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(Incorporated in the Cayman Islands with limited liability)

CHIHO ENVIRONMENTAL GROUP LIMITED

(Stock Code: 976.HK)

Mr. Tu Jianhua as a member of CPPCC National Committee made suggestions for these development events at the two sessions

The national two sessions in 2022 opened on March 4 and concluded on March 11. (Notes: The "Two Sessions" – the annual meetings of China's top legislative and advisory bodies, the National People's Congress [NPC] and the National Committee of the Chinese People's Political Consultative Conference [CPPCC].) As a member of the 13th National Committee of the Chinese People's Political Consultative Conference, Mr. Tu Jianhua, also chairman of the Chongqing Federation of Industry and Commerce and chairman of the board of directors of Loncin Holdings Co., Ltd (the shareholder of Chiho and Scholz), attended the Two Sessions in Beijing. He contributed ideas and suggestions on several topics, including the green transformation of the manufacturing industry in the context of China's "dual-carbon" goal, the high-standard development of the recycling industry, and elevating private enterprises.



According to Mr. Tu, not only has green and low-carbon development become the basic principle for the transformation of economic, social and ecological developments in China and the rest of the world, it is the only way to upgrade the manufacturing industry. Industrial structure adjustments and product innovation are important to achieving

carbon emission reductions. Through years of practice and observation, Mr. Tu has submitted several proposals covering the expansion of the new energy motorcycle industry, the development of the recycling and dismantling of end-of-life vehicles, and the implementation of efficient recycling and the comprehensive utilization of waste lithium-ion batteries. The following is an excerpt of his proposals about the recycling industry:

Proposal on the expansion of recycling and dismantling end-of-life vehicles

Mr. Tu pointed out that China's car ownership reached 302 million units in 2021, with a year-on-year increase of 8.16%. At present in China, large-scale dismantling businesses have higher environmental protection costs, which results in meager profits, and many SMEs do not have well-crafted business models and high-quality dismantling technology. As the current scrapped vehicle recycling system is not mature and there is not much motivation to return retired vehicles via formal channels, the industry has seen a low overall profitability, inadequate motivation for technological innovation, inadequate business models, and a shortage of leading enterprises.

In recent years, with the successive introduction of policies, Mr. Tu is expectant on the standardized development of the end-of-life vehicle recycling industry. He suggested that for the recycling sector, the government could establish legal procedures to guide car owners to deregister and discard their retired vehicles. Meanwhile, it could also strengthen supervision and support law-abiding enterprises to upgrade their equipment, innovate technologies, and increase profitability. In addition, Mr. Tu advocated industry cooperation with the aim of forming a closed-loop production model for the entire automotive industry chain and establishing a digital service platform. He also suggested improving tax policies to ensure the profitability of the industry chain, giving tax incentives in the early stages to cultivate leading enterprises, and identifying tax collection methods that can actually deduct the cost of recycling enterprises.

Proposal on the recycling of EV batteries

Mr. Tu pointed out that China's ownership of new energy vehicles reached 7.84 million by the end of 2021, ranking the highest globally. However, there are still many uncertainties in China's waste battery recycling channels, the safe dismantling of batteries, the environmental protection process, utilization, product quality and recovery technology methods. It is crucial to establish a more standardized system and a stronger national engineering research center to ensure the healthy development of the industry. Mr. Tu suggested the government could enact more supportive and compulsory laws and regulations, improve the waste battery recycling system, explore new business models such as "Internet plus recycling", and further strengthen the construction of

battery traceability platforms. He also suggested introducing policies to encourage battery manufacturers either by themselves or in cooperation with others to establish comprehensive

utilization enterprises. In his proposal, Mr. Tu also recommended clarifying the responsibilities of waste battery recycling entities, enhancing the innovation and practice of comprehensive utilization technology of end-of-life batteries, and supporting cooperation on research between the industry and academia to develop the recycling industry further.

In his media interviews alongside the Two Sessions, Mr. Tu said that the new development concept of "dual circulation" introduced by the Chinese government has brought more opportunities for private enterprises and encouraged them to participate in the country's green development. Scholz Group, a subsidiary of Loncin, has cooperated with Hongqiao Group, the largest electrolytic aluminum manufacturer in China, to establish a Sino-German Hongshun recycling park in Zouping Economic and Technological Development Zone, Binzhou, Shandong Province. Chiho Environmental Group and Scholz Group also jointly invested in a new project for the comprehensive utilization of scrapped vehicles and lithium batteries in Taizhou, Zhejiang Province, which is making good progress. In the future, Chiho Environmental Group and Scholz Group will continue to contribute to the recycling economy in China and the rest of the world.

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