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 2022

HIGHLIGHTS

- The Group sold over 2.0 million tonnes of recycled products for the first half of 2022, a decrease of 12.1% compared to the first half of 2021. However, the Group recorded a revenue of HK$11,826.0 million for the first half of 2022, representing an increase of 5.9% as compared to the same period last year due to the strong demand for metals as the pre-war panic between Russia and Ukraine caused manufacturing companies to stockpile metals to maintain stable production. Such strong demand has driven the increase of scrap prices. As a result, global commodity prices remained high in the first half of 2022.

- Gross profit for the first half of 2022 was HK$701.2 million, and the gross profit margin dropped from 9.0% for the first half in 2021 to 5.9% for the first half of 2022 as a result of the adverse economic environment, high logistic and energy costs, and the recent price inflation.

- Total operating expenses dropped 19.8% to HK$525.2 million for the first half of 2022 as a result of transformation initiatives and optimisation programs implemented in previous years, showing that the Group remained continuously lean and efficient.

- The Group recorded net finance costs of HK$101.0 million for the first half of 2022, a drop of 41.8% compared to the first half of 2021, as total borrowings decreased from HK$1,661.9 million as at 31 December 2021 to HK$1,418.1 million as at 30 June 2022.

- Profit attributable to shareholders of the Company for the first half of 2022 was HK$199.5 million as compared to HK$226.3 million for the same period last year.

- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (2021: Nil).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Chiho Environmental Group Limited (the "**Company**" or "**Chiho**") 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 2022, together with the comparative figures for the corresponding period in 2021 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2022	2021
	Notes	***HK$M***	*HK$M*
		(Unaudited)	(Unaudited)
Revenue	*3*	**11,826.0**	11,162.2
Cost of sales		**(11,124.8)**	(10,156.3)
Gross profit		**701.2**	1,005.9
Other income		**49.9**	42.9
Other gains/(losses), net	*4*	**111.4**	(4.5)
Impairments on non-financial assets	*4*	**(51.4)**	(10.7)
Impairments on financial assets		**(8.4)**	(32.2)
Distribution and selling expenses		**(24.8)**	(28.4)
Administrative expenses		**(500.4)**	(626.5)
		277.5	346.5
Finance income		**2.5**	3.7
Finance costs		**(103.5)**	(177.1)
Finance costs, net		**(101.0)**	(173.4)
Share of post-tax (loss)/profit of an associate		**(0.8)**	0.5
Share of post-tax profit of joint ventures		**125.4**	153.1
Profit before income tax		**301.1**	326.7
Income tax expense	*5*	**(115.7)**	(100.8)
Profit for the period	*6*	**185.4**	225.9
Profit/(Loss) attributable to:			
Shareholders of the Company		**199.5**	226.3
Non-controlling interests		**(14.1)**	(0.4)
		185.4	225.9
Earnings per share attributable to shareholders of the Company for the period (expressed in HK$ per share)			
Basic earnings per share	*8*	**0.12**	0.14
Diluted earnings per share	*8*	**0.12**	0.14

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	HK$M	*HK$M*
	(Unaudited)	(Unaudited)
Profit for the period	**185.4**	225.9
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(390.1)**	(122.4)
Items that will not be reclassified to profit or loss:		
Share of other comprehensive loss of joint ventures	**(0.3)**	(0.1)
Other comprehensive loss for the period	**(390.4)**	(122.5)
Total comprehensive (loss)/profit for the period	**(205.0)**	103.4
Total comprehensive (loss)/profit for the period attributable to:		
Shareholders of the Company	**(185.8)**	102.6
Non-controlling interests	**(19.2)**	0.8
	(205.0)	103.4

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2022 HK$M (Unaudited)	At 31 December 2021 HK$M (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,093.0**	2,256.6
Right-of-use assets		**620.5**	701.5
Investment properties		**51.8**	56.3
Intangible assets		**780.1**	848.9
Investments accounted for using the equity method		**737.9**	907.8
Financial assets at fair value through profit or loss		**0.8**	0.8
Financial assets at fair value through other comprehensive income		**84.8**	91.3
Other non-current assets	*9*	**11.4**	14.8
Deferred income tax assets		**71.8**	78.9
		4,452.1	4,956.9
Current assets			
Inventories		**1,436.1**	1,567.8
Trade, bills and other receivables	*9*	**2,941.3**	2,226.9
Amounts due from related parties		**84.4**	66.8
Derivative financial instruments		**100.2**	31.1
Tax recoverable		**8.7**	17.3
Pledged bank deposits and restricted bank deposits		**122.3**	142.4
Cash and cash equivalents		**315.3**	782.3
		5,008.3	4,834.6
Assets held for sale		**228.3**	167.0
		5,236.6	5,001.6
Total assets		**9,688.7**	9,958.5

	Notes	At **30 June** **2022** ***HK$M*** **(Unaudited)**	At 31 December 2021 *HK$M* (Audited)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		**16.1**	16.1
Other reserves		**6,318.8**	6,704.1
Accumulated losses		**(1,646.8)**	(1,846.3)
		4,688.1	4,873.9
Non-controlling interests		**(27.9)**	(14.4)
Total equity		**4,660.2**	4,859.5
Non-current liabilities			
Borrowings		**101.7**	50.8
Lease liabilities		**165.5**	190.1
Retirement benefit obligations		**17.8**	18.9
Other payables	*10*	**98.6**	106.8
Deferred income tax liabilities		**284.3**	305.8
		667.9	672.4
Current liabilities			
Trade, bills and other payables	*10*	**2,646.3**	2,240.1
Current income tax liabilities		**92.4**	254.0
Borrowings		**1,316.4**	1,611.1
Lease liabilities		**135.9**	177.1
Amounts due to related parties		**109.9**	104.9
Derivative financial instruments		**59.7**	39.4
		4,360.6	4,426.6
Total liabilities		**5,028.5**	5,099.0
Total equity and liabilities		**9,688.7**	9,958.5

NOTES:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

1.1.1 Going concern basis

As at 30 June 2022, the Group had borrowings of HK$1,418.1 million, of which HK$1,316.4 million are current borrowings due within twelve months from 30 June 2022, while its cash and cash equivalents amounted to HK$315.3 million.

Included in current borrowings as at 30 June 2022 was a syndicated term loan (the "**Syndicated Term Loan**") with an outstanding loan balance of HK$824.4 million scheduled to be fully repayable in March 2023.

The above conditions indicated 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 circumstance, the Directors have given careful consideration to the future liquidity and performance of the Group, taking into account the potential impact arising from the surge of metal commodity price and new waves of 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) In June 2022, the Group has successfully agreed with the lenders of the Syndicated Term Loan to extend the maturity date of the remaining Syndicated Term Loan to March 2023 with four partial repayment instalments of HK$23.4 million, HK$39.0 million, HK$78.0 million and HK$93.6 million on or before end of June, July and October 2022 and January 2023, respectively. The interest rate, certain guarantors and collaterals of the Group associated with the Syndicated Term Loan were also revised. The Group plans to finance such partial repayment instalments through internal resources as well as financial and operational measures as mentioned in (ii) to (vi) below. The Group will continue to monitor its compliance with the 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 pursuing plans for potential disposal of certain assets in specific regions to raise additional cash to finance the repayment of borrowings.

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

(iv) The Group obtained short term borrowings of HK$57.9 million from lenders in the PRC, and repaid an amount of HK$36.2 million during the current interim period. The management expects that such borrowings will be successfully renewed when their current terms expire in September 2022.

(v) 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 generate cash flow from operations including further control capital and operating expenditures to strengthen its working capital.

(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 2022. 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 2021, 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 2022.

Amendments to HKFRSs effective for the financial year ending 31 December 2022 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, 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, fair value gain/loss on trading derivative financial instruments, and gain/loss on disposals of assets held for sale, joint ventures, property, plant and equipment and right-of-use assets. 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 2022 and 2021, respectively:

	For the six months ended									
	30 June 2022					30 June 2021				
	Asia	**Europe**	**North America**	**Unallocated**	**Total**	Asia	Europe	North America	Unallocated	Total
	HK$M	***HK$M***	***HK$M***	***HK$M***	***HK$M***	*HK$M*	*HK$M*	*HK$M*	*HK$M*	*HK$M*
Revenue										
Total segment revenue	**892.6**	**10,959.3**	**26.9**	**–**	**11,878.8**	1,150.8	9,719.1	527.6	–	11,397.5
Inter-segment sales	**(3.8)**	**(49.0)**	**–**	**–**	**(52.8)**	–	(235.3)	–	–	(235.3)
External sales	**888.8**	**10,910.3**	**26.9**	**–**	**11,826.0**	1,150.8	9,483.8	527.6	–	11,162.2
Segment (loss)/profit	**(64.0)**	**425.7**	**26.9**	**13.5**	**402.1**	4.3	530.2	72.1	(106.5)	500.1
Finance income					**2.5**					3.7
Finance costs					**(103.5)**					(177.1)
Profit before income tax					**301.1**					326.7
Income tax expense					**(115.7)**					(100.8)
Profit for the period					**185.4**					225.9
Depreciation and amortisation expenses	**(36.0)**	**(141.2)**	**(0.3)**	**(8.2)**	**(185.7)**	(34.8)	(148.3)	(8.7)	(9.3)	(201.1)
Fair value loss on derivative financial instruments *(Note)*	**–**	**–**	**–**	**(1.4)**	**(1.4)**	–	–	–	(49.5)	(49.5)
Fair value loss on financial assets through profit or loss	**–**	**–**	**–**	**–**	**–**	–	–	–	(0.4)	(0.4)
Loss on disposals of property, plant and equipment and right-of-use assets	**–**	**–**	**–**	**(8.0)**	**(8.0)**	–	–	–	(7.0)	(7.0)
Gain on disposal of a joint venture	**–**	**–**	**–**	**–**	**–**	–	–	–	7.0	7.0
Gain on disposals of assets held for sale	**–**	**–**	**–**	**115.7**	**115.7**	–	–	–	33.7	33.7
Provision for impairments on property, plant and equipment *(Note 4)*	**–**	**–**	**–**	**(0.6)**	**(0.6)**	–	–	–	(0.7)	(0.7)
Provision for impairment on investment in a joint venture *(Note 4)*	**–**	**–**	**–**	**(50.8)**	**(50.8)**	–	–	–	–	–
Impairment on intangible assets *(Note 4)*	**–**	**–**	**–**	**–**	**–**	–	–	–	(10.0)	(10.0)

Note: The fair value loss on derivative financial instruments for the period ended 30 June 2022 represented the fair value loss related to those trading derivative financial instruments that were not subject to hedge accounting.

Segment assets

Reconciliation of segment assets to total assets as at 30 June 2022 and 31 December 2021 are provided as follows:

	30 June 2022				31 December 2021			
	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	**1,490.0**	**7,504.6**	**198.1**	**9,192.7**	1,739.0	7,069.9	240.0	9,048.9
Deferred income tax assets				**71.8**				78.9
Tax recoverable				**8.7**				17.3
Derivative financial instruments				**100.2**				31.1
Cash and cash equivalents				**315.3**				782.3
Total assets				**9,688.7**				9,958.5

4 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2022	2021
	HK$M	*HK$M*
Loss on fair value change of:		
– derivative financial instruments	**(1.4)**	(49.5)
– financial assets at fair value through profit or loss	**–**	(0.4)
Foreign exchange gain, net	**2.3**	10.3
Loss on disposals of property, plant and equipment, and right-of-use assets	**(8.0)**	(7.0)
Gain on disposal of a joint venture	**–**	7.0
Gain on disposals of assets held for sale	**115.7**	33.7
Others	**2.8**	1.4
Impairments on non-financial assets		
– provision for impairments on property, plant and equipment	**(0.6)**	(0.7)
– provision for impairment on investment in a joint venture *(Note (i))*	**(50.8)**	–
– impairment on intangible assets *(Note (ii))*	**–**	(10.0)
	60.0	(15.2)

Notes

(i) During the six months ended 30 June 2022, the North America region is in the process of divesting an investment in a joint venture located in Mexico, which was classified as assets held for sale. The Group recognised a provision for impairment on investment in a joint venture of HK$50.8 million between the expected sales proceeds and its net book balance.

(ii) During the six months ended 30 June 2021, the North America region has undergone business transformation and to divest certain non-performing 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.

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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% (2021: 25%) on the estimated assessable profit for the period.

Germany and US income taxes have been provided at the rate of approximately 30% (2021: 30%) and 26% (2021: 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	
	2022	2021
	HK$M	*HK$M*
Current income tax expense:		
Germany	**73.0**	69.3
US	**–**	2.4
PRC EIT	**15.7**	0.5
Hong Kong profits tax	**4.0**	2.2
Other jurisdictions	**21.7**	20.3
	114.4	94.7
Deferred income tax expense	**1.3**	6.1
Income tax expense	**115.7**	100.8

6 PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2022	2021
	HK$M	*HK$M*
Changes in inventories of work-in-progress and finished goods	**98.6**	(73.3)
Raw materials and consumables used	**9,733.1**	8,851.0
Provision for inventories, net	**147.5**	58.2
Employee benefit expenses	**493.8**	545.1
Depreciation and amortisation expenses	**185.7**	201.1
Legal and professional expenses	**25.6**	75.0

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 2022 and 2021.

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the 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	
	2022	2021
	HK$M	*HK$M*
Profit		
Profit for the period attributable to shareholders of the Company	**199.5**	226.3
Number of shares		
Weighted average number of ordinary shares in issue *(thousands)*	**1,605,153**	1,605,153
Basic earnings per share *(expressed in HK$)*	**0.12**	0.14

(b) Diluted

The Group has no potentially dilutive shares outstanding during the interim periods ended 30 June 2022 and 2021.

9 TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2022	At 31 December 2021
	HK$M	*HK$M*
Trade receivables	**2,457.4**	1,827.1
Less: loss allowance	**(52.9)**	(55.4)
Trade receivables, net	**2,404.5**	1,771.7
Bills receivables	**26.6**	3.2
Deposits and prepayments	**210.1**	191.2
Deposits paid for purchase of raw materials	**81.5**	49.4
VAT recoverable	**106.5**	128.2
Other receivables *(Note)*	**123.5**	98.0
	2,952.7	2,241.7
Less: non-current portion		
Other deposits	**(11.4)**	(14.8)
	2,941.3	2,226.9

Note: As at 30 June 2022, the balance included a receivable of HK$44.4 million (31 December 2021: HK$46.7 million) from the Taizhou Bay Committee, a government authority in the PRC.

At 30 June 2022 and 31 December 2021, the aging analysis of the trade receivables based on invoice date was as follows:

	At 30 June 2022	At 31 December 2021
	HK$M	*HK$M*
0 – 90 days	**2,268.8**	1,729.3
91 – 180 days	**81.9**	28.0
Over 180 days	**106.7**	69.8
	2,457.4	1,827.1

10 TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2022 HK$M	At 31 December 2021 HK$M
Trade payables	**2,258.6**	1,801.3
Contract liabilities	**63.8**	40.0
Other tax payable	**46.5**	53.8
Accrued salaries and employee benefits	**130.4**	164.6
Provision for claims and contingencies	**3.5**	3.4
Accrued professional expenses	**36.7**	31.2
Asset retirement obligations	**63.9**	69.5
Other payables and accruals *(Note)*	**141.5**	183.1
	2,744.9	2,346.9
Less: non-current portion		
Asset retirement obligations	**(63.9)**	(69.5)
Other payables	**(34.7)**	(37.3)
	2,646.3	2,240.1

Note: As at 30 June 2022, there was no receipt in advance for sales of assets held for sale (31 December 2021: HK$44.3 million).

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

	At 30 June 2022 HK$M	At 31 December 2021 HK$M
0 – 90 days	**2,129.0**	1,747.6
91 – 180 days	**77.0**	11.9
Over 180 days	**52.6**	41.8
	2,258.6	1,801.3

CHAIRMAN'S STATEMENT

In the first half of 2022, global energy and metal prices experienced extreme volatilities due to internal and external factors. Among which, the Russian-Ukrainian conflict and the global pandemic flare up further exacerbated inflation, systemic financial risks and fiscal policy tightening, presenting a great challenge to the global economic growth. Facing the ever-changing international and domestic environment, Chiho will adhere to sustainable development, focus on cost reduction and increase efficiency, reduce ineffective consumption, strengthen on budget and cost management, so as to improve economic benefits under the premise of continuing to actively prevent and control the pandemic to ensure the health and safety of employees. With the joint efforts of employees from all over the world and benefiting from the efforts of various measures, Chiho's various global projects and businesses were able to overcome obstacles and forge ahead, and yielded phased results in the first half of 2022. On behalf of the Board, I am pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022. In the first six months of 2022, the Group achieved a revenue and a net profit of HK$11,826.0 million and HK$185.4 million, respectively, both remained at record high levels.

In the first half of 2022, by timely adjusting business structure, continuous enhancing technological innovation and implementing stable project investment management, the Group consolidated its market advantages and achieved further growth in revenue. In Europe, while stabilizing the existing recycling business, we actively expanded the development opportunities of high growth markets, completed the expansion of new recycling projects in Hungary and the Czech Republic, and promoted the business expansion layout of the Group in Central Europe. In North America, we constantly optimised the operation mode of renewable resources trade and recycling business to achieve higher returns. In Asia, Chiho continued to deepen its localized operation mode and innovate the research and development of recycling process. The Group's Chinese technical team has submitted 24 technical patent applications to the China National Intellectual Property Administration in the fields of end-of-life vehicle processing, electric vehicle battery recycling and secondary aluminum. As at 30 June 2022, a total of 11 licenses in respect of the aforesaid patent applications have been obtained. At the same time, Chiho's joint venture projects and self-expansion projects located in China have made good progress.

REVIEW OF OPERATIONS

The Group's revenue in the first half of 2022 was HK$11,826.0 million, an increase of 5.9% compared to the same period in 2021. The growth was mainly attributed to the steady business operations in the first half of 2022 as well as the Group's more prudent business strategy.

The European operations continued to be Chiho's core business, representing more than 90% of our global operation. Although the metal tonnage of European operations decreased by 6.6% compared to the same period in 2021, the revenue of which increased by 12.8% compared to the same period in 2021. Despite the complex and volatile external environment, the European operations still endeavoured to ensure the normal business of metal trading and recycling in this region. In the first half of 2022, the Group acquired a brown-field investment property in Hungary to develop a metal recycling center close to Budapest. This will enable further growth of our core business and expand material sourcing opportunities for our steel industry clients. The Group has launched a yard development project in Plzen, the Czech Republic. It will bring further growth and strengthen our business networks in the south-west Bohemia region in the Czech Republic. The project is anticipated to be completed by the third quarter of 2023 and will add 500,000 tonnes metal recycling to the Group per year.

In North America, the Group conducted a portfolio review and implemented a series of restructuring measures, including the sale of loss-making non-core assets, to effectively devote resources into other business. As a result, the tonnage and revenue in North America declined significantly compared to the same period in 2021.

In Asia, we have strengthened the production technology training in the yards of Southeast Asia, improved the workers' knowledge and skills in recycling, and achieved a significant increase in metal scrap production in this region. However, the Chinese market was once again affected by the pandemic in the first half of 2022, which lead to a decline in tonnage of that region. During the period, Asian operations' revenue was HK$892.6 million, representing a decrease of 22.4% compared to the same period in 2021. Although the project construction further delayed under the impact of the pandemic, the Group's key projects in China have advanced by phases under pressure.

The Hongshun project jointly constructed by the German-based Scholz Group (a wholly-owned subsidiary of Chiho) and China Hongqiao Group follows the "3+N" model for construction since its commencement, which uses resources made from the recycling of end-of-life vehicle, aluminum recycling and electric vehicle batteries as well as supporting industry chain. As at 30 June 2022, the latest progress of Hongshun Project includes: a multi-purpose recovery furnace has been completed and put into production, the installation of the aluminum ash processing equipment has nearly completed, recycled aluminum workshop has reached an output target of 1,500 tonnes, the installation of the pretreatment equipment in the dismantling workshop has completed, which was under qualification approval stage and expected to obtain the qualification for ELV recycling and dismantling by the end of September. The end-of-life vehicle and electric vehicle battery facility recycling located in Taizhou, Zhejiang Province, China ("**Qishun project**") jointly constructed by Chiho and its subsidiary, Scholz Group progressed smoothly since its launch in 2021. As at 30 June 2022, Qishun project has the following updates: (i) the tender process for the reconstruction of the end-of-life vehicle plant has completed and the construction has officially commenced, (ii) the basic design of electric vehicle battery recycling has been completed, (iii) the relevant tender and evaluation process has been completed.

PROSPECT

Even though the COVID-19 pandemic, the Russian-Ukraine war and other uncertain factors of the international environment will continue to affect the overall economic and industrial development trend, we believe that sustainable development is still an important issue that countries around the world need to promote in the long term.

According to the Circularity Gap Report 2021, if the world is to be fully sustainable, the global recycling rate needs to increase from the current 8.6% to 17%. This means that our recycling business has huge development potential.

Therefore, we will continue to strengthen and consolidate our core business in Europe, in order to expand our market influence in Europe recycling industry. By continuously improving the recycling process and recycling technology, we provide a solid technical support for the development of the Group's regional businesses. Our North American operations will continue to focus on achieving higher efficiency returns and a more optimized operating model.

Our Southeast Asia operations will continue to strengthen talents introduction and training, further improve the recycling capacity, while ensuring that it meets China and other countries' trade demand for recycled metal raw materials.

During the “Two Sessions” in China in 2022, “green”, “low carbon” and “circular economy” have once again become hot topics. Following China’s “carbon neutral first year” in 2021, the “low-carbon economy” continued to show strong momentum, and China’s recycling industry continued to usher in many positive policies. According to the data of China Automobile Association, in 2021, the production and sales of new energy vehicles in China exceeded 3.5 million, reaching 3.545 million and 3.521 million respectively, with an increase of nearly 1.6 times over the same period. The cumulative ownership of new energy vehicles exceeded 7.84 million, and the supporting installed capacity exceeded 428GWh, ranking first in the world for seven consecutive years. Electric vehicle battery recycling of new energy vehicles has been evaluated by the industry as a huge potential market in the future.

In the face of the huge potential recycling market in China, we will seize the opportunity through our projects in China to vigorously promote the end-of-life vehicles processing, the utilization of electric vehicle battery and the development of metal recycling in the region, while introducing the Group’s European recycling technology, in combination with the localized operation mode, so as to bring inexhaustible impetus to the expansion of the Group’s business and technological innovation in China.

In the second half of 2022, the Group will continue to maintain a flexible operation strategy to cope with the volatile macroeconomic environment and industry instability. At the same time, we will vigorously expand the market, focus on cost optimization and risk control, also further increase investment on research and development, thereby consolidating market position and core technology advantages to meet market demand.

Last but not least, I would like to extend my heartfelt gratitude to all of employees for the loyalty, efforts, professionalism and valuable contributions. I hope you all stay safe and healthy.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group sold 2.0 million tonnes of recycled products for the six months ended 30 June 2022, a 12.1% decrease compared to 2.3 million tonnes sold in the same period in 2021. Revenue for the first half of 2022 was HK$11,826.0 million, an increase of 5.9% as compared to HK$11,162.2 million for the same period last year.

Demand for metals was strong as the pre-war panic between Russia and Ukraine caused manufacturing companies to stockpile metals to maintain stable production. Such strong demand drove the increase of scrap prices. As a result, global commodity prices remained high in the first half of 2022.

	Six months ended 30 June			
	2022		2021	
	HK$M	**As a percentage of total segment revenue**	*HK$M*	As a percentage of total segment revenue
Asia	**892.6**	**7.5%**	1,150.8	10.1%
Europe	**10,959.3**	**92.3%**	9,719.1	85.3%
North America	**26.9**	**0.2%**	527.6	4.6%
Total segment revenue	**11,878.8**	**100%**	11,397.5	100%
Inter-segment sales	**(52.8)**		(235.3)	
Revenue	**11,826.0**		11,162.2	

Gross Profit/Margin

Gross profit for the first half of 2022 was HK$701.2 million, a drop of 30.3% as compared to the same period last year and the gross profit margin was 5.9% (2021: 9.0%). The decrease in gross profit was mainly attributable to the logistic and energy costs remaining high, and recent price inflation.

Operating Expenses

Total operating expenses for the first half of 2022 were HK$525.2 million, a decrease of 19.8% over the same period last year, and as a percentage of revenue, it has decreased to 4.4% (2021: 5.9%). As a result of transformation initiatives and optimisation programs implemented in previous years, the Group became continuously lean and efficient. The decrease in administrative expenses was mainly attributable to cost reductions related to refinancing activities compared to the same period last year.

	Six months ended 30 June			
	2022		2021	
	HK$M	**As a percentage of revenue**	*HK$M*	As a percentage of revenue
Distribution and selling expenses	**24.8**	**0.2%**	28.4	0.3%
Administrative expenses	**500.4**	**4.2%**	626.5	5.6%
Total	**525.2**	**4.4%**	654.9	5.9%

Profit Attributable to Shareholders and Earnings Per Share

Profit attributable to shareholders of the Company for the six months ended 30 June 2022 was HK$199.5 million, as compared to a profit of HK$226.3 million for the same period last year.

Basic earnings per share for the first half of 2022 was HK$0.12 as compared to earnings per share of HK$0.14 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 first half of 2022 was HK$547.3 million, a decrease of 16.9% compared to the first half of 2021 as a result of a decrease in operating profit. The Group has been carefully managing the working capital in response to the uncertainties in the market conditions.

Liquidity and Financial Resources

Shareholders' funds as at 30 June 2022 were HK$4,688.1 million, a decrease of 3.8% from 31 December 2021, 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 decreased from HK$3.04 as at 31 December 2021 to HK$2.92 as at 30 June 2022.

The Group's financial resources remain steady. As at 30 June 2022, the Group had cash, various bank balances and pledged bank deposits amounting to HK$437.6 million (31 December 2021: HK$924.7 million), used mainly for the repayment of external borrowings and working capital for the expansion of business operations.

The current ratio as at 30 June 2022 was 1.20 (31 December 2021: 1.13). 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 2022 were HK$1,418.1 million, a reduction of HK$243.8 million as compared to 31 December 2021. 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$1,089.8 million (31 December 2021: HK$1,354.7 million) of borrowings are at fixed interest rates.

The gearing ratio of the Group as at 30 June 2022 was 14.6% (31 December 2021: 16.7%) 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 2022 were HK$1,436.1 million (31 December 2021: HK$1,567.8 million). The inventory turnover days for the period was 25 days (2021: 24 days) as compared with the same period last year.

Provision for inventories as at 30 June 2022 were HK$182.2 million (31 December 2021: HK$43.0 million). The increase of provision was due to the price volatility toward the end of the first half of 2022.

	As at 30 June 2022	As at 31 December 2021
Inventories *(HK$M)*	**1,436.1**	1,567.8
Average inventories as a percentage of revenue (annualised)	**6.4%**	3.1%

	Six months ended 30 June	
	2022	2021
Turnover days	**25**	24

Net trade and bills receivables as at 30 June 2022 were HK$2,431.1 million, increased from HK$1,774.9 million as at 31 December 2021. Debtor turnover days for the first half of 2022 increased from 31 days to 32 days compared with the same period last year. The higher receivables balance as at 30 June 2022 mainly due to timing of sales toward period end. The Group adopts a tight management on credit exposure.

	As at 30 June 2022	As at 31 December 2021
Trade and bills receivables, net *(HK$M)*	**2,431.1**	1,774.9
Average receivables as a percentage of revenue (annualised)	**8.9%**	3.5%

	Six months ended 30 June	
	2022	2021
Turnover days	**32**	31

Trade and bills payables as at 30 June 2022 were HK$2,258.6 million (31 December 2021: HK$1,801.3 million). Creditor turnover days for the first half of 2022 were remained flat at 33 days (2021: 33 days) as compared with the same period last year.

	As At 30 June 2022	As At 31 December 2021
Trade and bills payables *(HK$M)*	**2,258.6**	1,801.3

	Six months ended 30 June	
	2022	2021
Turnover days	**33**	33

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.

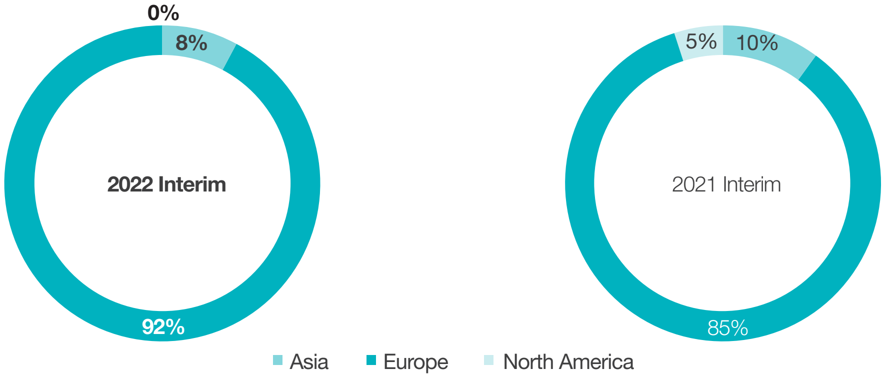
Capital Expenditure

For the six months ended 30 June 2022, the Group invested HK$117.8 million in tangible assets including machinery and equipment, leasehold improvements, office equipment for improving production efficiency (2021: HK$108.4 million). These capital expenditures were financed through internal resources and lease arrangements.

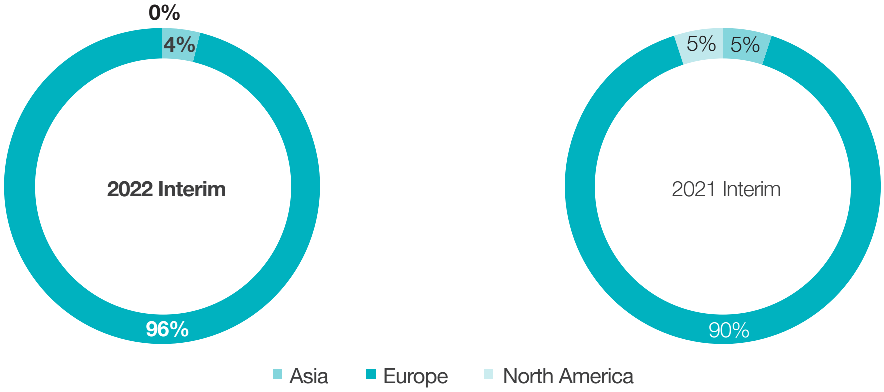
BUSINESS REVIEW

Operational Performance

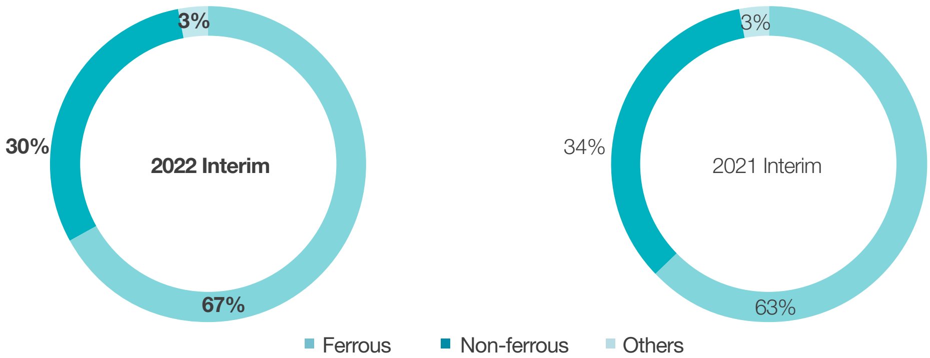
Revenue by Regions



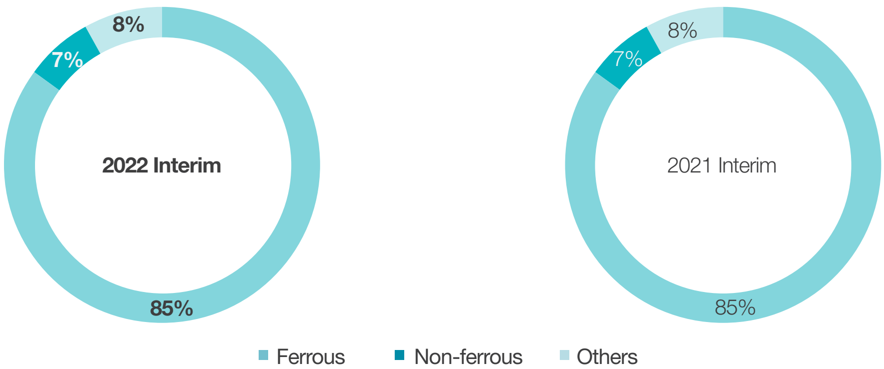
Sales Quantity by Regions



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 European segment sold 1.97 million tonnes of recycled products for the six months ended 30 June 2022, a decrease of 6.6% compared to the same period last year of 2.11 million tonnes. Segment revenue increased by 12.8% to HK$10,959.3 million as compared to the same period in 2021. Demand for metals was strong as the pre-war panic between Russia and Ukraine caused manufacturing companies to stockpile metals to maintain stable production. Such strong demand drove the scrap prices increased. As a result, global commodity prices remained high in the first half of 2022.

The COVID-19 pandemic continues and the global supply chain is still recovering. Hence logistic costs remain at a high level, along with recent price inflation in Europe, they put pressure on margins. European segment's gross profit for the first half of 2022 was HK$715.4 million, a decrease of 18.9% as compared to the same period last year, and the gross profit margin for the period decreased from 9.1% in 2021 to 6.5% in the current period.

Segment profit for the first half of 2022 was HK$425.7 million (2021: HK$530.2 million). The company benefited from its position on the market as a key competitor within the region as well as the high scrap prices during the period, which contributed to the profitability of the European segment.

North America

The North American segment has undergone a business transformation process beginning from last year to better allocate resources to other businesses. The North American segment, therefore, reported 1,000 tonnes of recycled products sold for the six months ended 30 June 2022 (2021: 0.11 million tonnes), and segment revenue of HK$26.9 million (2021: HK$527.6 million).

Segment gross loss for the first half of 2022 was HK$1.5 million (2021: Segment gross profit of HK$100.0 million) and gross loss margin was at 5.6% (2021: gross profit margin of 19.0%). With the positive contribution from joint venture, segment profit for the first half of 2022 was HK$26.9 million (2021: HK$72.1 million).

Asia

The sales tonnage for the Asian segment decreased 31% from 0.11 million tonnes in the first half of 2021 to 0.08 million tonnes in the first half of 2022. Segment revenue for the first half of 2022 was HK$892.6 million, representing a 22.4% decrease as compared to the first half of 2021. As China was the hardest hit by the pandemic, this adversely affected China's businesses, and additionally, global logistics backlogs are expected to persist through 2022, which adversely impacts raw materials flow into Malaysia and Thailand.

Due to the above issues, segment gross loss and gross loss margin for the first half of 2022 were HK$7.2 million and 0.8% respectively, a turnaround from a gross profit of HK$24.6 million and gross profit margin of 2.1% in the first half of 2021. The Asian segment reported a segment loss of HK$64.0 million for the first half of 2022 (2021: segment profit of HK$4.3 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2022, 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$4,837.9 million (31 December 2021: approximately HK$4,330.7 million) to secure certain borrowings and general banking facilities granted to the Group.

As at 30 June 2022, 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$125.3 million (31 December 2021: HK$103.0 million).

As at the date of this interim results announcement, 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$18.5 million and HK$50.2 million (31 December 2021: HK$19.5 million and HK$53.7 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 the parties having made closing submissions, and the parties are awaiting judgment from the Court.

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.

EVENTS DURING AND AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 30 December 2021, 7 February 2022, 21 March 2022, 22 April 2022 and 22 July 2022 in relation to the potential Restructuring (as defined below) of the Controlling Shareholders (as defined below) (collectively, the "**Announcements**").

As disclosed in the Announcements, Loncin Group Co., Limited, Loncin Holdings Co., Limited and USUM Investment Group Limited (the "**Controlling Shareholders**"), which are intermediate controlling shareholders of the Company, and ten other companies related to the Controlling Shareholders (collectively, the "**Loncin Restructuring Companies**") are undergoing a restructuring (the "**Restructuring**") under the supervision of the Fifth Intermediate People's Court of Chongqing City (重慶市第五中級人民法院) (the "**Chongqing Intermediate Court**"). On 30 December 2021, the Company was informed that, with the authorisation from the Loncin Restructuring Companies, the Administrators have signed a restructuring investment agreement with an investors consortium (the "**Consortium**") which is led by Shandong Jiuyang Group Limited* (山東九羊集團有限公司) ("**Shandong Jiuyang**"). On 7 February 2022, the Company received a notice from USUM Investment Group Limited that it had received a ruling from Chongqing Intermediate Court on 30 January 2022 approving the acceptance of the restructuring application of USUM Investment Group Limited. On 22 July 2022, the Company was informed by the Administrators that Shandong Jiuyang has withdrawn from the Restructuring and will no longer engage as the leader of the Consortium in the Restructuring.

As at the date of this interim results announcement, several potential investors had expressed their intent in relation to Restructuring and are in the course of discussing the details of the Restructuring plan with the Administrators. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no legally binding agreement has been entered into between the potential investors and the Administrators in relation to the Restructuring. Once and when the potential investors in relation to the Restructuring are confirmed and finalised, the Administrators will then submit the draft of the Restructuring plan to the Chongqing Intermediate Court and the creditors of the Loncin Restructuring Companies at the creditors' meetings within the statutory deadline.

As a matter of procedure, implementation of the Restructuring is conditional upon and remains subject to approval by the creditors of the Loncin Restructuring Companies at a creditors' meeting and sanction by the Chongqing Intermediate Court. As at the date of this interim results announcement, neither the creditors' approval nor the court's sanction has been obtained. There is no assurance that the Restructuring would be approved by the creditors of the Loncin Restructuring Companies and the Chongqing Intermediate Court.

Given that the Company is not one of the Loncin Restructuring Companies and is independent from the Controlling Shareholders in respect of business, personnel, assets and finance, the Board is of the view that the Restructuring mentioned above currently has no material adverse impact on the operation and the financial status of the Company.

The Company will closely monitor the subsequent development and effect of the Restructuring. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules, the Securities and Futures Ordinance and/or the Takeovers Code (as the case may be).

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 2022, the Group had a workforce of 2,705 (31 December 2021: 2,866) employees. In addition, we engaged approximately 296 (31 December 2021: 306) 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$493.8 million (2021: HK$545.1 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 of the Company (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.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

For the Group, maintaining trusting relationships with investors has always been paramount. The Board accordingly continues to engage with them regularly and to keep them apprised of its latest corporate and business developments in a timely manner.

Looking to the future, the Group will be taking steps to increase transparency with both investors and shareholders to strengthen its corporate governance in line with their best interests. As part of this initiative, additional visibility will be provided around strategic plans and approaches, with the aim of eliciting feedback and reaffirming the collective understanding of the Group's business, market activities and growth opportunities.

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 2022, 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:

C.2.1

Pursuant to code provision C.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**") resigned 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**"), temporarily took up all the responsibilities of the Chairman.

Mr. Suchan was suspended from his role as the CEO by the Board on 6 December 2021; and he was further removed as an executive Director by the shareholders of the Company in the extraordinary general meeting of the Company held on 7 January 2022; and on the same date, he ceased to be the CEO.

Mr. Li Linhui ("**Mr. Li**") was appointed as the Chairman and temporarily took up the responsibilities of the CEO with effect from 13 December 2021.

Vesting the roles of both Chairman and CEO in the same person is a temporary measure due to the vacancies of the position of Chairman or CEO. The Company is looking for a suitable candidate for the position of the CEO. Also, the Directors considered that the present arrangement would not impair the balance of power and authority considering the background and experience of the Directors and the number of independent non-executive Directors on the Board. Accordingly, the Directors considered that the temporary deviation from provision C.2.1 of the CG 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 by Directors. All Directors have confirmed, following 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 2022.

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 2022.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022.

SIGNIFICANT EVENTS

Save as disclosed in this interim results announcement, the Company and any of its subsidiaries did not have any other significant events after 30 June 2022.

REVIEW OF INTERIM REPORT

The audit committee of the Company 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 2022.

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 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and posted on the above websites in September 2022.

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
Li Linhui
Chairman

Hong Kong, 25 August 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 Mr. Wang Li
Independent Non-Executive Directors:	Prof. Li Zhiguo Prof. Yan Guowan Mr. Szeto Yuk Ting