287.9)**	1.1
(Loss)/Profit attributable to:			
Shareholders of the Company		**(278.7)**	2.0
Non-controlling interests		**(9.2)**	(0.9)
		(287.9)	1.1
(Loss)/Earnings per share attributable to shareholders of the Company for the period (expressed in HK$ per share)			
Basic (loss)/earnings per share	*8*	**(0.17)**	0.001
Diluted (loss)/earnings per share	*8*	**(0.17)**	0.001

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	HK$M	*HK$M*
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	**(287.9)**	1.1
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(147.4)**	(34.0)
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	**(0.2)**	(0.9)
Share of other comprehensive loss of joint ventures	**(0.5)**	–
Other comprehensive loss for the period	**(148.1)**	(34.9)
Total comprehensive loss for the period	**(436.0)**	(33.8)
Total comprehensive loss for the period attributable to:		
Shareholders of the Company	**(424.8)**	(32.5)
Non-controlling interests	**(11.2)**	(1.3)
	(436.0)	(33.8)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2020 HK$M (Unaudited)	At 31 December 2019 HK$M (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,774.2**	2,982.9
Right-of-use assets		**1,124.3**	1,185.8
Investment properties		**38.4**	9.1
Intangible assets		**1,079.7**	1,115.0
Investments accounted for using the equity method		**634.6**	630.9
Financial assets at fair value through profit or loss		**1.9**	1.9
Financial assets at fair value through other comprehensive income		**96.9**	98.7
Other deposits and receivables	*9*	**16.6**	17.0
Deferred income tax assets		**94.4**	109.3
		5,861.0	6,150.6
Current assets			
Inventories		**1,273.9**	1,495.9
Trade, bills and other receivables	*9*	**1,482.3**	1,375.8
Fixed return investment		**–**	88.4
Amounts due from related parties		**97.5**	47.9
Derivative financial instruments		**27.1**	25.0
Tax recoverable		**16.0**	29.9
Pledged bank deposits		**143.1**	191.7
Cash and cash equivalents		**573.3**	784.8
		3,613.2	4,039.4
Total assets		**9,474.2**	10,190.0

	Notes	At 30 June 2020 HK$M (Unaudited)	At 31 December 2019 HK$M (Audited)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		**16.1**	16.1
Other reserves		**6,468.8**	6,614.9
Accumulated losses		**(1,968.4)**	(1,689.7)
		4,516.5	4,941.3
Non-controlling interests		**(20.6)**	(10.3)
Total equity		**4,495.9**	4,931.0
Non-current liabilities			
Borrowings		**193.1**	226.4
Lease liabilities		**500.7**	569.4
Retirement benefit obligations		**25.6**	27.3
Other payables	*10*	**93.6**	96.6
Deferred income tax liabilities		**321.1**	342.8
		1,134.1	1,262.5
Current liabilities			
Trade, bills and other payables	*10*	**1,193.8**	1,066.9
Current income tax liabilities		**61.4**	101.2
Borrowings		**2,258.1**	2,569.0
Lease liabilities		**190.8**	191.7
Amounts due to related parties		**63.8**	37.5
Derivative financial instruments		**76.3**	30.2
		3,844.2	3,996.5
Total liabilities		**4,978.3**	5,259.0
Total equity and liabilities		**9,474.2**	10,190.0

NOTES:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

1.1.1 Going concern basis

The Group reported a gross profit of HK$314.4 million and a net loss of HK$287.9 million, which included an impairment charge of HK$62.7 million for property, plant and equipment, for the six months ended 30 June 2020. As at 30 June 2020, the Group's current liabilities exceeded its current assets by HK$231.0 million. It had borrowings of HK$2,451.2 million, of which HK$2,258.1 million are current borrowings due within twelve months from 30 June 2020. Operating cash flow continues to be positive despite the pandemic. As at the same date, it had cash and cash equivalents amounting to HK$573.3 million.

Included in current borrowings as at 30 June 2020 was a syndicated term loan (the "**Syndicated Term Loan**") with an outstanding principal amount of US$215.0 million, which is fully repayable in March 2021.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group, taking into account the impact arising from the COVID-19 outbreak if any, and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

- The Group has successfully extended the maturity date of the Syndicated Term Loan to March 2021;

- The Group continues its efforts to ramp up the production capability of the new recycling facilities in Asia, implement measures in Europe and North America to enhance cash flows from operations, and further control capital and operating expenditures to strengthen its working capital. The Directors expect there will be an increase in cash flows for the second half of 2020 as industrial growth recovers after the impact from the pandemic eases and the operations in Asia ramp up. The Group is also taking advantage of the rapid rise in copper prices due to tightness in physical supplies as well as strong demands in China to sell down its copper inventory; and

- The Group is actively looking for other sources of financing including other debt or equity financing to enhance the capital structure and reduce the overall financing expenses.

The Directors have assessed the Group's cash flow projection covering a period of twelve months from 30 June 2020. They are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the condensed consolidated balance sheet. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group's condensed consolidated financial statements on a going concern basis.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described in those annual consolidated financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2020.

Amendments to HKFRSs effective for the financial year ending 31 December 2020 do not have a material impact on the Group.

3 SEGMENT INFORMATION

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

In the current interim period, the Group's Chief Operating Decision Maker ("**CODM**"), which has been identified as the Executive Committee that makes strategic decisions, assesses the performance of the operating segments based on the measure of segment profit. This measurement basis excludes the effects of non-operating gains/losses, such as gain/loss on disposals of subsidiaries, gain/loss on fair value change of financial assets at fair value through profit or loss and provision for impairment on property, plant and equipment. 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 credit/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, fixed return investment, tax recoverable, derivative financial instruments and cash and cash equivalents which are managed centrally. Information relating to segment liabilities is not disclosed as such information is not regularly reported to the CODM.

The following table presents revenue and segment profit information regarding the Group's reportable segments for the six months ended 30 June 2020 and 2019 respectively:

	For the six months ended									
	30 June 2020					30 June 2019				
	Asia *HK$M*	**Europe** *HK$M*	**North America** *HK$M*	**Unallocated** *HK$M*	**Total** *HK$M*	Asia *HK$M*	Europe *HK$M*	North America *HK$M*	Unallocated *HK$M*	Total *HK$M*
Revenue										
Total segment revenue	**534.3**	**4,818.7**	**537.4**	**–**	**5,890.4**	1,094.2	6,911.7	843.5	–	8,849.4
Inter-segment sales	**–**	**(41.0)**	**(5.7)**	**–**	**(46.7)**	–	(116.4)	(32.7)	–	(149.1)
External sales	**534.3**	**4,777.7**	**531.7**	**–**	**5,843.7**	1,094.2	6,795.3	810.8	–	8,700.3
Segment (loss)/profit	**(114.1)**	**42.2**	**(8.9)**	**(95.0)**	**(175.8)**	(71.5)	178.6	12.0	(24.6)	94.5
Finance income					**6.3**					12.8
Finance costs					**(119.1)**					(107.0)
(Loss)/Profit before income tax					**(288.6)**					0.3
Income tax credit					**0.7**					0.8
(Loss)/Profit for the period					**(287.9)**					1.1
Depreciation and amortisation expenses	**(41.8)**	**(157.4)**	**(22.9)**	**(9.7)**	**(231.8)**	(32.3)	(153.2)	(20.3)	(10.6)	(216.4)
Fair value gain/(loss) on derivative financial instruments	**–**	**–**	**–**	**1.6**	**1.6**	–	–	–	(0.4)	(0.4)
Fair value loss on financial assets through profit or loss	**–**	**–**	**–**	**(2.5)**	**(2.5)**	–	–	–	(1.6)	(1.6)
Gain on disposal of property, plant and equipment and intangible assets	**–**	**–**	**–**	**3.1**	**3.1**	–	–	–	0.2	0.2
Provision for impairment of property, plant and equipment	**–**	**–**	**–**	**(62.7)**	**(62.7)**	–	–	–	(0.6)	(0.6)

Segment assets

Reconciliation of segment assets to total assets as at 30 June 2020 and 31 December 2019 are provided as follows:

	30 June 2020				31 December 2019			
	Asia *HK$M*	**Europe** *HK$M*	**North America** *HK$M*	**Total** *HK$M*	Asia *HK$M*	Europe *HK$M*	North America *HK$M*	Total *HK$M*
Segment assets	**1,750.4**	**6,174.7**	**838.3**	**8,763.4**	2,037.9	6,206.0	908.7	9,152.6
Deferred income tax assets				**94.4**				109.3
Fixed return investment				**–**				88.4
Tax recoverable				**16.0**				29.9
Derivative financial instruments				**27.1**				25.0
Cash and cash equivalents				**573.3**				784.8
Total assets				**9,474.2**				10,190.0

4 OTHER LOSSES, NET

	Six months ended 30 June	
	2020 *HK$M*	2019 *HK$M*
Gain/(Loss) on fair value change of:		
– derivative financial instruments	**1.6**	(0.4)
– financial assets at fair value through profit or loss	**(2.5)**	(1.6)
Foreign exchange gain, net	**3.0**	0.7
Gain on disposal of property, plant and equipment and intangible assets	**3.1**	0.2
Provision for impairment of property, plant and equipment *(Note)*	**(62.7)**	(0.6)
Others	**2.1**	0.5
	(55.4)	(1.2)

Note: For the six months ended 30 June 2020, the Group recognised a provision of impairment on property, plant and equipment of HK$62.7 million, of which HK$58.3 million were related to certain machineries and equipment in the Greater China region that are unlikely to provide a meaningful profit contribution in the future as the Group has relocated the scrap motor dismantling operations to South/Southeast Asia.

5 INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the period.

Under the law of the PRC on Enterprise Income Tax (the "**EIT**") and the relevant EIT Implementation Regulations, the tax rate of PRC EIT has been provided at the rate of 25% (2019: 25%) on the estimated assessable profit for the period.

Germany and USA income taxes have been provided at the rate of 30% (2019: 30%) and 26% (2019: 26%), respectively, on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the period.

	Six months ended 30 June	
	2020	2019
	HK$M	*HK$M*
Current income tax expense/(credit):		
Germany	**2.4**	24.3
PRC EIT	**0.9**	0.2
Other jurisdictions	**(0.5)**	5.3
	2.8	29.8
Deferred income tax credit	**(3.5)**	(30.6)
Income tax credit	**(0.7)**	(0.8)

6 (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	HK$M	*HK$M*
Changes in inventories of work-in-progress and finished goods	**175.0**	219.0
Raw materials and consumables used	**4,206.7**	6,680.0
Provision for/(Reversal of provision for) inventories, net	**50.5**	(11.1)
Employee benefit expenses	**497.3**	586.0
Depreciation and amortisation expenses	**231.8**	216.4
Legal and professional expenses	**15.9**	19.9

7 DIVIDEND

No dividend was paid or proposed during current and previous interim periods, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the period ended 30 June 2020 and 2019.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
	HK$M	HK$M
(Loss)/Profit		
(Loss)/Profit for the period attributable to shareholders of the Company	**(278.7)**	2.0
Number of shares		
Weighted average number of ordinary shares in issue *(thousands)*	**1,605,153**	1,605,153
Basic (loss)/earnings per share (expressed in HK$)	**(0.17)**	0.001

(b) Diluted

The Group has no potentially dilutive shares outstanding during the interim periods ended 30 June 2020 and 2019.

9 TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2020 *HK$M*	At 31 December 2019 *HK$M*
Trade receivables	**1,113.5**	983.1
Less: loss allowance	**(39.3)**	(39.9)
Trade receivables, net	**1,074.2**	943.2
Bills receivables	**9.1**	14.1
Deposits and prepayments	**151.6**	139.1
Deposits paid for purchase of raw materials	**41.2**	39.3
VAT recoverable	**99.5**	116.4
Other receivables *(Note)*	**123.3**	140.7
	1,498.9	1,392.8
Less: non-current portion		
Other deposits and receivables	**(16.6)**	(17.0)
	1,482.3	1,375.8

Note: As at 30 June 2020, the balance includes a receivable of HK$62.8 million (2019: HK$65.2 million) from a government authority in the PRC.

At 30 June 2020 and 31 December 2019, the aging analysis of the trade receivables based on invoice date was as follows:

	At 30 June 2020 *HK$M*	At 31 December 2019 *HK$M*
0 – 90 days	**1,042.1**	885.8
91 – 180 days	**22.9**	48.1
Over 180 days	**48.5**	49.2
	1,113.5	983.1

10 TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2020	At 31 December 2019
	HK$M	*HK$M*
Trade payables	**770.0**	639.3
Contract liabilities	**26.3**	40.0
Other tax payable	**73.8**	67.5
Accrued salaries and employee benefits	**123.9**	143.5
Provision for claims and contingencies	**17.0**	17.7
Accrued professional expenses	**16.5**	22.6
Asset retirement obligations	**71.6**	72.8
Other payables and accruals	**188.3**	160.1
	1,287.4	1,163.5
Less: non-current portion		
Asset retirement obligations	**(71.6)**	(72.8)
Other payables	**(22.0)**	(23.8)
	1,193.8	1,066.9

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

	At 30 June 2020	At 31 December 2019
	HK$M	*HK$M*
0 – 90 days	**739.7**	601.3
91 – 180 days	**11.1**	12.5
Over 180 days	**19.2**	25.5
	770.0	639.3

CHAIRMAN'S STATEMENT

Interim Results

The first two months of 2020 has seen renewed economic activities in Europe and US since US and China signed the Phase One trade agreement in January 2020. Our business in Europe and US was brisk and picking up from the tough 2019 which was filled with uncertainty brought by the trade disputes between the two major economic powers. However, lockdowns in part of China began in late January due to COVID-19 and gradually extended across the country. Our operations in China were closed for the Chinese New Year and continued to be shut until the lockdowns were gradually lifted in April. Meanwhile, the pandemic spread to other parts of the world forcing many governments to adopt various preventive lockdown measures. As recycling and waste management are considered essential industries, our operations in Europe and US were allowed to continue operations. However, many of our customers and suppliers were affected. Such measures, while essential, had adverse impact to our businesses. Accordingly, the Group reported a net loss attributable to shareholders of HK$278.7 million for the six months ended 30 June 2020 (2019: net profit attributable to shareholders of HK$2.0 million).

Review of Operations

Despite governments around the world imposed lockdown measures to combat the spread of COVID-19, our recycling operations are considered an essential industry and the Group was able to maintain operations in most countries where we operate. As the spread of COVID-19 in Europe and China came under control, lockdown measures were eased, and business activities resumed quicker than expected, but still have to return to the level before the pandemic. The Group's total tonnage sold and revenue decreased by 20.1% and 32.8%, respectively, during the first half of 2020 as compared to the corresponding period in 2019.

The scrap metal industry faced a turmoil period in the latter half of 2019 as industrial activities slowed down due to the prolonged US-China trade disputes, but had stabilised in the first two months of 2020, with good inflow of supplies and prices stabilised. As steel mills continued to operate during the pandemic but at reduced capacity, our operations in the Europe and North America regions were less interrupted, with tonnage sold and revenue dropped 20.7% and 30.3%, respectively, for Europe, and 21.4% and 36.3%, respectively, for the North America region as compared to corresponding period last year.

Our Asian operation was hit hardest from the pandemic, as our yards in South/Southeast Asia were completely shut down and could only resume business in stages, slowing our plans in ramping up the production. The lockdown in Malaysia was only lifted in June and production has since resumed. The lockdown in India begun in March 2020, and due to a lack of port staff and truck drivers, container cargoes were delayed. India lifted the lockdown in June 2020 and production has since resumed. The Thailand operation was originally scheduled to start in the first quarter of 2020, but was delayed due to travel restrictions and lockdown measures to July 2020. With the tough lockdown measures adopted in China, it was the first country to emerge from the lockdown and economic activities have been improving since then. The lost tonnage from the lockdown in other parts of Asia is partially compensated by a more matured domestic scrap steel business in China. Accordingly, the tonnage sold in Asia has dropped 6.2% during this reporting period, but revenue dropped 51.2% due to changes in sales mix, as the higher value non-ferrous metal recycling business is now handled by the South/Southeast Asia yards.

While the pandemic rages during the first half of 2020, we have cut management salaries, reduced the number of temporary staff, adopted short-time working and a series of other operative measures to help us become leaner and more efficient and to save cash.

Prospect

While humanity fights with the pandemic may be a prolonged battle, life goes on. We are seeing economic activities returning and the world adapting to a new normal. Masks and social distancing are now mostly accepted norms in many parts of the world. Plastic consumption increases as hygiene protection becomes a priority, plane travel is drastically reduced, some people prefer driving again over public transport to avoid the crowd, and laptops and computers enjoying good sales as more people work from home.

In the regions where we operate, China and Europe have passed their peaks with the pandemic. China's recent economic data has been encouraging, showing signs of recovery and industrial resilience. China's demand for copper and ferrous scrap are strong. Due to the import restriction by the Chinese government on imported scrap, high quality copper scraps are highly sought after and currently priced at a premium compared to other markets. Meanwhile, European Union ("**EU**") governments have banded together to roll out supporting and stimulus programs to stimulate the member states economies. EU also took the opportunity through the stimulus programs to encourage clean energy and electric mobility, supporting its Europe Green Deal roadmap. We see in the long run the steel making industry shifting more towards the electric arc furnace or other technologies, utilising scrap instead of ores and coke to reduce emissions.

As China gradually develops, the domestic supply of metal scraps has been growing. The car ownership in China has been increasing, and so is the number of End of Life Vehicle ("**ELV**"). According to Chinese Ministry of Public Security, as of the end of 2019, there are 348 million registered vehicles in China, of which 260 million are passenger cars. With the Central Government initiatives in recent years, including the recent enactment of updated ELV Administrative Policy《報廢機動車回收管理辦法》, the Group sees it as an opportunity and at the right time to enter the massively growing Chinese ELV and metal recycling market (including the reuse and remanufacturing of auto parts and recycled materials). The Group has signed a Memorandum of Understanding with Shandong Weiqiao Pioneering Group Co., Ltd., one of the world's largest primary aluminum producers, in June 2020 to jointly develop a recycling industrial park in China Shandong Province, focusing on recycling of ELVs and mixed metal scrap. The recycling industrial park will be designed by our in-house European and Chinese engineering team with a targeted annual throughput of more than 200,000 tonnes of secondary aluminum scrap and an estimated 50,000 ELVs in the first phase. This project perfectly reflects the Group's strategy to contribute the development of a sustainable and circular economy by using recycled materials over primary ores and therefore reducing the carbon footprint.

Our operations in Malaysia and India are gradually ramping up. We are providing masks and taking necessary preventive measures for our staff to reduce risk of health hazard. Logistic continues to be an issue but ports backlog and containers availability are improving compared to during the lockdown period. The local downstream industries are also opening up albeit slower than those in China. Due to this, we are diverting high value products from these yards to China where better prices are more likely to be achieved.

Last but not least, I would like to extend my heart-felt gratitude to the members of the Board and all our employees around the world for their loyalty, efforts, professionalism and valuable contributions, and also to our customers and partners for their priceless support and trust. Keep safe and stay healthy.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group sold in total over 2.0 million tonnes of recycled products for the six months ended 30 June 2020, a 20.1% decrease when compared to 2.5 million tonnes sold in the first half of 2019. Revenue was HK$5,843.7 million for this current period, representing a decrease of 32.8% compared to HK$8,700.3 million for the same period in 2019.

The pandemic and subsequent lockdown measures in countries where we operate have resulted in a significant drop in scrap flow during the first half of 2020, with manufacturing shutdowns reducing the generation of scraps, and steel mills and foundries shutdowns lowering the consumption of scraps. Easing of lockdown measures began in late-March for China and late-April in Europe and business activities recovered gradually since then, but not yet returning to the normal level compared to the same period last year.

	Six months ended 30 June				Increase/
	2020		2019		(Decrease)
	HK$M	**As a percentage of total segment revenue**	*HK$M*	As a percentage of total segment revenue	*HK$M*
Asia	**534.3**	**9.1%**	1,094.2	12.4%	(559.9)
Europe	**4,818.7**	**81.8%**	6,911.7	78.1%	(2,093.0)
North America	**537.4**	**9.1%**	843.5	9.5%	(306.1)
Total segment revenue	**5,890.4**	**100%**	8,849.4	100%	(2,959.0)
Inter-segment sales	**(46.7)**		(149.1)		(102.4)
Revenue	**5,843.7**		8,700.3		(2,856.6)

Gross Profit/Margin

Gross profit for the first half of 2020 was HK$314.4 million, a drop of 39.0% as compared to the same period last year and the gross profit margin was 5.4% (2019: 5.9%). The decrease in gross profit was partly attributable to the lower scrap prices in first half of 2020 compared to the corresponding period in 2019. Ferrous scrap prices in particular bottomed out in October 2019 and gradually recovered as the outlook of an agreement on the US-China trade disputes was on the horizon. While the lockdowns resulted in reduced inflows of scrap, it also provided support for relatively stable prices as steel mills and foundries still operating had demand for the available materials. During the lockdown in Europe and US, we temporarily restricted peddlers bringing scrap to our yards, hence affecting the higher margins old scrap inflow. This inflow has since been resumed.

Operating expenses

Total operating expenses were HK$542.4 million, a decrease of 2.1%, as management took rigorous cost reduction measures. As a percentage of revenue, operating expenses increased from 6.4% for the first half in 2019 to 9.3% for the same period in 2020, as fixed costs and staff salary continued to incur but business activities were reduced during the lockdown times. Short-time working was implemented where possible and assistance from governmental support programs were sought where available to help mitigating the impact from the pandemic. Our operations in most countries were allowed to continue despite the lockdown, albeit at reduced volume, as the recycling and waste management industries are considered essential industries.

	Six months ended 30 June				Increase/
	2020		2019		(Decrease)
	HK$M	**As a percentage of revenue**	*HK$M*	As a percentage of revenue	*HK$M*
Distribution and selling expenses	**23.6**	**0.4%**	25.1	0.3%	(1.5)
Administrative expenses	**518.8**	**8.9%**	528.7	6.1%	(9.9)
Total	**542.4**	**9.3%**	553.8	6.4%	(11.4)

Loss/Profit Attributable to Shareholders and Loss/Earnings Per Share

Loss attributable to shareholders of the Company for the first half of 2020 was HK$278.7 million as compared to a profit of HK$2.0 million for the same period last year.

Basic loss per share for the six months ended 30 June 2020 was HK$0.17 as compared to a basic earnings per share of HK$0.001 in the previous financial period.

Analysis of Cash Flow from Operations

The Group's cash generated from operations for the first half of 2020 was HK$307.3 million, a decrease of 23.1% compared to first half of 2019 as operating profit decreased. The Group has been carefully managing the working capital in response to the uncertainties in the market conditions due to the pandemic.

Liquidity and Financial Resources

Shareholders' funds as at 30 June 2020 were HK$4,516.5 million, a decline of 8.6% from 31 December 2019, and included foreign exchange losses from the depreciation of foreign currencies, namely Euros and Renminbi, against Hong Kong dollars over the current period. Shareholders' funds per share dropped slightly from HK$3.08 as at 31 December 2019 to HK$2.81 as at 30 June 2020.

The Group's financial resources remained stable. As at 30 June 2020, the Group had cash, various bank balances and pledged bank deposits amounting to HK$716.4 million (31 December 2019: HK$976.5 million). The net outflow was mainly for the repayment of external borrowings and working capital needs for the expansion of business operations.

The current ratio lowered from 1.01 as at 31 December 2019 to 0.94 as at 30 June 2020. Certain long-term borrowings were classified as current liabilities as they will be maturing within the next twelve months. Management is in active discussions with lenders and potential lenders to refinance the maturing borrowings.

Total external borrowings were approximately HK$2,451.2 million (31 December 2019: approximately HK$2,795.4 million). Such borrowings were mainly utilised for the purchase of mixed recycle products and working capital, and denominated in Euro, U.S. Dollar and Renminbi. Approximately HK$1,889.0 million (31 December 2019: approximately HK$2,102.8 million) of borrowings are at fixed interest rates.

The gearing ratio of the Group as at 30 June 2020 was 25.9% (31 December 2019: 27.4%), calculated based on the total borrowings divided by total assets.

Working Capital Changes

Inventories as at 30 June 2020 were HK$1,273.9 million (31 December 2019: HK$1,495.9 million). The inventory turnover days for first half of the financial year was 46 days as compared to 41 days for the first half of 2019 as business activities were reduced during lockdowns.

Provisions for inventories as at 30 June 2020 were HK$81.6 million, as compared to the provision of HK$35.9 million as at 31 December 2019.

	At 30 June 2020	At 31 December 2019
Inventories *(HK$M)*	**1,273.9**	1,495.9
Average inventories as a percentage of revenue (annualised)	**11.8%**	11.7%

	Six months ended 30 June	
	2020	2019
Turnover days	**46**	41

Net trade and bills receivables as at 30 June 2020 were HK$1,083.3 million (31 December 2019: HK$957.3 million). Debtor turnover days for the first half of 2020 increased from 30 days to 32 days compared to the same period last year. The higher receivables balance as at 30 June 2020 was mainly due to timing of sales towards period end. The Group adopts a tight management on credit exposure.

	At 30 June 2020	At 31 December 2019
Trade and bills receivables, net *(HK$M)*	**1,083.3**	957.3
Average receivables as a percentage of revenue (annualised)	**8.7%**	7.6%

	Six months ended 30 June	
	2020	2019
Turnover days	**32**	30

Trade and bills payable as at 30 June 2020 were HK$770.0 million (31 December 2019: HK$639.3 million). Creditor turnover days for the six months ended 30 June 2020 was 23 days (30 June 2019: 23 days).

	At 30 June 2020	At 31 December 2019
Trade and bills payables *(HK$M)*	**770.0**	639.3

	Six months ended 30 June	
	2020	2019
Turnover days	**23**	23

Treasury Policies

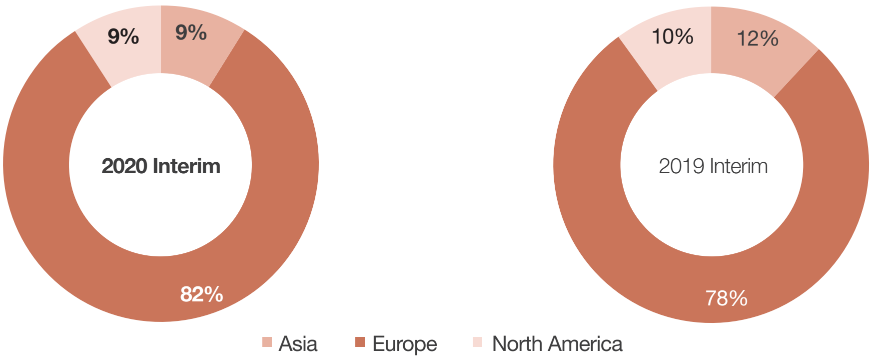
The Group's treasury policies are designed to mitigate the impact of fluctuations in commodity prices and foreign currency exchange rates arising from the Group's global operations. The Group principally uses future contracts to hedge the commodity risks, and forward foreign exchange contracts to hedge the foreign exchange risks in the ordinary course of business. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Capital Expenditure

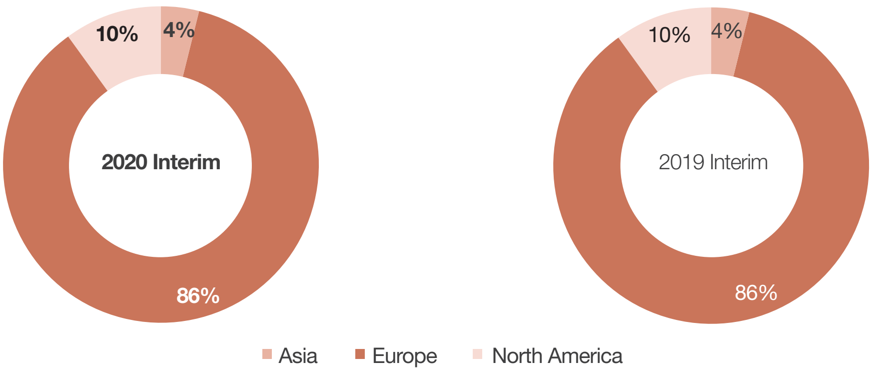
For the six months ended 30 June 2020, the Group invested HK$153.0 million in tangible assets including machinery and equipment, leasehold improvements, office equipment for improving production efficiency (30 June 2019: HK$285.4 million). These capital expenditures were financed through internal resources and lease arrangements.

BUSINESS REVIEW

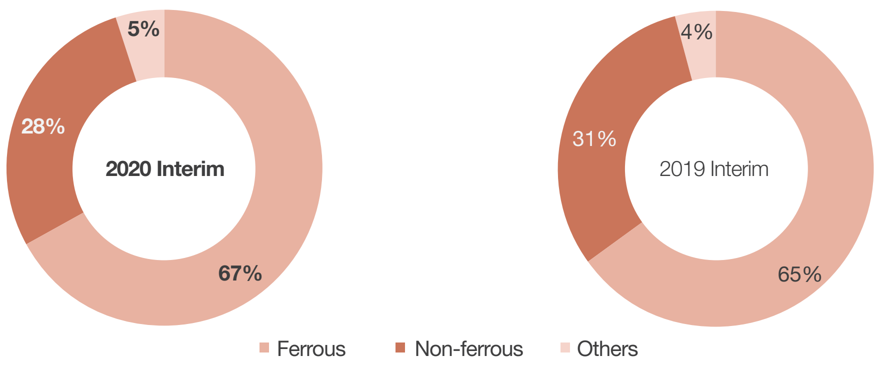
Revenue by Regions



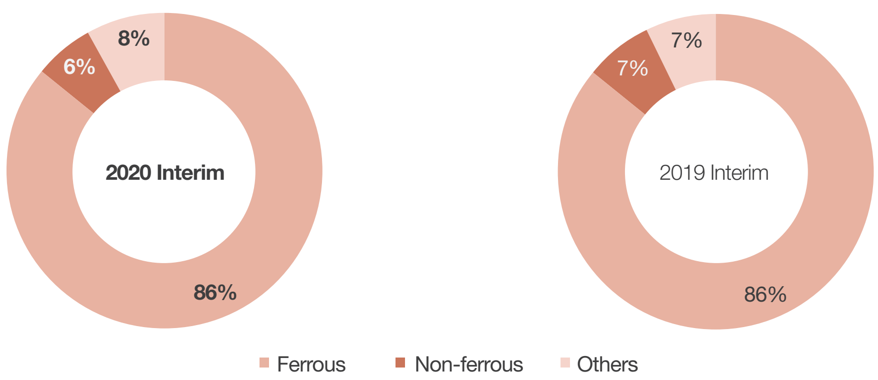
Sales Quantity by Regions



Revenue by Products



Sales Quantity by Products



Operational Performance

The Group continued to operate in our long established markets and expanded into new markets in South/Southeast Asia. Through the geographic diversification, we are in a good position to mitigate the risks of depending overly on a single market. We are among the processing and technology leaders in ferrous and non-ferrous metal recycling worldwide. We own many advanced processing technologies in scrap metal shredding and post-shredding processing.

Europe

Our Europe segment provides all steps in recycling mixed metal scraps and is equipped with one-stop shop services for collecting, gathering, sorting, processing and trading.

Our scrap metal shredding services is including cleaning, sorting, shearing, shredding, baling, crushing, blending and briquetting. In post shredding technologies, we are able to achieve a approximately 97% recovery rate for ELV, ranking as a world leader (95% recycling rate is the existing recovery target under the European Union directive).

The Europe segment sold 1.72 million tonnes of recycled products for the six months ended 30 June 2020, a drop of 20.7% compared to the corresponding period in 2019 of 2.17 million tonnes. Segment revenue was HK$4,818.7 million, decreased by 30.3% against the first half of 2019. Steel producers in Europe have been hit by a general decline in steel consumption following the shutdowns and by disrupted supply chains. Crude steel produced in the first half of 2020 were down by 18.7% as compared to the same period in 2019. The European automotive manufacturing industry also slowed down, as the number of newly registered passenger cars for the first half of 2020 was 39% less than the corresponding period in 2019, affecting the volume of production scrap coming back into circulation.

Scrap prices for the first half of 2020 remained at a low level since the reduction in the second half of 2019. While the volume in new industrial scrap declined due to the decreased industrial production, the old scrap inflow recovered better as peddlers and collectors resumed supplying to our yards following the lifting of the lockdowns. Gross profit for the period, therefore, only reached HK$322.6 million, a decrease of 33.5% compared with the same period last year. Gross profit margin for the period dropped slightly from 7.0% in the first half of 2019 to 6.7% in the current period.

Segment profit for the period was HK$42.2 million (2019: HK$178.6 million). Intensive cost cutting measures, including temporary work reduction and people optimisation, were implemented also preserving liquidity during the turbulent times. Apart from margin control, several business improvement initiatives have been initiated to mitigate the market downturn in the first half of 2020, including yard network reorganisations and restructuring plans at certain locations, operation improvement workshops to increase our yards' efficiencies, and applying for pandemic-related governmental programs supporting private sectors and employment.

North America

The North America segment possesses extensive recycling process know-how in all relevant process steps from collection, sorting, processing to trading of materials. It operates state-of-the-art shredder technology and has extensive post-shredding technologies in place for scrap recovery optimisation. The North America segment has commenced scrap motor mechanical shredding and dismantling as well as trading of reused auto components.

For the six months ended 30 June 2020, the North America segment sold 0.19 million tonnes, as compared to 0.25 million tonnes for the first half of 2019. Segment revenue was HK$537.4 million for the period, a decline of 36.3% against the same period last year. Similar to Europe, the steel and automotive productions were affected as the demand weakened with the ongoing pandemic. Crude steel production in the US reduced by 17.6% compared to first half of 2019, and sales of light vehicles fell by 23% compared to same period last year.

Segment gross profit and gross profit margin was HK$49.1 million and 9.1%, respectively, for the period, as compared to HK$60.9 million and 7.2%, respectively, for the first half of 2019.

While intensive cost cutting and people optimising measures were also implemented to our North America operation to mitigate the impact brought about by the pandemic, the low sales tonnage has inevitably turned the segment profit of HK$12.0 million for first half of 2019 to a loss of HK$8.9 million for this period in 2020.

Asia

Our Asia operation focuses on recycling of mixed metal, in particular e-motor dismantling, waste electrical and electronic equipment (WEEE) and waste oil. Our major production facilities in Asia include China (Hong Kong, Taizhou and Yantai), Malaysia, India, and expanded into Thailand in the current period.

The sales tonnage for the Asia segment decreased by approximately 6.2% from 0.094 million tonnes for the first half of 2019 to 0.088 million tonnes in the current period. Our Asian businesses were also affected by complete lockdowns firstly in China and then in South/Southeast Asia, but a growing domestic scrap steel business in China has compensated for the lost tonnage during lockdowns.

As more ferrous scraps were sold in the current period, while our high-value non-ferrous sales were interrupted by the lockdowns of our yards in the South/Southeast Asia, segment revenue has dropped 51.2% from HK$1,094.2 million to HK$534.3 million as compared to the first half of previous year.

The bearish scrap prices, delayed sales and reduced sales volume during the lockdown period have hampered our margin, resulted in a gross loss for the Asia segment. The gross loss for the period was HK$47.1 million, representing a gross loss margin of 8.8%, as compared to a gross loss of HK$21.4 million and a gross loss margin of 2.0% for the same period in 2019. Hence, the Asia segment reported a segment loss of HK$114.1 million for the current period (2019: segment loss of HK$71.5 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2020 the Group had pledged certain property, plants and equipment, right-of-use assets, investment properties, inventories, trade receivables and bank deposits with an aggregate carrying value of approximately HK$4,111.6 million (31 December 2019: approximately HK$3,807.4 million) to secure its certain borrowings and general banking facilities granted to the Group.

As at 30 June 2020 the Group had capital commitments for the acquisition of property, plant and equipment and additions in construction in progress which are contracted, but not provided for in the amount of HK$19.7 million (31 December 2019: HK$128.9 million).

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

The Group has provided a financial guarantee of HK$1.1 million (31 December 2019: HK$1.2 million) to a related party.

A writ of summons was issued by Delco Participation B.V. ("**Delco**"), as plaintiff, on 21 December 2015 in the High Court of Hong Kong (High Court Action No. 3040 of 2015, "**HCA 3040/2015**"), followed by an amended writ on 5 December 2016, against the Company and Mr. Fang Ankong ("**Mr. Fang**") as defendants for a sum of HK$57.8 million together with interest and costs. The claim relates to an alleged non-payment of a portion of the loans advanced by Delco Asia Company Limited ("**Delco Asia**") to subsidiaries of the Company in accordance with the terms of a shareholders loan assignment dated 24 June 2010 between, amongst others, Delco Asia and the Company. The Company filed its defence on 23 September 2016. An amended writ of summons was filed by Delco on 5 December 2016, adding Fang Ankong ("**Fang**") as a defendant to the proceedings. The Company filed its amended defence on 13 December 2016 and the Plaintiff filed its amended reply to the Company's defence on 21 December 2016. The case is still in progress.

Each of Mr. Fang, a former director of the Company, and HWH Holdings Limited ("**HWH**"), undertook to the Company to indemnify and hold harmless on demand (on an after-tax basis) the Company against all losses arising out of, inter alia, HCA 3040/2015 in accordance with the terms of a letter of indemnity signed by Mr. Fang and HWH in favour of the Company on 17 December 2015. Such indemnity was previously secured by a sum, including the amount of HK$57.8 million in an escrow account set up by HWH, and is now subject to a Mareva injunction granted by the Court on 30 October 2019 until the determination of, inter alia, HCA3040/2015 or further order of the Court. As such, the Board does not consider HCA 3040/2015 to be a claim of material importance.

A writ of summons was issued by Delco as plaintiff on 10 November 2016 in the High Court of Hong Kong (High Court Action No. 2939 of 2016, "**HCA 2939/2016**") against the Company as the 1st defendant, Chiho-Tiande (HK) Limited ("**CTHK**"), a wholly-owned subsidiary of the Company, as the 2nd defendant, HWH as the 3rd defendant, and Mr. Fang as the 4th defendant. So far as the Company and its subsidiaries are concerned, Delco claimed against the Company for damages for an alleged breach of a letter of undertaking dated 3 March 2015 in relation to a convertible bond issued by the Company and subscribed for by Delco on 1 March 2012. Delco further claimed against CTHK for a sum of US$1.0 million, allegedly advanced by Delco Asia to CTHK on or around 16 April 2009. Delco further claims interests, costs and further or other relief. The Company and CTHK filed their defence on 24 March 2017 and the plaintiff filed its reply to the Company and CTHK's defence on 20 June 2017. The case is still in progress.

Whilst the Board does not consider HCA 2939/2016 to be a claim of material importance for the reason set out above, details of HCA 2939/2016 are disclosed herein for the sake of completeness.

RISK MANAGEMENT

The Group in its ordinary course of business is exposed to market risks such as commodity price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's risk management strategy aims at minimising the adverse effects of these risks on its financial performance.

On 1 August 2020, the Group adopted a commodity price risk hedging policy which the Board believes is suitable for the current operating conditions. The commodity price risk hedging policy is posted on the Company's website, www.chihogroup.com.

As part of its foreign currency hedging strategy, the Board closely monitors the Group's foreign currency borrowings in view of the volatile exchange rate of Euro, Renminbi and other relevant currencies to U.S. Dollar and considers various measures to minimise foreign currency risk.

Regarding credit risk, the Group continues to follow the best practices of cash collection for sales of most recycled products in order to minimise the carrying amounts of the financial assets in the Group's financial statements. In addition, the Group continues monitoring closely its trade debtors to minimise potential impairment losses.

Regarding liquidity risk, the Group continues maintaining a balance between the continuity of funding and flexibility through the use of bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had a workforce of 2,885 employees. In addition, we engaged approximately 289 workers and office staff through local contractors. We have not experienced any strikes, work suspension or significant labor disputes which have affected our operations in the past. We have not experienced any significant difficulties in recruiting and retaining qualified staff. We continue to maintain good relationships with our employees.

The Group's total staff costs for the current interim period were approximately HK$497.3 million. The remuneration packages of staff consists of basic salary, mandatory provident fund, insurances and other benefits as considered appropriate. Remuneration of the employees of the Group is determined by reference to market standards, individual performance and their respective contribution to the Group.

The emoluments of the directors of the Company are subject to the recommendations of the remuneration committee of the Company and the Board's approval. Other emoluments including discretionary bonuses, are determined by the Board with reference to the Directors' duties, abilities, reputation and performance.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules after the publication of the Annual Report 2019 of the Company are set out below:

Experience including other directorships

(a) **Dr. Loke Yu Alias Loke Hoi Lam（陸海林）**, an independent non-executive Director, has resigned as an independent non-executive director of Tianhe Chemicals Group Limited (Stock Code: 1619) with effect from 31 May 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognises the importance of corporate transparency and accountability and is committed to achieving a high standard of corporate governance. Throughout the six months ended 30 June 2020, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report, contained in Appendix 14 to the Listing Rules, save and except as explained below:

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January 2020 to 29 February 2020, Mr. Qin Yongming ("**Mr. Qin**") held the offices of chairman ("**Chairman**") and chief executive officer ("**CEO**") of the Company. The Board believed that vesting the roles of both Chairman and CEO in the same person provided the Company with strong and consistent leadership and allowed for effective and efficient planning and implementation of business decisions and strategies. Accordingly, the Directors considered that the deviation from provision A.2.1 of the Code was appropriate in such circumstance.

Mr. Qin had tendered his resignation as the CEO of the Company with effect from 1 March 2020 to focus on his other roles in the Group, but remains as an executive Director of the Company and chairman of the Board. Mr. Rafael Heinrich Suchan was appointed as CEO of the Company with effect from 1 March 2020. Going forward, the change of the CEO will allow the Company to better comply with the requirement under code provision A.2.1 of the CG Code.

The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider whether any changes are necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions by Directors. All Directors have confirmed the specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2020.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020.

SIGNIFICANT EVENTS

The Company and any of its subsidiaries did not have any significant events after 30 June 2020.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") comprises all three independent non-executive Directors, namely Dr. Loke Yu (as chairman), Ms. Qian Liping and Mr. Ko Frankie Andrew. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the financial matters and internal control systems, including reviewed and approved of the Group's unaudited condensed consolidated results for the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chihogroup.com). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and posted on the above websites in due course.

SUPPLEMENTARY INFORMATION IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"). The information disclosed below is supplemental to, and should be read in conjunction with the 2019 Annual Report. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the 2019 Annual Report.

In addition to the information provided in the 2019 Annual Report, the Board would like to provide further information and breakdown in relation to "other income" and "other gains, net" of the Group for the year ended 31 December 2019 (together with comparative figures for 2018):

OTHER INCOME

	For the year ended 31 December	
	2019	2018
	HK$M	*HK$M*
Rental income	**23.7**	22.0
Rental income from investment properties	**3.7**	3.7
Government grants	**6.5**	0.9
Dividend income	**4.8**	3.5
Other income from related parties	**7.8**	3.7
Compensation from insurance coverage	**49.0**	16.3
Tax subsidies received	**15.2**	13.1
Service income	**2.9**	11.5
Compensation from claims	**7.6**	4.9
Other subsidies received	**0.9**	0.4
Income from disposal of spare parts	**1.1**	1.2
Others	**3.8**	18.0
	127.0	99.2

OTHER GAINS, NET

	For the year ended 31 December	
	2019	2018
	HK$M	*HK$M*
(Loss)/Gain on fair value change of:		
– derivative financial instruments	**(2.1)**	34.7
– financial assets at fair value through profit or loss	**1.7**	(3.2)
Foreign exchange gains/(loss), net	**13.9**	(1.4)
Provision for impairment of property, plant and equipment	**(0.9)**	(1.2)
Gain on disposal of property, plant and equipment and right-of-use assets	**33.3**	29.6
Gain on disposal of assets classified as held for sale	**–**	109.5
Gain on disposal of financial assets at fair value through profit or loss	**–**	20.0
Compensation income	**–**	45.3
Loss on disposal and deregistration of subsidiaries	**(13.7)**	–
Reversal of provision for onerous contracts	**5.3**	–
Reversal of provision for asset retirement obligations	**0.9**	–
Others	**4.7**	(0.7)
	43.1	232.6

The supplementary information provided in this announcement does not affect other information contained in the 2019 Annual Report and, save as disclosed above, the contents of the 2019 Annual Report remain unchanged.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates, bankers, lawyers and auditors for their support throughout the period.

By order of the Board
Chiho Environmental Group Limited
Qin Yongming
Chairman

Hong Kong, 27 August 2020

As at the date of this announcement, the Board comprises:

Executive Directors:	Mr. Qin Yongming *(Chairman)* Mr. Tu Jianhua Mr. Rafael Heinrich Suchan *(Chief Executive Officer)* Mr. Martin Simon *(Chief Financial Officer)*
Independent Non-Executive Directors:	Dr. Loke Yu Ms. Qian Liping Mr. Ko Frankie Andrew