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 2021

HIGHLIGHTS

- The Board is pleased to announce that the Group recorded a very strong mid-year performance and has made a turnaround in both topline and bottom line in the first half of 2021 as the economy is recovering from the pandemic and the global trend in shifting towards to a sustainable development pathway in favour of our industry.

- The Group sold 2.3 million tonnes of recycled products with a revenue of HK$11,162.2 million, an increase of 16.2% and 91.0%, respectively, compared to the same period in 2020. All regions have shown improved performance with the European operations continuing to be at the core of our business. The Asian operations growth is fuelled by the ramp up of our Southeast Asia operations and the ease of the import regulations on recycled metals into China. The North American operations have also recorded higher sales with a smaller scale of operation.

- Gross profit for the period was HK$1,005.9 million, a more than 3-fold increase as compared to the same period previous year with a gross profit margin of 9.0% (2020: 5.4%). The improvement in the gross profit margin is a result of margin management in a time of rising scrap prices, focusing on high margin businesses and the continuing portfolio review and clean up.

- Net profit for the period has turned around from a loss of HK$287.9 million in 2020 to a profit of HK$225.9 million for the current period, a result of the transformation initiatives and optimisation programs implemented last year which are bearing fruit in allowing the Group become leaner and more efficient.

- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: 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 2021, together with the comparative figures for the corresponding period in 2020 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2021	2020
	Notes	***HK$M***	*HK$M*
		(Unaudited)	(Unaudited)
Revenue	*3*	**11,162.2**	5,843.7
Cost of sales		**(10,156.3)**	(5,529.3)
Gross profit		**1,005.9**	314.4
Other income		**42.9**	76.9
Other (losses)/gains, net	*4*	**(4.5)**	7.3
Impairments on non-financial assets	*4*	**(10.7)**	(62.7)
(Impairments)/Net reversal of impairments on financial assets		**(32.2)**	0.2
Distribution and selling expenses		**(28.4)**	(23.6)
Administrative expenses		**(626.5)**	(518.8)
		346.5	(206.3)
Finance income		**3.7**	6.3
Finance costs		**(177.1)**	(119.1)
Finance costs, net		**(173.4)**	(112.8)
Share of post-tax profits of an associate		**0.5**	–
Share of post-tax profits of joint ventures		**153.1**	30.5
Profit/(Loss) before income tax		**326.7**	(288.6)
Income tax (expense)/credit	*5*	**(100.8)**	0.7
Profit/(Loss) for the period	*6*	**225.9**	(287.9)
Profit/(Loss) attributable to:			
Shareholders of the Company		**226.3**	(278.7)
Non-controlling interests		**(0.4)**	(9.2)
		225.9	(287.9)
Earnings/(Loss) per share attributable to shareholders of the Company for the period (expressed in HK$ per share)			
Basic earnings/(loss) per share	*8*	**0.14**	(0.17)
Diluted earnings/(loss) per share	*8*	**0.14**	(0.17)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	HK$M	*HK$M*
	(Unaudited)	(Unaudited)
Profit/(Loss) for the period	**225.9**	(287.9)
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(122.4)**	(147.4)
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	**–**	(0.2)
Share of other comprehensive loss of joint ventures	**(0.1)**	(0.5)
Other comprehensive loss for the period	**(122.5)**	(148.1)
Total comprehensive profit/(loss) for the period	**103.4**	(436.0)
Total comprehensive profit/(loss) for the period attributable to:		
Shareholders of the Company	**102.6**	(424.8)
Non-controlling interests	**0.8**	(11.2)
	103.4	(436.0)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2021 HK$M (Unaudited)	At 31 December 2020 HK$M (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,448.2**	2,623.9
Right-of-use assets		**734.0**	844.5
Investment properties		**20.2**	20.7
Intangible assets		**909.5**	957.2
Investments accounted for using the equity method		**808.8**	696.4
Financial assets at fair value through profit or loss		**0.9**	0.9
Financial assets at fair value through other comprehensive income		**102.6**	104.6
Other non-current assets	*9*	**6.6**	4.2
Deferred income tax assets		**82.5**	110.4
		5,113.3	5,362.8
Current assets			
Inventories		**1,533.3**	1,169.3
Trade, bills and other receivables	*9*	**2,956.1**	1,709.0
Amounts due from related parties		**109.8**	129.3
Derivative financial instruments		**41.7**	14.3
Tax recoverable		**18.9**	23.0
Pledged bank deposits		**126.2**	122.7
Cash and cash equivalents		**356.9**	913.8
		5,142.9	4,081.4
Assets held for sale		**304.6**	428.7
		5,447.5	4,510.1
Total assets		**10,560.8**	9,872.9

	Notes	At 30 June 2021 HK$M (Unaudited)	At 31 December 2020 HK$M (Audited)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		**16.1**	16.1
Other reserves		**6,886.1**	7,009.8
Accumulated losses		**(2,322.0)**	(2,548.3)
		4,580.2	4,477.6
Non-controlling interests		**(8.5)**	(13.4)
Total equity		**4,571.7**	4,464.2
Non-current liabilities			
Borrowings		**57.9**	178.3
Lease liabilities		**235.2**	342.3
Retirement benefit obligations		**28.8**	29.7
Other payables	*10*	**98.0**	102.6
Deferred income tax liabilities		**341.4**	363.8
		761.3	1,016.7
Current liabilities			
Trade, bills and other payables	*10*	**2,858.1**	1,689.5
Current income tax liabilities		**160.4**	93.7
Borrowings		**1,804.8**	2,120.1
Lease liabilities		**175.2**	202.2
Amounts due to related parties		**111.1**	63.4
Derivative financial instruments		**48.3**	59.7
		5,157.9	4,228.6
Liabilities directly associated with assets held for sale		**69.9**	163.4
		5,227.8	4,392.0
Total liabilities		**5,989.1**	5,408.7
Total equity and liabilities		**10,560.8**	9,872.9

NOTES:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

1.1.1 Going concern basis

The Group reported a net profit of HK$225.9 million for the six months ended 30 June 2021. As at 30 June 2021, the Group had net current assets of HK$219.7 million. As at the same date, it had borrowings of HK$1,862.7 million, of which HK$1,804.8 million are current borrowings due within twelve months from 30 June 2021, while its cash and cash equivalents amounted to HK$356.9 million.

Included in current borrowings as at 30 June 2021 was a syndicated term loan (the "**Syndicated Term Loan**") with an outstanding principal amount of HK$1,241.2 million, to be fully repayable on 3 January 2022.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group, taking into account the potential impact arising from the COVID-19 pandemic 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:

(i) The Group has successfully extended the maturity date of the Syndicated Term Loan to January 2022 with a partial repayment instalment of HK$155.3 million on or before end of September 2021. The Group will continue to monitor its compliance with the restrictive financial and non-financial undertaking requirements and the Directors expect the Group would be in compliance throughout the remaining term of the Syndicated Term Loan.

(ii) The Group is in advance negotiations with various financial institutions in Europe and Asia for a new secured long-term borrowing with a principal amount of no less than HK$1,200.0 million. The Group received proposed term sheets but has not entered into any binding agreement with the financial institutions to date. Management is confident that the new long-term borrowing will be obtained in due course.

(iii) The Group is pursuing the disposals of certain idle and non-performing land and buildings in specific regions to raise additional cash to finance the repayment of borrowings.

(iv) The Group maintains continuous communication with all financial institutions working with the Group and believes that the existing other banking facilities available to the Group will be successfully renewed when their current terms expire given the long standing relationship the Group has with the relevant banks and the fact that majority of these facilities are secured by the Group's properties and other assets.

(v) The Group continues its efforts to ramp up the production capability of the new recycling facilities in Asia by deploying sufficient additional working capital, implement measures in Europe and North America to generate cash flow from operations, and further control capital and operating expenditures to strengthen its working capital and mitigate the potential negative impact of COVID-19 pandemic.

(vi) 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 not less than twelve months from 30 June 2021. 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 interim financial information 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 2020, as described in those annual consolidated financial statements, except for the adoption of hedge accounting, 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 2021. Amendments to HKFRSs effective for the financial year ending 31 December 2021 do not have a material impact on the Group.

The Group adopted hedge accounting for derivative financial instruments for the financial year beginning on 1 January 2021. The new accounting policy related to derivatives and hedging activities are as follows:

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the fair values of the hedging instruments are expected to offset changes in the fair value of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other (losses)/gains, net.

3 SEGMENT INFORMATION

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

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 three reportable segments of its business: Asia, Europe and North America. 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 and gain/loss on disposals of assets held for sale and joint ventures. 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.

The following table presents revenue and segment profit information regarding the Group's reportable segments for the six months ended 30 June 2021 and 2020, respectively:

	For the six months ended									
	30 June 2021					30 June 2020				
	Asia *HK$M*	**Europe** *HK$M*	**North America** *HK$M*	**Unallocated** *HK$M*	**Total** *HK$M*	Asia *HK$M* (Restated)	Europe *HK$M*	North America *HK$M*	Unallocated *HK$M* (Restated)	Total *HK$M*
Revenue										
Total segment revenue	**1,150.8**	**9,719.1**	**527.6**	**–**	**11,397.5**	534.3	4,818.7	537.4	–	5,890.4
Inter-segment sales	**–**	**(235.3)**	**–**	**–**	**(235.3)**	–	(41.0)	(5.7)	–	(46.7)
External sales	**1,150.8**	**9,483.8**	**527.6**	**–**	**11,162.2**	534.3	4,777.7	531.7	–	5,843.7
Segment profit/(loss) *(Note (i))*	**4.3**	**530.2**	**72.1**	**(106.5)**	**500.1**	(95.3)	42.2	(8.9)	(113.8)	(175.8)
Finance income					**3.7**					6.3
Finance costs					**(177.1)**					(119.1)
Profit/(Loss) before income tax					**326.7**					(288.6)
Income tax (expense)/credit					**(100.8)**					0.7
Profit/(Loss) for the period					**225.9**					(287.9)
Depreciation and amortisation expenses	**(34.8)**	**(148.3)**	**(8.7)**	**(9.3)**	**(201.1)**	(41.8)	(157.4)	(22.9)	(9.7)	(231.8)
Fair value (loss)/gain on derivative financial instruments *(Note (ii))*	**–**	**–**	**–**	**(49.5)**	**(49.5)**	–	–	–	1.6	1.6
Fair value loss on financial assets through profit or loss	**–**	**–**	**–**	**(0.4)**	**(0.4)**	–	–	–	(2.5)	(2.5)
(Loss)/Gain on disposals of property, plant and equipment, right-of-use assets and intangible assets	**–**	**–**	**–**	**(7.0)**	**(7.0)**	–	–	–	3.1	3.1
Gain on disposal of a joint venture	**–**	**–**	**–**	**7.0**	**7.0**	–	–	–	–	–
Gain on disposals of assets held for sale	**–**	**–**	**–**	**33.7**	**33.7**	–	–	–	–	–
Provision for impairments on property, plant and equipment *(Note 4)*	**–**	**–**	**–**	**(0.7)**	**(0.7)**	–	–	–	(62.7)	(62.7)
Impairment on intangible assets *(Note 4)*	**–**	**–**	**–**	**(10.0)**	**(10.0)**	–	–	–	–	–

Note:

(i) During the second half year of 2020, the Group's CODM had changed their perspective on the unallocated segment and certain administrative expenses were reclassified from the Asia segment to the unallocated segment for the year ended 31 December 2020. Therefore, the segment loss for the Asia segment and unallocated segment loss for the period ended 30 June 2020 were restated from HK$114.1 million and HK$95.0 million to HK$95.3 million and HK$113.8 million, respectively, to conform to new presentation.

(ii) The fair value loss on derivative financial instruments for the period ended 30 June 2021 represented the fair value loss related to those derivative financial instruments that are not qualified for hedge accounting.

Segment assets

Reconciliation of segment assets to total assets as at 30 June 2021 and 31 December 2020 are provided as follows:

	30 June 2021				31 December 2020			
	Asia	**Europe**	**North America**	**Total**	Asia	Europe	North America	Total
	HK$M	***HK$M***	***HK$M***	***HK$M***	*HK$M*	*HK$M*	*HK$M*	*HK$M*
Segment assets	**1,884.5**	**7,725.6**	**450.7**	**10,060.8**	1,541.4	6,772.4	497.6	8,811.4
Deferred income tax assets				**82.5**				110.4
Tax recoverable				**18.9**				23.0
Derivative financial instruments				**41.7**				14.3
Cash and cash equivalents				**356.9**				913.8
Total assets				**10,560.8**				9,872.9

4 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2021	2020
	HK$M	*HK$M*
(Loss)/Gain on fair value change of:		
– derivative financial instruments	**(49.5)**	1.6
– financial assets at fair value through profit or loss	**(0.4)**	(2.5)
Foreign exchange gain, net	**10.3**	3.0
(Loss)/Gain on disposals of property, plant and equipment, right-of-use assets and intangible assets	**(7.0)**	3.1
Gain on disposal of a joint venture	**7.0**	–
Gain on disposals of assets held for sale	**33.7**	–
Others	**1.4**	2.1
Impairments on non-financial assets		
– provision for impairments on property, plant and equipment *(Note (i))*	**(0.7)**	(62.7)
– impairment on intangible assets *(Note (ii))*	**(10.0)**	–
	(15.2)	(55.4)

Notes

(i) For the six months ended 30 June 2021, the Group recognised a provision for impairments on property, plant and equipment of HK$0.7 million (2020: HK$62.7 million) which was related to idle assets in Europe (2020: Asia and Europe).

(ii) The North America region is undergoing business transformation and has divested or in the process of divesting part of its operations in the United States ("**US**"), resulting in an impairment on brand name which was related to the US operations and classified as intangible assets with indefinite useful lives of HK$10.0 million for the six months ended 30 June 2021.

5 INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the period.

Under the law of the People's Republic of China ("**PRC**") on Enterprise Income Tax ("**EIT**") and the relevant EIT Implementation Regulations, the tax rate of PRC EIT has been provided at the rate of 25% (2020: 25%) on the estimated assessable profit for the period.

Germany and US income taxes have been provided at the rate of approximately 30% (2020: 30%) and 26% (2020: 26%), respectively, on the estimated assessable profit for the period.

Taxation on profits from other jurisdictions 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	
	2021	2020
	HK$M	*HK$M*
Current income tax (expense)/credit:		
Germany	**(69.3)**	(2.4)
US	**(2.4)**	–
PRC EIT	**(0.5)**	(0.9)
Hong Kong profits tax	**(2.2)**	–
Other jurisdictions	**(20.3)**	0.5
	(94.7)	(2.8)
Deferred income tax (expense)/credit	**(6.1)**	3.5
Income tax (expense)/credit	**(100.8)**	0.7

6 PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	HK$M	*HK$M*
Changes in inventories of work-in-progress and finished goods	**(73.3)**	175.0
Raw materials and consumables used	**8,851.0**	4,206.7
Provision for inventories, net	**58.2**	50.5
Employee benefit expenses	**545.1**	497.3
Depreciation and amortisation expenses	**201.1**	231.8
Legal and professional expenses	**75.0**	15.9

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 2021 and 2020.

8 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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	
	2021	2020
	HK$M	*HK$M*
Profit/(Loss)		
Profit/(Loss) for the period attributable to shareholders of the Company	**226.3**	(278.7)
Number of shares		
Weighted average number of ordinary shares in issue *(thousands)*	**1,605,153**	1,605,153
Basic earnings/(loss) per share (expressed in HK$)	**0.14**	(0.17)

(b) Diluted

The Group has no potentially dilutive shares outstanding during the interim periods ended 30 June 2021 and 2020.

9 TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2021 *HK$M*	At 31 December 2020 *HK$M*
Trade receivables	**2,503.0**	1,336.6
Less: loss allowance	**(77.3)**	(50.0)
Trade receivables, net	**2,425.7**	1,286.6
Bills receivables	**26.0**	15.4
Deposits and prepayments	**191.0**	165.8
Deposits paid for purchase of raw materials	**92.5**	40.6
VAT recoverable	**119.8**	99.4
Other receivables *(Note)*	**107.7**	105.4
	2,962.7	1,713.2
Less: non-current portion		
Other deposits	**(6.6)**	(4.2)
	2,956.1	1,709.0

Note: As at 30 June 2021, the balance included a receivable of HK$45.7 million (31 December 2020: HK$45.2 million) from a government authority in the PRC.

At 30 June 2021 and 31 December 2020, the aging analysis of the trade receivables based on invoice date was as follows:

	At 30 June 2021 *HK$M*	At 31 December 2020 HK$M
0 – 90 days	**2,353.2**	1,230.7
91 – 180 days	**63.1**	41.7
Over 180 days	**86.7**	64.2
	2,503.0	1,336.6

10 TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2021 *HK$M*	At 31 December 2020 HK$M
Trade payables	**2,293.9**	1,377.2
Contract liabilities	**75.9**	18.1
Other tax payable	**44.6**	49.0
Accrued salaries and employee benefits	**113.9**	125.9
Provision for claims and contingencies	**12.7**	12.1
Accrued professional expenses	**21.9**	20.6
Asset retirement obligations	**76.6**	79.7
Other payables and accruals *(Note)*	**316.6**	109.5
	2,956.1	1,792.1
Less: non-current portion		
Asset retirement obligations	**(76.6)**	(79.7)
Other payables	**(21.4)**	(22.9)
	2,858.1	1,689.5

Note: As at 30 June 2021, the balance included receipt in advance for sales of assets held for sale of HK$116.4 million (31 December 2020: Nil).

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

	At 30 June 2021 *HK$M*	At 31 December 2020 *HK$M*
0 – 90 days	**2,214.3**	1,351.7
91 – 180 days	**43.0**	4.9
Over 180 days	**36.6**	20.6
	2,293.9	1,377.2

CHIEF EXECUTIVE OFFICER'S STATEMENT

As the world gradually bounces back from the pandemic, our business also marks a significant growth this year. We are pleased to announce that Chiho recorded a very strong mid-year performance and has made a turnaround in both topline and bottom line in the first half of 2021. Demand for metals has picked up as factories reopened and constructions restarted. Our staff has returned safely to work as most countries began to roll out vaccination programs to contain the pandemic. Our operations in Europe, North America and Asia have all resumed to close-to-normal level in 2021 as countries started to ease lockdown restrictions. While our business activities have resumed profit-making, the Group has also made some structural changes to its business model and operation to cushion loss and enhance efficiency. Our Northeastern US business had been divested as part of a business transformation process and at the same time, we rolled out a new strategy to strengthen our existing business while capturing new growth opportunities arising from the global pursuit to achieve zero carbon. As a leader in the recycling business, Chiho has already made a head start by collaborating with China Hongqiao Ltd. ("**Hongqiao**") to establish a new industrial recycling facility in Binzhou, China. With all the new projects underway, the Group has reported a net profit of HK$225.9 million in the first half of this year, a significant increase of 178.5% over the same period.

Review of Operations

The Group's total tonnage and revenue in the first half of 2021 is 2.3 million tonnes and HK$11,162.2 million respectively, an increase of 16.2% and 91.0% compared to the same period in 2020. As mentioned above, the growth is largely attributed to the economic recovery as well as a global trend in shifting towards to a more sustainable development pathway.

The European operations continue to remain our core business and have performed consistently well. Leveraging our century-old roots in Europe, the Group has maintained good relationships with our established local customer base, and the European subsidiary alone continues to represent more than 80% of our global operation. While our one-stop-shop recycling service covers both ferrous and non-ferrous materials, ferrous products account for the bulk of our sales within the region. The tonnage and revenue generated saw an increase of 22.2% and 101.7% for Europe over the same period.

In North America, the Group has undergone a restructuring by selling the loss-making facilities. Resources will be diverted to support our North American brokage and Mexican yard businesses. As such, the tonnage and revenue generated in the North America saw a temporary drop of 41.5% and 1.8%, over the same period. However, gross profit and gross profit margin improved to HK$100.0 million and 19.0%, an increase of 103.7% and 9.9% compared to the same period in 2020. Furthermore, the North America segment has made a turnaround in net profit in the first half of 2021.

Our Asian operations have shown great improvement compared to the same period of last year as most countries across the globe began to recover from the pandemic. Overall, the Southeast Asian market maintained stable growth as we ramped up operations in Malaysia, India and Thailand by sending skilled supervisors and personnel to these markets from February 2021 onwards. The region's operations continue to put emphasis on the profitable e-motor recycling business since we shifted the operations from China to Southeast Asia in 2019. As a whole, tonnage and revenue in Asia have increased 29.4% and 115.4% respectively.

In particular, our China business has seen tremendous growth this year in terms of both tonnage and revenue as the country emerged strongly from the pandemic and with its new and ambitious sustainability goals. China has highlighted in its 14th Five-Year Plan this year that circular economy would be a priority in the country's future development. Furthermore, more construction activities are set to take place, on the back of an increase in infrastructure spending by the government post-COVID. China also currently has the largest number of new energy vehicles on the road, and this number is expected to accelerate to approximately 7 million by end of 2021. All of them contain lithium-ion batteries that need proper recycling to ensure a closed-loop system. The abovementioned opportunities present huge immediate and long term growth potential for Chiho and the overall recycling industry.

To tap the tremendous opportunities in China, the Group established a joint venture with Hongqiao, China's biggest aluminum producer, to build a flagship recycling park in Binzhou, China with a capacity of processing up to 100,000 tonnes of end-of-life vehicle ("**ELV**") and mixed metals, as well as 50,000 tonnes of secondary aluminum production per annum in late 2020. The project has kicked off construction in February 2021 and is expected to start its first phase operation by the end of 2021 and achieve full capacity of first phase in the second quarter 2022. The project has recently been further extended to include the construction of a recycling facility for electric vehicle lithium-ion batteries.

Prospect

Moving forward, Chiho is optimistic about the prospect of our recycling business and confident that we are well-equipped to capture the deep pool of opportunities brought about by a post-COVID economic reset and a global shift in focus towards sustainability and recycling. At the same time, fueled by a transformation process that is currently underway, Chiho is fully positioning itself for new growth. With a vision to become a first-class global circular economy solution partner in the long term, and to further its commitment to the responsible management and sustainability of the environment, the Group has devised a three-pillar strategy which focuses on strengthening our core competencies and businesses, concentrating on high margin businesses and tapping into fast growing markets. This strategy will keep the momentum going as we ride the wave of post-COVID economic growth and the race to sustainability.

First of all, we will continue to strengthen our core business in Europe where we have always had a strong presence. Our Germany branch will stay as the research and development hub to support other operations across regions with expertise in recycling technology. The operation in North America will be leaner and more focused on achieving higher overall efficiency.

Meanwhile, Chiho will gravitate towards the Chinese market where we are seeing a boom in demand for recycled metal. China aims to reach carbon neutrality by 2060 according to its 14th Five-Year Plan and has already set out a substantial plan to pave the way for low carbon economy. The demand for scrap steel will double as more infrastructure projects are in place, and the recycling rate of aluminum will also double from 15% to 30% in the coming five to ten years as the primary production of aluminum grows tighter. The Chiho-Hongqiao joint venture in Binzhou, China, will play a major role in minimising emissions compared to the primary raw material route, converting thousands of tonnes of scrap into high quality recycled metals on its two-shredder processing lines. Since China has relaxed import restrictions on non-ferrous metal last year, the Group is also expected to increase our sourcing ability within China and across the region.

The new recycling park will also provide strong forward momentum for our third pillar, which is expanding our suite of offerings and venturing into higher margin businesses that include electric vehicle ("**EV**") batteries recycling and plastic recycling. The Chinese market, in particular, presents huge potential as the country owns 44% of all the electric vehicles in the world. It also envisions 20% of new cars on the road to be EVs by 2025. Furthermore, the strict carbon emission policies in place, the growing demand for EVs, and the lack of a structured recycling system for retired batteries in China will further boost our high-margin business. Our Binzhou, China, facility will dedicate a processing line to ELV recycling with the capacity to handle up to 50,000 EV lithium batteries per annum. In Europe, as the demand for safe and comprehensive lithium-ion batteries recycling continues to increase, Chiho will further strengthen its technology and capacity to fulfill market needs.

Our operations in Southeast Asia will continue to expand and play a more important role in supporting our Chinese business. As countries open up ports and borders, logistics will improve and the trade volume is expected to rise. Local partners will remain as part of our wider network in sourcing and trading ferrous metals, while local facilities will ensure a stable supply of non-ferrous recycled materials exporting to China.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group sold 2.3 million tonnes of recycled products for the six months ended 30 June 2021, an increment of 16.2% as compared to 2.0 million tonnes sold in the same period in 2020. Revenue for the period was HK$11,162.2 million, an increase of 91.0% as compared to HK$5,843.7 million for the same period last year.

The strong rebound in sales is largely attributed from economy recovery as the global economy adopts to the new norm with the COVID-19 pandemic. Strong demand for metals started in the second half of 2020 and the momentum carried into the first half of 2021. The Group's trading volume started to benefit from the ease of restrictions over import of recycled metals into China with reinstituted new standards for imports of both ferrous and non-ferrous scrap metals.

The Europe segment continues to be the key contributor in terms of revenue. The contribution from the North America segment has dropped relatively as businesses in the US are under the divestment process, reflecting the continuous restructuring of the Group's businesses for more efficient use of our resources.

	Six months ended 30 June			
	2021		2020	
	HK$M	**As a percentage of total segment revenue**	*HK$M*	As a percentage of total segment revenue
Asia	**1,150.8**	**10.1%**	534.3	9.1%
Europe	**9,719.1**	**85.3%**	4,818.7	81.8%
North America	**527.6**	**4.6%**	537.4	9.1%
Total segment revenue	**11,397.5**	**100%**	5,890.4	100%
Inter-segment sales	**(235.3)**		(46.7)	
Revenue	**11,162.2**		5,843.7	

Gross Profit/Margin

Gross profit for first half of 2021 was HK$1,005.9 million, a more than 3-fold increase as compared to the same period previous year with a gross profit margin of 9.0% (2020: 5.4%). The improvement in the gross profit margin is a result of margin management in a time of rising scrap prices, focusing on high margin businesses and the continuing portfolio review and clean up.

Operating Expenses

Total operating expenses for the period were HK$654.9 million, an increase of 20.7% over the same period last year, but as a percentage of revenue, it has decreased to 5.9% (2020: 9.3%). The transformation initiatives and optimisation programs implemented last year are bearing fruit in allowing the Group become leaner and more efficient. Current period's administrative expenses were influenced by costs related to refinancing activities.

	Six months ended 30 June			
	2021		2020	
	HK$M	**As a percentage of revenue**	*HK$M*	As a percentage of revenue
Distribution and selling expenses	**28.4**	**0.3%**	23.6	0.4%
Administrative expenses	**626.5**	**5.6%**	518.8	8.9%
Total	**654.9**	**5.9%**	542.4	9.3%

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

Profit attributable to shareholders of the Company for the six months ended 30 June 2021 was HK$226.3 million, as compared to a loss of HK$278.7 million for the same period last year.

Basic earnings per share for the first half of 2021 was HK$0.14 as compared to loss per share of HK$0.17 in the previous financial period.

Analysis of Cash Flow from Operations

The Group's cash generated from operations before changes in working capital for the period was HK$658.6 million, more than 4.5-fold increase as compared to same period last year as operating profit increased. The Group has been carefully managing the working capital in response to the uncertainties in the market conditions due to the pandemic. Increasing prices and higher volumes added to the overall demand for working capital for the current period.

Liquidity and Financial Resources

Shareholders' funds as at 30 June 2021 were HK$4,580.2 million, an increase of 2.3% from 31 December 2020, and included foreign exchange losses from the depreciation of foreign currencies, namely Euro, against Hong Kong dollar over the current period. Shareholders' funds per share increased from HK$2.79 as at 31 December 2020 to HK$2.85 as at 30 June 2021.

The Group's financial resources remain steady. As at 30 June 2021, the Group had cash, various bank balances and pledged bank deposits amounting to HK$483.1 million (31 December 2020: HK$1,036.5 million), used mainly for working capital for the expansion of business operations and the reduction of external borrowings.

The current ratio as at 30 June 2021 was 1.04 (31 December 2020: 1.03). 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 potential lenders to refinance the maturing borrowings.

Total external borrowings as at 30 June 2021 were HK$1,862.7 million, a reduction of HK$435.7 million as compared to 31 December 2020. Such borrowings were mainly utilised for the purchase of mixed recycle metal and working capital, and denominated in Euro, US Dollar and Renminbi. Approximately HK$1,604.7 million (31 December 2020: HK$1,928.2 million) of borrowings are at fixed interest rates.

The gearing ratio of the Group as at 30 June 2021 was 17.6% (31 December 2020: 23.3%) which is calculated based on the total borrowings divided by our total assets.

Working Capital Change

Overall, our net operating cycle has improved significantly in the current period, showing our commitment to improve operating efficiencies.

Inventories as at 30 June 2021 were HK$1,533.3 million (31 December 2020: HK$1,169.3 million) due to the change in the scrap price and higher business volume. The inventory turnover days for the period was 24 days (2020: 46 days) as business activities resumed to close-to-normal level during the period.

Provision for inventories as at 30 June 2021 were HK$71.4 million (31 December 2020: HK$14.0 million).

	At 30 June 2021	At 31 December 2020
Inventories *(HK$M)*	**1,533.3**	1,169.3
Average inventories as a percentage of revenue (annualised)	**6.1%**	10.0%

	Six months ended 30 June	
	2021	2020
Turnover days	**24**	46

Net trade and bills receivables as at 30 June 2021 were HK$2,451.7 million, increased from HK$1,302.0 million as at 31 December 2020. Debtor turnover days for the period remained comparable as same period last year at 31 days.

	At 30 June 2021	At 31 December 2020
Trade and bills receivables, net *(HK$M)*	**2,451.7**	1,302.0
Average receivables as a percentage of revenue (annualised)	**8.4%**	8.5%

	Six months ended 30 June	
	2021	2020
Turnover days	**31**	32

Trade and bills payables as at 30 June 2021 were HK$2,293.9 million (31 December 2020: HK$1,377.2 million), following the higher inventory balance. Creditor turnover days for the period were 33 days (2020: 23 days), reflecting our strengthened controls over preserving our cash resources.

	At 30 June 2021	At 31 December 2020
Trade and bills payables *(HK$M)*	**2,293.9**	1,377.2

	Six months ended 30 June	
	2021	2020
Turnover days	**33**	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.

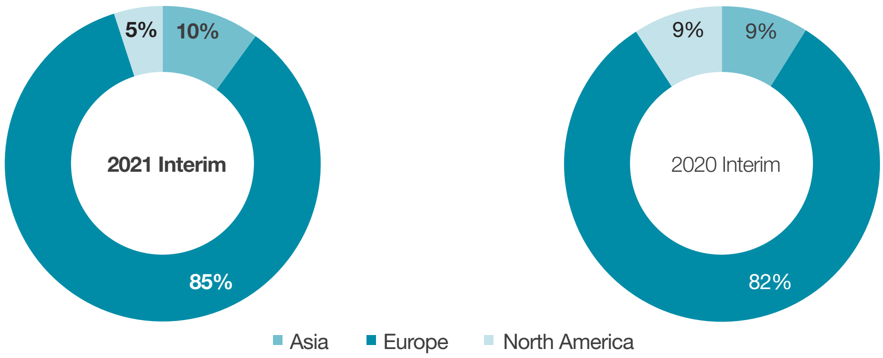
Capital Expenditure

For the six months ended 30 June 2021, the Group invested HK$108.4 million in tangible assets including machinery and equipment, leasehold improvements, office equipment for improving production efficiency (2020: HK$153.0 million). These capital expenditures were financed through internal resources and lease arrangements.

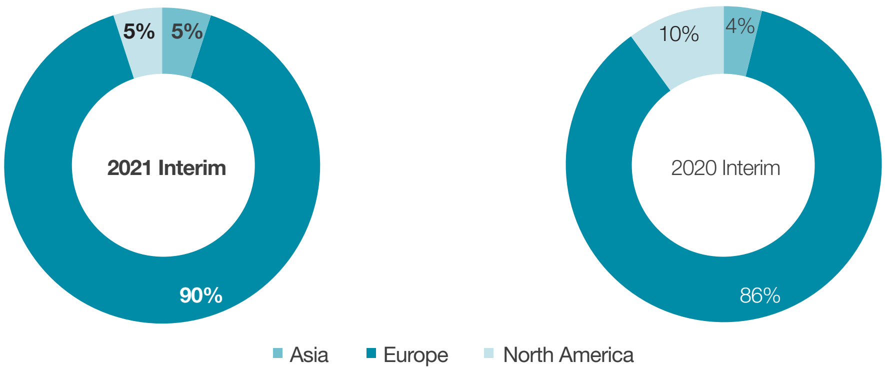
BUSINESS REVIEW

Operational Performance

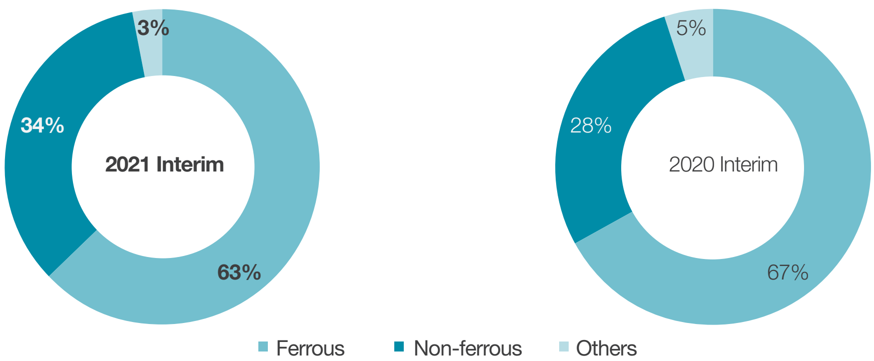
Revenue by Regions



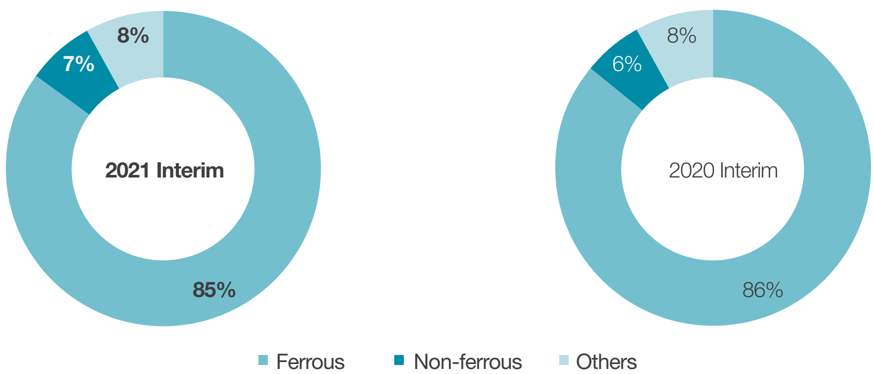
Sales Quantity by Regions



Revenue by Products



Sales Quantity by Products



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, and own many advanced processing technologies in scrap metal shredding and post-shredding processing.

Europe

The Europe segment sold 2.11 million tonnes of recycled products for the six months ended 30 June 2021, an increase of 22.2% compared to same period last year of 1.72 million tonnes. Segment revenue increased two-fold to HK$9,719.1 million as compared to same period in 2020, as strong growth is seen in the core businesses in Europe. Demand for metals were strong as industrial activities resumed from the COVID-19 impact and more global infrastructure spending to revive the economy. Such strong demand drove the scrap prices higher. With China's ease on the restrictions over the import of recycled ferrous and non-ferrous, the European segment also benefited with higher volume sold.

Through the economic recovery and the improved margin management, Europe segment's gross profit for the period reached HK$882.4 million, more than 2.5-fold increase as compared to the same period last year, and gross profit margin for the period also increased from 6.7% in 2020 to 9.1% in the current period.

Segment profit for the period was HK$530.2 million (2020: HK$42.2 million), more than 10-fold increase as compared to same period last year. Apart from the improved business environment, various operational efficiency incentives implemented last year materialised and further increase Europe segment's profitability.

North America

The North America segment has undergone a business transformation process beginning from last year to sell non-performing assets to better allocate resources to more profitable businesses. The disposal of Northeastern US businesses has been completed during the period, and the sale of the Southwestern US locations is expected to be completed by end of 2021. The North America segment, therefore, reported 0.11 million tonnes of recycled products sold for the six months ended 30 June 2021 (2020: 0.19 million tonnes), and a segment revenue of HK$527.6 million (2020: HK$537.4 million).

Segment gross profit for the period was HK$100.0 million (2020: HK$49.1 million) and gross profit margin was at 19.0% (2020: 9.1%), as loss-making businesses were disposed of during the period. As such, the North America segment has turned from a loss of HK$8.9 million in 2020 to a profit of HK$72.1 million in the current period.

Asia

The sales tonnage for the Asia segment increased 29.4% from 0.09 million tonnes in 2020 to 0.11 million tonnes in the current period, and segment revenue for the period was HK$1,150.8 million, more than 2-fold increase as compared to 2020, from changes in the sales mix with more focus on non-ferrous sales. Such strong momentum is contributed by the maturing e-motor recycling business in Southeast Asia, as well as benefited from the restrictions eased on the import of recycled ferrous and non-ferrous into China.

The Asian scrap prices followed the global upward trend as demand boosted from government measures are in place to revive the economy. With higher contribution from the Southeast Asia operations, segment gross profit and gross profit margin for the period was HK$24.6 million and 2.1%, respectively, a turnaround from a gross loss of HK$47.1 million and gross loss margin of 8.8% in 2020. Furthermore, our joint venture operation in India is maturing and its profitability improved. Hence, the Asia segment has turned from a loss of HK$95.3 million in 2020 to a profit of HK$4.3 million in 2021.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2021, the Group had pledged certain property, plants and equipment, right-of-use assets, investment properties, inventories, trade receivables, assets held for sale and bank deposits with an aggregate carrying value of approximately HK$5,324.6 million (31 December 2020: approximately HK$4,337.0 million) to secure certain borrowings and general banking facilities granted to the Group.

As at 30 June 2021, the Group had capital commitments in respect of acquisition of property, plant and equipment and additions in construction in progress which are contracted, but not provided for in the amount of HK$86.3 million (31 December 2020: HK$16.5 million).

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

The Group has provided financial guarantees to certain related parties and joint ventures of HK$20.4 million and HK$55.2 million (31 December 2020: HK$14.9 million and HK$38.0 million), respectively. As the risk of default is very remote and there is no history of default, no financial guarantee liability was recognised.

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 (the "**Court**") (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 nonpayment 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 Mr. Fang as a defendant to the proceedings. The parties subsequently filed amended pleadings. On Delco's application, the Court granted leave to Delco to discontinue its claim against the Company for the HK$57.8 million, with certain issues still to be decided by the Court.

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. The exact scope of the indemnity is yet to be determined.

A writ of summons was issued by Delco as plaintiff on 10 November 2016 in the Court (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. 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 parties subsequently filed amended pleadings and gave evidence at the trial in July 2021. The case is still in progress, with further evidence to be given in the Netherlands, and the parties to make closing submissions.

Whilst the Board does not consider HCA 3040/2015 and HCA 2939/2016 to be claims of material importance for the reason set out above, details of HCA 3040/2015 and 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 is to mitigate the adverse effects of these risks on its financial performance.

In 2010, the Group adopted a commodity price risk hedging policy which has been subsequently updated to cater for the changing operating conditions of the Group. The latest commodity price risk hedging policy is available 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 US 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 2021, the Group had a workforce of 3,024 (31 December 2020: 2,832) employees. In addition, we engaged approximately 92 (31 December 2020: 270) 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$545.1 million (2020: HK$497.3 million). The remuneration package 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**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 2020 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 Zhong An Group Limited (Stock Code: 0672) with effect from 10 June 2021.

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 2021, 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 officer should be separate and should not be performed by the same individual. Mr. Chen Chunguo ("**Mr. Chen**") tendered his resignation as the chairman of the Board ("**Chairman**") and an executive director of the Company with effect from 3 March 2021. Since then, Mr. Rafael Heinrich Suchan ("**Mr. Suchan**"), the chief executive officer of the Company ("**CEO**"), has been the acting Chairman and taking up all the responsibilities of the Chairman. The Board believed that vesting the roles of both acting 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.

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. 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 2021.

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 2021.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021.

SIGNIFICANT EVENTS

The Company and any of its subsidiaries did not have any significant events after 30 June 2021.

REVIEW OF INTERIM REPORT

The audit committee of the Company (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 2021.

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 of Hong Kong Limited (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 2021 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.

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
Rafael Heinrich Suchan
Chief Executive Officer and Executive Director

Hong Kong, 26 August 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.