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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)

PROFIT WARNING

This announcement is made by Chiho Environmental Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions under part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2023 (“**FY2023**”) and the information currently available to the Board, the financial results of the Group for FY2023 is expected to turn from profit to loss by recording a net loss of not less than HK\$5 million, as compared to a net profit of approximately HK\$237.4 million for the year ended 31 December 2022.

The financial performance of the Group for FY2023 was mainly affected by (i) the significant shrinking market demand from manufacturers and traders in downstream industry while commodities prices declined under the influences of macroeconomic factors including regional economic downturn, continuous rates hike by the Federal Reserve, frequent geopolitical conflicts, etc. and (ii) the difficult business environment faced by the European operations amidst the challenging economic conditions including skyrocketed energy prices, surged employee’s cost of living, highly volatile pattern of supply-demand, the impact of Russian-Ukrainian war as well as increasing trade deficit, resulting in a significant decrease in collection and transportation quantity, sales volume and revenue of the Group.

Notwithstanding the above, the Group recorded (i) an increase in sales volume in the Asian segment, (ii) a reduction in the total operating expenses, and (iii) an increase in gross profit margin, which consequently uplifted the Group’s bargaining power. The Group has made efforts to mitigate the risks of depending overly on a single market through geographic diversification and has fully implemented the “cost reduction and efficiency improvement” policy within the Group to continue streamline processes, enhance resources utilization and improve quality and efficiency of business management.

As the Company is in the course of finalizing the annual results for FY2023, the information contained in this announcement is only a preliminary assessment made by the Board based on the unaudited consolidated management accounts of the Group for FY2023 and the information currently available, and such information or data has not been audited or reviewed by the auditors or the audit committee of the Company. The actual results of the Group for FY2023 may be different from the disclosures in this announcement. Further details on the financial results will be disclosed in due course pursuant to the requirements of the Listing Rules when the Group publishes its results for FY2023.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Chiho Environmental Group Limited
Qin Yongming
Chairman

Hong Kong, 21 March 2024

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. Liu Yongxin

Independent Non-Executive Directors:

Prof. Li Zhiguo
Prof. Yan Guowan
Mr. Szeto Yuk Ting