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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 a preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2021 (the “**Year 2021**”) and information currently available to the Board, the Group is expected to record the following results:

- i) a net profit of not less than HK\$640.0 million for the Year 2021, representing a turnaround from a loss of HK\$864.2 million for the year ended 31 December 2020 (the “**Year 2020**”);
- ii) revenue of not less than HK\$21.5 billion for the Year 2021, representing at least 60% growth compared to Year 2020; and
- iii) gross profit of not less than HK\$1.5 billion, representing at least 60% growth compared to Year 2020.

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

- i) the Group leveraged its extensive global network and its presence in China to seize the opportunities presented under various favorable government policies, leading to revenue growth;
- ii) global industrial activities have rebounded leading to a strong growth in demand for ferrous and non-ferrous metals; and
- iii) reduction in one-off impairments on non-financial assets.

Overall, the Group's business performance displayed an improvement in 2021. The Group's tonnage volume and margins of recycled metal have recorded substantial growth.

BUSINESS UPDATE

In view of the great potential in recycling of end-of-life vehicles (“ELV”) and electric vehicles (“EV”) batteries in China, the Company announced its plans to invest in new ELV and EV batteries recycling facility in Taizhou, China, in November 2021. The projected 100 acres big recycling facility is designed to process up to 50,000 ELVs and 10,000 tonnes of EV batteries per year. This project will combine the competitive advantages of the advanced technology from Scholz, the major Germany subsidiaries group of the Company, and our extensive network in Taizhou, China, to transform our existing production base in Taizhou, China, into a leading recycling center for ELV and EV batteries. The engineering design and equipment procurement have been started, and it is expected that the first phase of ELV and mixed metals recycling will go live in the second half of 2022.

The operations in Southeast Asia of the Group are also gradually ramping up and start making contributions to the Group's profit. Meanwhile, our operation in Europe is stable and remains strong.

Discussions around global environmental protection and the favorable policies issued by the Chinese government will support the future growth of the Group. Under the leadership of the new management team, the Board believes that the Group can advance further, and our recycling business will continue to expand in the carbon neutral era.

As at the date of the announcement, the Company is in the course of finalising the annual results for the Year 2021. The information contained in this announcement is only a preliminary assessment made by the Board based on the unaudited consolidated management accounts of the Group for the Year 2021 and the information currently available, and such information or data has not been audited or reviewed by the auditors or the audit committee of the Company. The actual results of the Group for the Year 2021 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 Year 2021.

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
Li Linhui
Executive Director

Hong Kong, 1 March 2022

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

Executive Directors: Mr. Tu Jianhua
Mr. Li Linhui (*Chairman*)
Mr. Miao Yu
Mr. Yao Jietian

Independent Non-Executive Director: Prof. Li Zhiguo

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