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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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023, together with the comparative figures for the corresponding period in 2022 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2023	2022
	Notes	***HK$M***	*HK$M*
		(Unaudited)	(Unaudited)
Revenue	*3*	**8,821.7**	11,826.0
Cost of sales		**(8,260.4)**	(11,124.8)
Gross profit		**561.3**	701.2
Other income		**49.6**	49.9
Other gains, net	*4*	**4.4**	111.4
Impairments on non-financial assets	*4*	**(0.4)**	(51.4)
Reversal of/(provision for) impairments on financial assets, net		**21.0**	(8.4)
Distribution and selling expenses		**(23.1)**	(24.8)
Administrative expenses		**(461.7)**	(500.4)
		151.1	277.5

		Six months ended 30 June	
		2023	2022
	Notes	***HK$M***	*HK$M*
		(Unaudited)	(Unaudited)
Finance income		**1.9**	2.5
Finance costs		**(95.2)**	(103.5)
Finance costs, net		**(93.3)**	(101.0)
Share of post-tax profit/(loss) of an associate		**0.5**	(0.8)
Share of post-tax profit of joint ventures		**42.4**	125.4
Profit before income tax		**100.7**	301.1
Income tax expense	*5*	**(50.5)**	(115.7)
Profit for the period	*6*	**50.2**	185.4
Profit/(Loss) attributable to:			
Shareholders of the Company		**53.2**	199.5
Non-controlling interests		**(3.0)**	(14.1)
		50.2	185.4
Earnings per share attributable to shareholders of the Company for the period (expressed in HK$ per share)			
Basic earnings per share	*8*	**0.03**	0.12
Diluted earnings per share	*8*	**0.03**	0.12

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	HK$M	*HK$M*
	(Unaudited)	(Unaudited)
Profit for the period	**50.2**	185.4
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss:		
Currency translation differences	**78.3**	(390.1)
Items that will not be reclassified to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	**(0.2)**	–
Share of other comprehensive profit/(loss) of joint ventures	**0.6**	(0.3)
Other comprehensive income/(loss) for the period	**78.7**	(390.4)
Total comprehensive income/(loss) for the period	**128.9**	(205.0)
Total comprehensive income/(loss) for the period attributable to:		
Shareholders of the Company	**134.6**	(185.8)
Non-controlling interests	**(5.7)**	(19.2)
	128.9	(205.0)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2023 HK$M (Unaudited)	At 31 December 2022 HK$M (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,265.4**	2,202.6
Right-of-use assets		**597.7**	618.0
Investment properties		**50.7**	54.3
Intangible assets		**790.8**	786.1
Investments accounted for using the equity method		**759.3**	710.7
Financial assets at fair value through profit or loss		**0.9**	0.8
Financial assets at fair value through other comprehensive income		**86.8**	84.8
Other non-current assets	*9*	**8.2**	10.8
Deferred income tax assets		**92.6**	52.5
		4,652.4	4,520.6
Current assets			
Inventories		**1,454.1**	1,323.7
Trade, bills and other receivables	*9*	**2,135.7**	1,640.3
Amounts due from related parties		**102.1**	82.7
Derivative financial instruments		**24.6**	17.1
Tax recoverable		**32.7**	31.9
Pledged bank deposits and restricted bank deposits		**6.5**	52.3
Cash and cash equivalents		**351.1**	713.7
		4,106.8	3,861.7
Assets held for sale		**57.2**	190.7
		4,164.0	4,052.4
Total assets		**8,816.4**	8,573.0

	Notes	At 30 June 2023 HK$M (Unaudited)	At 31 December 2022 HK$M (Audited)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		**16.1**	16.1
Other reserves		**6,471.3**	6,389.9
Accumulated losses		**(1,528.6)**	(1,581.8)
		4,958.8	4,824.2
Non-controlling interests		**(49.2)**	(43.5)
Total equity		**4,909.6**	4,780.7
Non-current liabilities			
Borrowings		**127.2**	111.3
Lease liabilities		**212.5**	192.1
Retirement benefit obligations		**11.4**	11.1
Other payables	*10*	**128.3**	98.8
Deferred income tax liabilities		**319.4**	281.0
		798.8	694.3
Current liabilities			
Trade, bills and other payables	*10*	**2,073.8**	1,778.3
Current income tax liabilities		**48.7**	85.5
Borrowings		**801.6**	1,030.8
Lease liabilities		**106.4**	119.9
Amounts due to related parties		**63.2**	68.4
Derivative financial instruments		**14.3**	15.1
		3,108.0	3,098.0
Total liabilities		**3,906.8**	3,792.3
Total equity and liabilities		**8,816.4**	8,573.0

NOTES:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

1.1.1 Going concern basis

As at 30 June 2023, the Group had total borrowings of HK$928.8 million of which HK$801.6 million are current borrowings. The current borrowings as at 30 June 2023 included a secured syndicated term loan (the "**Syndicated Term Loan**") with an outstanding principal balance of HK$484.3 million of which HK$92.5 million are repayable on 30 September 2023 and HK$391.8 million are repayable on 30 March 2024, respectively.

As at 30 June 2023, the cash and cash equivalents held by the Group was amounting to HK$351.1 million.

The above conditions indicated the existence of a material uncertainty with respect to 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 or unforeseeable impact arising from the current global economic situation resulting in fluctuation of metal commodity prices, and its available sources of financing to mitigate the liquidity pressure and to further improve its financial position which include, but not limited to, the following:

(i) The Group plans to finance the repayment of the remaining Syndicated Term Loan through financial and operational measures as mentioned in (ii) to (v) below. The Group will continue to monitor its compliance with the undertaking requirements of the Syndicated Term Loan. The Directors expect the Group would be in compliance throughout the remaining term of the Syndicated Term Loan.

(ii) The Group is in negotiation with various Asian and European financial institutions for a new secured long-term borrowing with a principal amount of no less than HK$783.6 million. The Group has short-listed two proposed term sheets for further review and negotiation but has not entered into any binding agreement with the financial institutions as of the date of approval of these condensed consolidated interim financial statements. The Directors are confident that the new long-term borrowing will be obtained in due course.

(iii) The Group maintains continuous communication with other banks and the Directors believe that the existing other borrowings available to the Group, amounting to approximately HK$254.8 million as at 30 June 2023, will be successfully renewed with the same terms after expirations.

(iv) The Group continues its efforts to implement measures in Europe to generate cash flow from operations including further control capital and operating expenditures and speed up the sales of inventories and the collection of outstanding trade receivables to strength its working capital.

(v) 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 2023. 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 all these measures and actions are appropriate to prepare the Group's condensed consolidated financial statements 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 2022, 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 2023.

Amendments to HKFRSs effective for the financial year ending 31 December 2023 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, 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 2023 and 2022, respectively:

	For the six months ended									
	30 June 2023					30 June 2022				
	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	**762.5**	**8,224.8**	**4.0**	**–**	**8,991.3**	892.6	10,959.3	26.9	–	11,878.8
Inter-segment sales	**(83.5)**	**(86.1)**	**–**	**–**	**(169.6)**	(3.8)	(49.0)	–	–	(52.8)
External sales	**679.0**	**8,138.7**	**4.0**	**–**	**8,821.7**	888.8	10,910.3	26.9	–	11,826.0
Segment (loss)/profit	**(102.6)**	**337.4**	**(5.9)**	**(34.9)**	**194.0**	(64.0)	425.7	26.9	13.5	402.1
Finance income					**1.9**					2.5
Finance costs					**(95.2)**					(103.5)
Profit before income tax					**100.7**					301.1
Income tax expense					**(50.5)**					(115.7)
Profit for the period					**50.2**					185.4
Depreciation and amortisation expenses	**(30.8)**	**(156.7)**	**–**	**–**	**(187.5)**	(36.0)	(141.2)	(0.3)	(8.2)	(185.7)
Fair value loss on derivative financial instruments *(Note)*	**–**	**–**	**–**	**(11.7)**	**(11.7)**	–	–	–	(1.4)	(1.4)
Gain/(loss) on disposals of property, plant and equipment and right-of-use assets	**–**	**–**	**–**	**8.9**	**8.9**	–	–	–	(8.0)	(8.0)
Gain on disposals of assets held for sale	**–**	**–**	**–**	**6.1**	**6.1**	–	–	–	115.7	115.7
Provision for impairments on property, plant and equipment *(Note 4)*	**–**	**–**	**–**	**(0.4)**	**(0.4)**	–	–	–	(0.6)	(0.6)
Provision for impairment on investment in a joint venture *(Note 4)*	**–**	**–**	**–**	**–**	**–**	–	–	–	(50.8)	(50.8)

Note: The fair value loss on derivative financial instruments for the period ended 30 June 2023 and 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 2023 and 31 December 2022 are provided as follows:

	30 June 2023				31 December 2022			
	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	**1,324.5**	**6,938.6**	**52.3**	**8,315.4**	1,337.6	6,273.5	146.7	7,757.8
Deferred income tax assets				**92.6**				52.5
Tax recoverable				**32.7**				31.9
Derivative financial instruments				**24.6**				17.1
Cash and cash equivalents				**351.1**				713.7
Total assets				**8,816.4**				8,573.0

4 OTHER GAINS NET

	Six months ended 30 June	
	2023	2022
	HK$M	*HK$M*
Loss on fair value change of:		
– derivative financial instruments	**(11.7)**	(1.4)
Foreign exchange gain, net	**0.1**	2.3
Gain/(loss) on disposals of property, plant and equipment, and right-of-use assets	**8.9**	(8.0)
Gain on disposals of assets held for sale	**6.1**	115.7
Others	**1.0**	2.8
Impairments on non-financial assets		
– provision for impairments on property, plant and equipment	**(0.4)**	(0.6)
– provision for impairment on investment in a joint venture *(Note (i))*	**–**	(50.8)
	4.0	60.0

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.

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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% (2022: 25%) on the estimated assessable profit for the period.

Germany and US income taxes have been provided at the rate of approximately 30% (2022: 30%) and 26% (2022: 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	
	2023	2022
	HK$M	*HK$M*
Current income tax expense:		
Germany	**51.1**	73.0
PRC EIT	**0.5**	15.7
Hong Kong profits tax	**–**	4.0
Other jurisdictions	**2.5**	21.7
	54.1	114.4
Over provision in prior years:		
PRC EIT	**(3.4)**	–
Deferred income tax expense	**(0.2)**	1.3
Income tax expense	**50.5**	115.7

6 PROFIT FOR THE PERIOD

Profit for the period has been arrived after charging:

	Six months ended 30 June	
	2023	2022
	HK$M	*HK$M*
Changes in inventories of work-in-progress and finished goods	**54.7**	98.6
Raw materials and consumables used	**7,058.7**	9,733.1
Provision for inventories, net	**37.0**	147.5
Employee benefit expenses	**479.8**	493.8
Depreciation and amortisation expenses	**187.5**	185.7
Legal and professional expenses	**20.6**	25.6

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 2023 and 2022.

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	
	2023	2022
	HK$M	*HK$M*
Profit		
Profit for the period attributable to shareholders of the Company	**53.2**	199.5
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$)*	**0.03**	0.12

(b) Diluted

The Group has no potentially dilutive shares outstanding during the interim periods ended 30 June 2023 and 2022.

9 TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2023	At 31 December 2022
	HK$M	*HK$M*
Trade receivables	**1,710.7**	1,312.5
Less: loss allowance	**(28.8)**	(38.3)
Trade receivables, net	**1,681.9**	1,274.2
Bills receivables	**8.7**	16.3
Deposits and prepayments	**200.7**	123.7
Deposits paid for purchase of raw materials	**33.2**	18.9
VAT recoverable	**116.6**	108.1
Other receivables *(Note)*	**102.8**	109.9
	2,143.9	1,651.1
Less: non-current portion		
Other deposits	**(8.2)**	(10.8)
	2,135.7	1,640.3

Note: As at 30 June 2023, the balance included a receivable of HK$41.2 million (31 December 2022: HK$42.5 million) from the Taizhou Bay Committee, a government authority in the PRC.

At 30 June 2023 and 31 December 2022, the aging analysis of the gross trade receivables based on invoice date was as follows:

	At 30 June 2023	At 31 December 2022
	HK$M	*HK$M*
0 – 90 days	**1,644.3**	1,258.6
91 – 180 days	**23.8**	18.1
Over 180 days	**42.6**	35.8
	1,710.7	1,312.5

10 TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2023	At 31 December 2022
	HK$M	*HK$M*
Trade payables	**1,728.6**	1,418.8
Contract liabilities	**78.8**	57.9
Other tax payable	**34.6**	38.0
Accrued salaries and employee benefits	**106.5**	138.8
Provision for claims and contingencies	**1.8**	2.4
Accrued professional expenses	**38.3**	39.1
Asset retirement obligations	**69.8**	68.5
Other payables and accruals	**143.7**	113.6
	2,202.1	1,877.1
Less: non-current portion		
Asset retirement obligations	**(69.8)**	(68.5)
Other payables	**(58.5)**	(30.3)
	2,073.8	1,778.3

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

	At 30 June 2023	At 31 December 2022
	HK$M	*HK$M*
0 – 90 days	**1,665.0**	1,374.0
91 – 180 days	**11.0**	25.6
Over 180 days	**52.6**	19.2
	1,728.6	1,418.8

CHAIRMAN'S STATEMENT

In the first half of 2023, global ferrous and non-ferrous metal prices fluctuated and edged down after experiencing short-term rebound. Market demand from manufacturers and traders in downstream industry shrank while commodities prices declined under the influences of macroeconomic factors such as global economic downturn, continuous rates hike by the Federal Reserve as well as geopolitical conflicts. Metal industry, which is highly sensitive to demand and supply landscape and economic volatilities, also experienced slowdown in capacity growth. With increasing pressures from demand-side shrinkage and inflation, Chiho Environmental Group Limited (the "**Group**" or "**Chiho**") recorded lower than expected year-on-year tonnage in metal scrap. 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 2023. In the first six months of 2023, the Group achieved total tonnage and revenue of 1.9 million tonnes and HK$8,821.7 million respectively.

In the face of weak recovery on demand side, the Group continued to deepen its lean management and strengthen its market research efforts during the first half of 2023. In addition, the Group is committed to striving for steady progress and preventing operation risks through project layout coordination in view of the prevailing industry and market conditions as well as its existing production capacity. In European market, the Group continued to stabilize the existing business, while expanding the development opportunities of high growth projects. The recycling development projects in Hungary and the Czech Republic have both advanced by phases, thereby laying a solid foundation for the business expansion layout of the Group in Central Europe. Meanwhile, the Group also actively invested into the recycling yard development project in Southeastern Europe, which will further expand our business networks in the Balkans. In China and East Asia markets, the production capacity of the joint venture project that has already been put into operation continued to increase, while significant progress has also been made in terms of qualification approval and acceptance of projects under construction.

The Group always puts its emphasis on technologically innovative thinking, responds to market changes, maintains close coordination and technological exchanges between upstream and downstream markets, and continues to promote technological research and development of resource reuse. In the first half of 2023, the Group cooperated deeply with the automobile manufacturing circular economy project initiated by the German automobile manufacturer, and jointly explored with automobile manufacturers, spare parts processors and universities to improve the quality of secondary raw materials and intelligent recycling process for end-of-life vehicle ("**ELV**") recycling. This project successfully won the recognition and financial support from the Federal Ministry for Economic Affairs and Climate Action in Germany.

REVIEW OF OPERATIONS

In 2023, the European operations were faced with very challenging economic conditions such as skyrocketed energy prices, weak industrial supply and demand as well as weakened trade activity. To cope with these challenges, Chiho continued to implement the Group's policy of "solidifying operation fundamentals" amongst its European entities, and did its best to achieve balance between social costs and production and operation, thus fulfilling the Group's policy of dynamically reducing costs and enhancing efficiency. Based on this, the gross profit margin for the region increased from 6.5% in 2022 to 7.8% in the current period. In the first half of the year, the Group's investment and construction project in Central Europe has made steady progress and the metal recycling yard development project in Plzen, the Czech Republic scheduled to be completed in September 2023, which will add 500,000 tonnes metal recycling to the Group's subsidiaries per year after completion and put into operation. The Group actively expanded its Southeastern Europe market and has built two new recycling yards in the region, which are expected to put into operation during the second half of 2024. This will further expand the Group's recycling business in the Balkans and accelerate the growth of its core business.

At the same time, the Group accelerated the qualification application for investment projects in the Asian market and strengthened the research and development in the field of ELV and new energy power batteries recycling and reuse. Qishun (Zhejiang) Recycling Technology Co., Ltd., a subsidiary of Chiho located in Zhejiang Province, Taizhou City, actively carried out detailed preparation work for site hardware, environmental protection standards, and system specifications, etc., thus laying a solid ground for the launch of important production lines such as the recycling of ELV, the cascade utilisation of electric vehicle ("**EV**") batteries, and the recycling of waste metals. In addition, the ELV recycling and dismantling production line of the joint venture project located in Zouping City, Shandong Province has put into operation successfully with over 1,500 tonnes of recycled aluminum per month, which will be increased gradually.

PROSPECT

The recovery progress of the market in the first half of 2023 was not as expected with no significant changes in downstream demand, and the market demonstrated a situation of supply exceeding demand. However, during the transition period of demand restoration, the increasing domestic and international policies have also catalyzed market recovery.

In March 2023, the EU published its latest EU Circular Economy Action Plan, which aims to accelerate the transformational change required by European Green Deal, ensuring the introduction of reasonable, sustainable regulations that maximize the new opportunities offered by the transition while minimizing the burden on people and businesses. The European Commission will also pursue further waste reduction measures, ensuring a well-functioning internal market for high-quality renewable raw materials in the EU, promote climate neutrality on a general level, and harness the potential of research, innovation and digitalization.

In July 2023, the European Commission published a proposal for the regulation on ELV, which formally sets out measures to enhance the circularity of the automotive sector (covering the design, production and end-of-life treatment of vehicles) to ensure that new vehicles are designed in a way that facilitates their recycling and reuse at the end of their life cycle. The proposal emphasizes the need to increase the use of recycled materials in new vehicles by allowing the Commission to set targets for recycled steel, recycled metals and aluminum based on an assessment of their added value and feasibility. Meanwhile, the proposal also aims to increase the quantity, quality and value of materials reused and recycled from ELV in order to achieve high-quality recycling. This initiative will accelerate the achievement of the EU's environmental and climate objectives and help the EU to address the challenges associated with the ongoing transformation of the automotive sector.

In April 2023, the China's National Standardization Administration and 10 other departments issued the "Guidelines for the Establishment of a Standard System for Carbon Peak and Carbon Neutrality", which shows that by 2025, resource recycling standards will become one of the key construction elements of a carbon peak and carbon neutral standards system.

In July 2023, the China National Resources Recycling Association released the "Industry Development Report of Recycled Resources of China" (2023). The published data showed that the number of ELV recycled in China in 2022 was approximately 3,991,000 units, representing a 32.9% year-on-year increase relative to the 3,002,000 units recycled in 2021. The equivalent weight is approximately 8,207,000 tonnes, representing a 21.0% year-on-year increase. The report mentioned that the scale of motor vehicle ownership in China will further expand in view of the country's economic development vision for 2035. Driven by the encouragement of elimination and consumption boost, the renewal and scrapping of old motor vehicles will continue to accelerate, and it is expected that the number of ELV in China will continue to maintain a growth trend in 2023. During the same period, the Ministry of Industry and Information Technology of China announced that from January to May 2023, China recycled 115,000 tonnes of used power batteries, exceeding the total amount of last year.

Therefore, from a macro perspective, “circular economy” and “decarbonization transformation” will continue to be the long-term needs of all economies. Although the pressure of recession in overseas economies still exists in the second half of 2023, and weak demand in the second half of the year is still a reality, market recovery and overall pick-up will eventually materialize.

In Europe, while stabilizing the existing business, Chiho will continue to optimize the product structure, innovate production technology, and provide customers and partners with high-quality recycled raw materials and high-standard recycling services with more attractive products and more innovative technologies.

Facing the ever-expanding market size in Asia, especially in the light of China’s 2060 carbon neutrality target, the recycling industry was given huge development opportunities. Whether it is new energy vehicles, green infrastructure or supply chain layout, there will be a lot of structural growth in the next few decades. Therefore, on one hand, Chiho will seize the opportunities to open up new markets, find new growth points and sources of profit. On the other hand, Chiho will improve its independent research and development capabilities to meet market demand.

Looking forward to the future, in the face of various challenges and pressures brought by the global economic environment, Chiho will insist on making progress while maintaining stability, maintaining strategic focus, strengthening technological innovation, enhancing development momentum, and better serving customers and returning to shareholders with a sustainable and sound business philosophy.

Last but not least, I would like to extend my heartfelt gratitude to the loyal customers and partners who always trust and support Chiho’s development, and all of our employees for the loyalty, efforts, professionalism and valuable contributions. I hope you all stay safe and healthy.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the first half of 2023, market demand from manufacturers and traders in downstream industry shrank while commodities prices declined under the influences of macroeconomic factors such as global economic downturn, continuous rates hike by the Federal Reserve as well as geopolitical conflicts. Metal industry, which is highly sensitive to demand and supply landscape and economic volatilities, also experienced slowdown in capacity growth. Global ferrous and non-ferrous metal prices fluctuated and edged down after experienced short-term rebound. With increasing pressures from demand-side shrinkage and inflation, Chiho Environmental Group Limited (the "**Group**" or "**Chiho**") recorded lower than expected year-on-year tonnage in metal scrap.

The Group sold 1.9 million tonnes of recycled products for the six months ended 30 June 2023, a 6.0% decrease compared to 2.0 million tonnes sold in the same period in 2022. Total external revenue for the first half of 2023 was HK$8,821.7 million, a decrease of 25.4% as compared to HK$11,826.0 million for the same period last year.

	Six months ended 30 June			
	2023		2022	
	HK$M	**As a percentage of total segment revenue**	*HK$M*	As a percentage of total segment revenue
Asia	**762.5**	**8.5%**	892.6	7.5%
Europe	**8,224.8**	**91.5%**	10,959.3	92.3%
North America	**4.0**	**0.0%**	26.9	0.2%
Total segment revenue	**8,991.3**	**100%**	11,878.8	100%
Inter-segment sales	**(169.6)**		(52.8)	
Revenue	**8,821.7**		11,826.0	

Gross Profit/Margin

Gross profit for the first half of 2023 was HK$561.3 million, a decrease of 20.0% as compared to HK$701.2 million for the same period last year. The decrease in gross profit was mainly attributable to the increase in energy prices in Germany and decline in both sales volume and revenue as a result of weak demand for metals in Europe during the first half of 2023.

The gross profit margin increased from 5.9% for the first half of 2022 to 6.4% for the first half of 2023. The increase in the gross profit margin was a result of focusing on high margin businesses and continuing review and clean up of portfolio.

Operating Expenses

Total operating expenses for the first half of 2023 were HK$484.8 million, a decrease of 7.7% over the same period last year, and as a percentage of revenue, it has increased to 5.5% (2022: 4.4%). As a result of transformation initiatives and optimization 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			
	2023		2022	
	HK$M	**As a percentage of revenue**	*HK$M*	As a percentage of revenue
Distribution and selling expenses	**23.1**	**0.3%**	24.8	0.2%
Administrative expenses	**461.7**	**5.2%**	500.4	4.2%
Total	**484.8**	**5.5%**	525.2	4.4%

Profit Attributable to Shareholders and Earnings Per Share

Profit attributable to shareholders of the Company for the six months ended 30 June 2023 was HK$53.2 million, as compared to a profit of HK$199.5 million for the same period last year.

Basic earnings per share for the first half of 2023 was HK$0.03 as compared to earnings per share of HK$0.12 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 2023 was HK$353.1 million, a decrease of 35.5% compared to the first half of 2022 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 2023 were HK$4,958.8 million, an increase of 2.8% from 31 December 2022, 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$3.01 as at 31 December 2022 to HK$3.09 as at 30 June 2023.

As at 30 June 2023, the Group had cash, various bank balances and pledged bank deposits amounting to HK$357.6 million (31 December 2022: HK$766.0 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 2023 was 1.34 (31 December 2022: 1.31). 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 2023 were HK$928.8 million, a reduction of HK$213.3 million as compared to 31 December 2022. Such borrowings were mainly utilized for the purchase of mixed recycle metal and working capital, and denominated in Euro, US Dollar and Renminbi. Approximately HK$625.2 million (31 December 2022: HK$935.0 million) of borrowings are at fixed interest rates.

The gearing ratio of the Group as at 30 June 2023 was 10.5% (31 December 2022: 13.3%) 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 2023 were HK$1,454.1 million (31 December 2022: HK$1,323.7 million). The inventory turnover days increase from 25 days for the first half of 2022 to 30 days for the first half of 2023. The increase was mainly attributable to a higher magnitude of decrease of cost of sale than that of average inventories during the first half of 2023.

Provision for inventories as at 30 June 2023 were HK$46.3 million (31 December 2022: HK$58.6 million). The decrease of provision was due to the price volatility toward the end of the first half of 2023.

	As at 30 June 2023	As at 31 December 2022
Inventories *(HK$M)*	**1,454.1**	1,323.7
Average inventories as a percentage of revenue (annualised)	**7.9%**	7.4%

	Six months ended 30 June	
	2023	2022
Turnover days	**30**	25

Net trade and bills receivables as at 30 June 2023 were HK$1,690.6 million, increased from HK$1,290.5 million as at 31 December 2022. Debtor turnover days decreased from 32 days for the first half of 2022 to 31 days for the first half of 2023. The higher receivables balance as at 30 June 2023 was mainly due to timing of sales toward period end. The Group adopts a tight management on credit exposure.

	As at 30 June 2023	As at 31 December 2022
Trade and bills receivables, net *(HK$M)*	**1,690.6**	1,290.5
Average receivables as a percentage of revenue (annualised)	**8.4%**	7.8%

	Six months ended 30 June	
	2023	2022
Turnover days	**31**	32

Trade and bills payables as at 30 June 2023 were HK$1,728.6 million (31 December 2022: HK$1,418.8 million). Creditor turnover days increased from 33 days for the first half of 2022 to 34 days for the first half of 2023.

	As At 30 June 2023	As At 31 December 2022
Trade and bills payables *(HK$M)*	**1,728.6**	1,418.8

	Six months ended 30 June	
	2023	2022
Turnover days	**34**	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

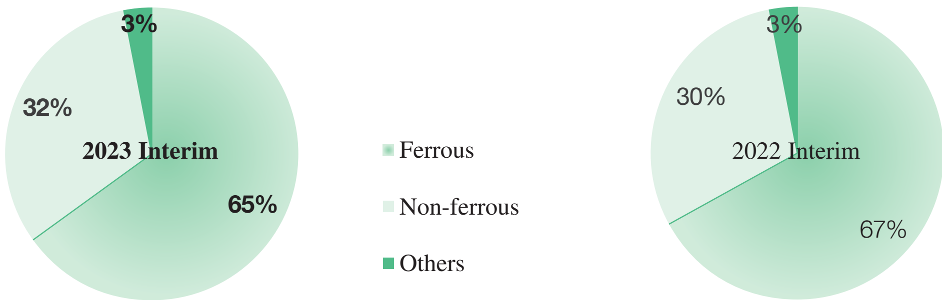
For the six months ended 30 June 2023, the Group invested HK$152.1 million in tangible assets including machinery and equipment, leasehold improvements, office equipment for improving production efficiency (30 June 2022: HK$117.8 million). These capital expenditures were financed through internal resources and lease arrangements.

BUSINESS REVIEW

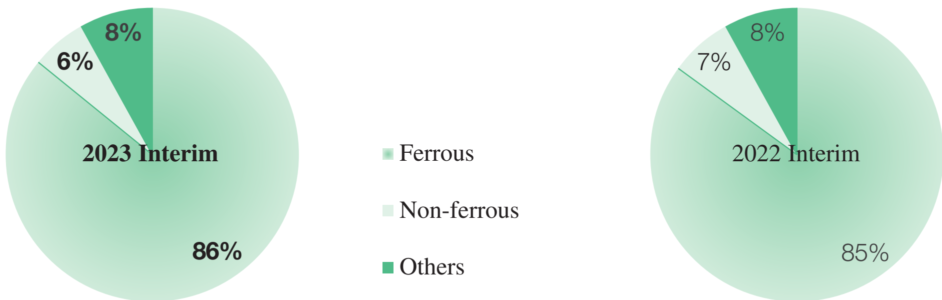
Revenue by Regions

Sales Quantity by Regions

Revenue by Products



Sales Quantity by Products



In the face of weak recovery on demand side, the Group continued to deepen its lean management and strengthen its market research efforts during the first half of 2023. In addition, the Group is committed to strive for steady progress and prevent operation risks through project layout coordination in view of prevailing industry and market conditions as well as its existing production capacity. 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

In 2023, the European operations were faced with very challenging economic conditions such as skyrocketed energy prices, complex and volatile industry outlook as well as increasing trade deficit. The European segment sold 1.84 million tonnes of recycled products for the six months ended 30 June 2023, a decrease of 6.6% compared to the same period last year of 1.97 million tonnes. Segment revenue decreased by 25.0% to HK$8,224.8 million as compared to the same period in 2022.

European segment's gross profit for the first half of 2023 was HK$645.3 million, a decrease of 9.8% as compared to the same period last year, and the gross profit margin for the period increased from 6.5% in 2022 to 7.8% in the current period.

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. Segment profit for the first half of 2023 was HK$337.4 million (2022: HK$425.7 million).

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 65 tonnes of recycled products sold for the six months ended 30 June 2023 (2022: 1,000 tonnes), and segment revenue of HK$4.0 million (2022: HK$26.9 million).

Segment gross loss for the first half of 2023 was HK$0.9 million (2022: HK$1.5 million) and gross loss margin was at 21.2% (2022: 5.6%). Segment loss for the first half of 2023 was HK$5.9 million (2022: segment profit of HK$26.9 million).

Asia

The sales tonnage for the Asian segment remained stable at 0.08 million tonnes in the first half of 2023 and 2022. Segment revenue for the first half of 2023 was HK$762.5 million, representing a 14.6% decrease as compared to the first half of 2022.

Segment gross loss and gross loss margin for the first half of 2023 were HK$77.5 million (2022: HK$7.2 million) and 10.2% (2022: 0.8%) respectively. The Asian segment reported a segment loss of HK$102.6 million for the first half of 2023 (2022: HK$64.0 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2023, 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$2,655.4 million (31 December 2022: HK$3,722.9 million) to secure certain borrowings and general banking facilities granted to the Group.

As at 30 June 2023, 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$99.0 million (31 December 2022: HK$72.9 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$19.4 million and HK$50.8 million (31 December 2022: HK$19.0 million and HK$49.9 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, 22 July 2022, 31 October 2022, 18 November 2022, 23 November 2022, 23 December 2022, 19 January 2023, 17 February 2023 and 6 March 2023 in relation to the potential restructuring (the "**Restructuring**") of the Controlling Shareholders (as defined below) under the supervision of the Fifth Intermediate People's Court of Chongqing City (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 (together with the Controlling Shareholders, the "**Loncin Restructuring Companies**") are in the course of implementing the Restructuring plan and the joint administrators of Loncin Restructuring Companies in relation to the Restructuring will continue to monitor the implementation of the Restructuring plan. There is uncertainty as to the progress and outcome of the Restructuring. If the Restructuring is not successfully implemented, there is a risk that the Controlling Shareholders will be declared bankrupt. In the event that the Restructuring is implemented, the ultimate beneficial owner of the Controlling Shareholders may be changed. The Company was informed by the leader of a consortium of investors that will participate in the Restructuring and will invest in and purchase assets from Loncin Restructuring Companies that, on 2 March 2023, it has obtained a confirmation from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong that it will not trigger a mandatory general offer for the shares of the Company as a result of the Restructuring under Note 8 to Rule 26.1 of the Code to Takeovers and Mergers.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and/or the Securities and Futures Ordinance.

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.

The Group adopted a commodity price risk hedging policy which has been subsequently updated to cater for the changing operating conditions of the Group.

As part of its foreign currency hedging strategy, the Board closely monitors the Group's foreign currency borrowings in view of the volatile exchange rates 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 2023, the Group had a workforce of 2,588 (31 December 2022: 2,748) employees. In addition, we engaged approximately 416 (31 December 2022: 459) 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 and we provide a variety of internal and external training programmes to our employees.

The Group's total staff costs for the six months ended 30 June 2023 were approximately HK$479.8 million (2022: HK$493.8 million). The remuneration package of staff consists of basic salary, mandatory provident fund, insurances and other benefits as considered appropriate. Remuneration of employees of the Group is determined by the senior management of the Group by reference to market standards, individual performance, experience and their respective contribution to the Group so as to retain competent employees.

The emoluments of the directors of the Company (the "**Directors**") are recommended by the remuneration committee of the Company with reference to factors including the duties and responsibilities, backgrounds, qualifications and experience of the Directors, having regard to the Company's operating results, individual performance and comparable market statistics, subject to 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.

CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are set out below:

Mr. Tu Jianhua's term of office as a Member of the National Committee of the 13th Chinese People's Political Consultative Conference, a Standing Committee Member of the Executive Committee of the 12th All China Federation of Industry & Commerce(全國工商聯), the president of Chongqing City Industry and Commerce Federation (重慶市工商聯), the President of Chongqing City General Chamber of Commerce(重慶市總商會), the president of Chongqing City Technology Equipment Industry Chamber of Commerce (重慶市科技裝備業商會), the vice president of Chongqing City Charity Federation (重慶市慈善總會)and the vice president of Chongqing City Private Entrepreneurs Confederation (重慶市民營企業家聯合會)was expired in March 2023.

Mr. Wang Li has resigned as an executive director of Millennium Pacific Group Holdings Limited (whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8147)) with effect from 10 May 2023.

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 2023, the Company has complied with all the applicable code provisions in Part 2 of the Corporate Governance Code (the "**CG Code**") 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. Li Linhui was appointed as the chairman of the Board (the "**Chairman**") and took up the responsibilities of the chief executive officer of the Company ("**CEO**") on 13 December 2021.

Vesting the roles of both acting Chairman and CEO in the same person was a temporary measure due to the vacancies of the position of Chairman or CEO. The Directors considered that the 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 circumstances.

With effect from 21 March 2023, Mr. Li Linhui has resigned as an executive Director. He has ceased to be the chairman of the Board and has ceased to assume the responsibilities of chief executive officer of the Company. Mr. Qin Yongming has been appointed as an executive Director and the chairman of the Board. Mr. Zhang Wei has been appointed as an executive Director and the chief executive officer of the Company. Given that the roles of chairman of the Board and chief executive officer are now separate and are no longer performed by the same individual, as at the date of this interim results announcement, the Company complies with all the applicable code provisions of the CG Code.

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 2023.

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 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

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 2023.

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 2023.

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 2023 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 2023.

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
Qin Yongming
Chairman

Hong Kong, 24 August 2023

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

Executive Directors:	Mr. Tu Jianhua Mr. Qin Yongming *(Chairman)* Mr. Miao Yu Mr. Yao Jietian Mr. Wang Li Mr. Zhang Wei *(Chief Executive Officer)*
Independent Non-Executive Directors:	Prof. Li Zhiguo Prof. Yan Guowan Mr. Szeto Yuk Ting