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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)

POSITIVE PROFIT ALERT AND BUSINESS UPDATE

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

POSITIVE PROFIT ALERT

The board (the “**Board**”) of directors (the “**Directors**”) of Chiho Environmental Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to inform the shareholders of the Company (“**Shareholders**”) and potential investors that, based on the latest unaudited consolidated management accounts of the Group for the six months ended 30 June 2021 (the “**2021 Interim Period**”) and information currently available to the Board, the Group is expected to record the following results:

- i) revenue for the 2021 Interim Period is expected in the range of HK\$10,700 million to HK\$11,300 million, representing at least 83% growth compared to the six months ended 30 June 2020 (the “**2020 Interim Period**”);
- ii) gross profit for the 2021 Interim Period is expected in the range of HK\$900 million to HK\$1,000 million, representing at least 186% growth compared to 2020 Interim Period;

- iii) earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of not less than HK\$660 million for the 2021 Interim Period, compared to HK\$57 million for the 2020 Interim Period; and
- iv) a net profit of not less than HK\$220 million for the 2021 Interim Period, representing a turnaround from a loss of HK\$288 million for 2020 Interim Period.

The substantial improvement in the performance of the Group is mainly attributable to the following factors:

- i) the implementation of optimisation and restructuring initiatives enables the Group to become leaner and more efficient, while many of its growth initiatives are starting to bear fruit;
- ii) China introduced new standards for the import of recycled metals from late last year. The Group leverages its extensive global network and its presence in China to seize the opportunity, leading to revenue growth; and
- iii) the global community continues to adapt to the new normal under the coronavirus pandemic and industrial activities have rebounded, leading to a strong rebound in demand for ferrous and non-ferrous metals.

Overall, the Group’s business performance in the first half of 2021 displayed an improvement over the same period in 2020. The Group’s tonnage volume and margins of recycled metal have improved. The Group sees the strong momentum continuing into the second half of 2021.

BUSINESS UPDATE

The Board believes that China’s strategy to become carbon neutral by 2060 will continue to boost metal recycling business and create expanding opportunities for the Group to foster new growth. The recently released 14th 5-Year-Plan for the Circular Economy Development by China’s National Development and Reform Commission (NDRC) sets significantly increased targets for recycled scrap metal usage by 2025 in the ferrous and non-ferrous metals industries. The Group’s joint venture project with China Hongqiao Group Limited (“**Hongqiao**”) in Binzhou, China for the recycling of 100,000 tonnes of end-of-life vehicle (“**ELV**”) and mixed metals as well as 500,000 tonnes of secondary aluminum production per annum had kicked off construction in February 2021. The first pour of aluminium liquid is

expected by end of 2021 while the first phase of the ELV and mixed metals recycling line is expected to go live in the second quarter of 2022. The joint venture project with Hongqiao has been recently further extended to include the construction of a recycling facility of electric vehicle lithium-ion batteries as well as a research and development project on hydrogen production by electrolysis of water.

The Board is also pleased to announce that Mr. William Thomas Bird (“**Tom**”) has been appointed as the Chief Trading Officer of the Company with effect from 1 July 2021. Tom is the President of the Bureau of International Recycling (BIR), the only global recycling industry federation, and a trusted expert for global trading of recycled raw materials, and connecting world markets. He has more than 35 years of extensive experience in the field of metal recycling and will help the Company to unify its activities serving customers to become more circular and sustainable in their supply. Being one of the members of the global executive management team of the Group, Tom will be responsible for global trading management, trading strategy planning, and streamlining trading policies and procedures of the Group. The Board is convinced that Tom will help the Group to improve the efficiency and profitability of global trading activities and expand its business network.

The Company continues to look for new business opportunities while taking appropriate measures to control costs and expenses.

As the Company is still in the course of preparing the results for the 2021 Interim Period, the information contained in this announcement is only based on the preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group for the 2021 Interim Period, which have not been reviewed by the auditors of the Company, and information currently available to the Board. The actual results of the Group for the 2021 Interim Period may be different from disclosures in this announcement. Further details on the financial results will be disclosed in due course pursuant to the requirements of the Listing Rules when the Group publishes its results for the 2021 Interim Period.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Chiho Environmental Group Limited
Rafael Heinrich Suchan
Chief Executive Officer and Executive Director

Hong Kong, 27 July 2021

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

Executive Directors:

Mr. Tu Jianhua

Mr. Rafael Heinrich Suchan (*Chief Executive Officer*)

Mr. Martin Simon (*Chief Financial Officer*)

Mr. Miao Yu

Independent Non-Executive Directors: Dr. Loke Yu

Mr. Ko Frankie Andrew

Prof. Li Zhiguo

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.