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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND RESUMPTION OF TRADING

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Chiho Environmental Group Limited (the “**Company**” or “**Chiho**”) announces the audited annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” and “**our**”) for the year ended 31 December 2023 prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as follows (together with the comparative figures for the year ended 31 December 2022):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK\$M	2022 HK\$M
Revenue	3	16,479.7	19,574.3
Cost of sales	5	<u>(15,441.7)</u>	<u>(18,366.6)</u>
Gross profit		1,038.0	1,207.7
Other income		91.7	74.4
Other gains, net	4	13.6	205.9
Impairments on non-financial assets	4	(35.6)	(74.3)
Reversal of impairments on financial assets, net		23.7	15.9
Distribution and selling expenses	5	(48.2)	(47.1)
Administrative expenses	5	<u>(907.2)</u>	<u>(927.7)</u>
		<u>176.0</u>	<u>454.8</u>

	<i>Notes</i>	2023 <i>HK\$M</i>	2022 <i>HK\$M</i>
Finance income		4.9	8.3
Finance costs		(186.6)	(195.0)
Finance costs, net	<i>6</i>	(181.7)	(186.7)
Share of post-tax profit/(loss) of an associate		0.5	(1.6)
Share of post-tax profit of joint ventures		54.5	137.5
Profit before income tax		49.3	404.0
Income tax expense	<i>7</i>	(68.5)	(166.6)
(Loss)/Profit for the year		(19.2)	237.4
(Loss)/Profit attributable to:			
Shareholders of the Company		(9.3)	264.5
Non-controlling interests		(9.9)	(27.1)
		(19.2)	237.4
(Loss)/Earnings per share attributable to shareholders of the Company for the year (expressed in HK\$ per share)			
Basic (loss)/earnings per share	<i>9</i>	(0.01)	0.16
Diluted (loss)/earnings per share	<i>9</i>	(0.01)	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>
(Loss)/Profit for the year	(19.2)	237.4
Other comprehensive income/(loss)		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences on foreign operations	108.8	(323.9)
<i>Items that will not be reclassified to profit or loss:</i>		
Change in fair value of equity investments at fair value through other comprehensive income	1.8	(2.6)
Remeasurements of post-employment benefit obligations	0.8	0.8
Share of other comprehensive income of joint ventures	1.6	3.8
Other comprehensive income/(loss) for the year, net of tax	113.0	(321.9)
Total comprehensive income/(loss) for the year	93.8	(84.5)
Total comprehensive income/(loss) for the year attributable to:		
Shareholders of the Company	107.3	(49.7)
Non-controlling interests	(13.5)	(34.8)
	93.8	(84.5)

CONSOLIDATED BALANCE SHEET

At 31 December 2023

	<i>Notes</i>	2023 HK\$M	2022 <i>HK\$M</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,232.6	2,202.6
Right-of-use assets		635.2	618.0
Investment properties		49.7	54.3
Intangible assets		793.5	786.1
Investments accounted for using the equity method		738.3	710.7
Financial assets at fair value through profit or loss		0.8	0.8
Financial assets at fair value through other comprehensive income		87.6	84.8
Other non-current assets	<i>10</i>	7.5	10.8
Deferred income tax assets		62.3	52.5
		<u>4,607.5</u>	<u>4,520.6</u>
Current assets			
Inventories		1,712.2	1,323.7
Trade, bills and other receivables	<i>10</i>	1,784.6	1,640.3
Amounts due from related parties		85.3	82.7
Derivative financial instruments		16.5	17.1
Tax recoverable		91.1	31.9
Pledged bank deposits and restricted bank deposits		5.0	52.3
Cash and cash equivalents		366.5	713.7
		<u>4,061.2</u>	<u>3,861.7</u>
Assets held for sale		51.7	190.7
		<u>4,112.9</u>	<u>4,052.4</u>
Total assets		<u>8,720.4</u>	<u>8,573.0</u>

	<i>Notes</i>	2023 <i>HK\$M</i>	2022 <i>HK\$M</i>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		16.1	16.1
Other reserves		6,506.5	6,389.9
Accumulated losses		<u>(1,591.1)</u>	<u>(1,581.8)</u>
		4,931.5	4,824.2
Non-controlling interests		<u>(57.0)</u>	<u>(43.5)</u>
Total equity		<u>4,874.5</u>	<u>4,780.7</u>
Non-current liabilities			
Borrowings	<i>11</i>	116.6	111.3
Lease liabilities		247.0	192.1
Retirement benefit obligations		9.8	11.1
Other payables	<i>12</i>	101.1	98.8
Deferred income tax liabilities		<u>285.4</u>	<u>281.0</u>
		759.9	694.3
Current liabilities			
Trade and other payables	<i>12</i>	2,013.5	1,778.3
Current income tax liabilities		55.3	85.5
Borrowings	<i>11</i>	786.5	1,030.8
Lease liabilities		114.8	119.9
Amounts due to related parties and non-controlling interests		97.1	68.4
Derivative financial instruments		<u>18.8</u>	<u>15.1</u>
		3,086.0	3,098.0
Total liabilities		<u>3,845.9</u>	<u>3,792.3</u>
Total equity and liabilities		<u><u>8,720.4</u></u>	<u><u>8,573.0</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION:

1 GENERAL INFORMATION

The Company is an investment holding company. The Group are mainly engaged in the principal business of resources recycling, involving recycling of mixed metal, end-of-life vehicle, waste electrical and electronic equipment, wasted oil and Zorba in Asia, Europe and North America.

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Act of the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's ultimate holding company is Loncin Group Co., Ltd. ("**Loncin Group**"), a limited liability company incorporated in the People's Republic of China (the "**PRC**" or "**China**"), and the Company's immediate holding company is USUM Investment Group Hong Kong Limited, a company incorporated in Hong Kong with limited liability. Loncin Group is 98% owned by Mr. Tu Jianhua, an executive director of the Company.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These financial statements are presented in Hong Kong Dollar ("**HK\$**"), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2 BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis

The Group reported a net loss of HK\$19.2 million and a net cash outflow from operating activities of HK\$47.5 million for the year ended 31 December 2023. As at 31 December 2023, the Group held net assets and net current assets of HK\$4,874.5 million and HK\$1,026.9 million, respectively.

As at 31 December 2023, the Group had total borrowings of HK\$903.1 million of which HK\$786.5 million were classified as current borrowings, while the Group's cash and cash equivalents amounted to HK\$366.5 million. Included in the current borrowings as of 31 December 2023 was a secured syndicated term loan (the "**Syndicated Term Loan**") with an outstanding balance of HK\$376.0 million.

The Syndicated Term Loan was initially drawn down during the year ended 31 December 2018 with a loan principal of HK\$1,691.5 million and a repayment period of two years. Upon the maturity of its initial term, the Syndicated Term Loan was extended during each of the years ended 31 December 2020, 2021, 2022 and 2023. Over the past years, the Group made repayments of loan principal, interests and arrangement fees totaling HK\$1,943.3 million under the Syndicated Term Loan and lowered its outstanding balance under the Syndicated Term Loan to HK\$376.0 million as at 31 December 2023.

During the year ended 31 December 2023, the Group repaid a repayment instalment of HK\$92.1 million after the due date, which constituted an event of default under the Syndicated Term Loan agreement. According to the loan agreement, such event of default gives the lender of the Syndicated Term Loan the right to demand for immediate repayment of any outstanding Syndicated Term Loan balances. Furthermore, the outstanding balance of Syndicated Term Loan amounted to HK\$376.0 million as of 31 December 2023 was due on 30 March 2024 for which the Group has not repaid and this also constituted another event of default under the Syndicated Term Loan agreement (Note 11). Consequently, on 2 April 2024, the Company received a demand letter (the "**Demand Letter**") from the lender of the Syndicated Term Loan for immediate repayment of the outstanding loan balance and the applicable default interest.

Despite the events of default mentioned above, management held prolonged continuous discussions with the lender of the Syndicated Term Loan both before and after the year end regarding further extension as well as the granting of waiver letters on the above-mentioned events of default. As of the date of approving these consolidated financial statements, no binding agreement has been entered into by the Group and the lender.

Furthermore, in early 2024, a trade credit insurance facility of HK\$172.5 million of the Group's European operation was cancelled by an insurer which caused some of the Group's suppliers to require advance payments for inventory purchases. In addition, the Group's subsidiary in Czech Republic could not meet certain restrictive financial undertakings of a current bank borrowing with outstanding balance of HK\$91.5 million as of 31 December 2023.

The above conditions indicated the existence of a material uncertainty with respect to going concern.

2 BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group, taking into account its measures implemented to improve the financial condition of the Group's European operation, its available sources of financing for settling the Syndicated Term Loan, its ability to renegotiate the loan extension and to obtain the waiver for the events of default and its available sources of other financing in order to mitigate the liquidity pressure and to improve its financial position, which include but not limited to the following:

- I. The Group plans to continue the discussion with the lender of the Syndicated Term Loan on the extension of the Syndicated Term Loan and has proposed to extend the corresponding maturity to March 2025 with certain partial repayments in June, July and August 2024. Based on the Directors latest communication with the lender, the Directors confirmed that the lender of the Syndicated Term Loan is considering the extension proposal submitted by the Group and currently has no plan to take any further action to secure the repayment of the Syndicated Term Loan further to the Demand Letter. The Directors believe that the extension can be concluded in due course and the waiver letters will be granted in view of the historical renewal experience and the adequacy of collateral being held by the lender.

The Directors are of the view that repaying the instalments proposed by the Group during the year ending 31 December 2024 can be financed through measures set out below, including but not limited to:

- (i) repatriation of surplus funds on hand through transfer or dividends from overseas subsidiaries without affecting their normal operations, taking into account the local rules and regulations as well as any potential dividend tax or remittance tax with respect to the relevant countries in Asia and Europe.
 - (ii) reduce inventories on hand, particularly in Europe, which was originally maintained strategically in bid of rising commodity price. The Directors are of the view that the Group can reduce its inventories in the normal course of operations without trading off margins to free up funds necessary as planned.
 - (iii) dispose of certain land and buildings in Asia and Europe, and certain equity investments in Europe. The Group is actively looking for buyers and has received some non-binding offers from interested parties for certain land and buildings of the Group. Based on the latest negotiations with interested parties, the Directors are of the view that the Group has the ability to conclude and complete the disposals as planned to fulfil the scheduled repayments of the Syndicated Term Loan.
- II. The Group continues its efforts to implement measures to improve its working capital including further control of capital and operating expenditures as well as taking operating measures, such as expediting collection of accounts receivable and better utilization of supplier credit terms.

2 BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

- III. The Group maintains continuous communications with other banks and trade credit insurers in Europe and Asia to obtain new bank and trade facilities. Subsequent to the year end date, the Group is finalising a new bank borrowing with the pledge of a land in Germany with an estimated valuation of HK\$75.9 million. The Directors believe that with the strong operating performance, the Group has the ability to obtain new borrowing and trade facilities and the existing other borrowings and trade credit facilities available to the Group will be maintained and successfully renewed with substantially the same terms upon expiration.
- IV. In early 2024, the Group's subsidiary in Czech Republic obtained a waiver letter from the relevant bank in respect of the non-compliance of restrictive financial undertakings for the outstanding current bank borrowing balance of HK\$91.5 million as at 31 December 2023.
- V. The Group plans to look for other sources of financing including debt or equity financing and other funds raising exercise.

The Directors have assessed the Group's cash flow projection covering a period of not less than twelve months from 31 December 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 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group can achieve the plans and measures described in I, II, III and V above, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Whether the Group will be able to continue as a going concern would depend upon:

- a. successful in negotiation with the lender to extend the due date of the Syndicated Term Loan and to agree on the repayment schedule as proposed, as well as obtaining the waivers from the lender on the above-mentioned events of default; and successful implementation of the measures set out in I(i) to I(iii) above to provide sufficient funds as and when needed to enable the Group to fulfil the repayment schedule and comply with all other undertaking requirements of the Syndicated Term Loan eventually agreed;
- b. successful implementation of measures to improve working capital by further control of capital and operating expenditures, expediting collection of accounts receivable and better utilisation of supplier credit terms;
- c. successful in obtaining new borrowing and trade credit facilities as and when needed and successful in maintaining and renewing existing other borrowings and trade credit facilities available to the Group with substantially the same terms upon expiration;
- d. successful in obtaining fundings from other sources of financing including debt or equity financing and other funds raising exercise.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2 BASIS OF PREPARATION (CONTINUED)

Changes in accounting policy and disclosures

(a) *New Standard and amended standards*

The following new standard and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The new standard and amended standards listed above did not have any significant impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(b) *Amended standards and interpretation to be effective*

The following amended standards and interpretation have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been applied by the Company:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above amended standards and interpretation are not expected to have a material impact on the consolidated financial statements of the Group.

3 SEGMENT INFORMATION

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, right-of-use assets and intangible 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 years ended 31 December 2023 and 2022, respectively:

	For the year ended									
	31 December 2023					31 December 2022				
	Asia HK\$M	Europe HK\$M	North America HK\$M	Unallocated HK\$M	Total HK\$M	Asia HK\$M	Europe HK\$M	North America HK\$M	Unallocated HK\$M	Total HK\$M
Revenue										
Total segment revenue	1,719.8	14,960.9	4.1	-	16,684.8	1,787.1	17,841.4	35.7	-	19,664.2
Inter-segment sales	-	(205.1)	-	-	(205.1)	(3.9)	(86.0)	-	-	(89.9)
External sales	1,719.8	14,755.8	4.1	-	16,479.7	1,783.2	17,755.4	35.7	-	19,574.3
Segment (loss)/profit	(128.7)	364.4	(9.0)	4.3	231.0	(104.0)	707.8	(17.9)	4.8	590.7
Finance income					4.9					8.3
Finance costs					(186.6)					(195.0)
Profit before income tax					49.3					404.0
Income tax expense					(68.5)					(166.6)
(Loss)/Profit for the year					(19.2)					237.4
Depreciation and amortisation expenses	(62.1)	(326.6)	-	(1.5)	(390.2)	(69.3)	(277.4)	(0.5)	(16.1)	(363.3)
Fair value (loss)/gain on trading derivative financial instruments (Note)	-	-	-	(4.5)	(4.5)	-	-	-	15.7	15.7
Fair value (loss)/gain on financial assets at fair value through profit or loss	-	-	-	(0.1)	(0.1)	-	3.2	-	-	3.2
(Loss)/Gain on disposals of property, plant and equipment and right-of-use assets	(0.5)	13.1	-	-	12.6	17.8	17.5	-	-	35.3
Gain on disposals of assets held for sale	-	6.0	-	-	6.0	82.7	74.0	-	-	156.7
Provision for impairments on property, plant and equipment and right-of-use assets	(10.2)	(0.8)	-	-	(11.0)	-	-	-	(1.0)	(1.0)
Provision for impairment on intangible assets	(9.4)	-	-	-	(9.4)	-	-	-	-	-
Provision for impairment on investment in a joint venture	-	-	-	-	-	(12.0)	(61.3)	-	-	(73.3)
Provision for impairment on asset held for sale	-	(15.2)	-	-	(15.2)	-	-	-	-	-

Note: The fair value (loss)/gain on trading derivative financial instruments for the year ended 31 December 2023 and 2022 represented the fair value (loss)/gain related to those trading derivative financial instruments that were not subject to hedge accounting.

3 SEGMENT INFORMATION (CONTINUED)

Segment assets

Reconciliation of segment assets to total assets as at 31 December 2023 and 31 December 2022 are provided as follows:

	As at							
	31 December 2023				31 December 2022			
	Asia	Europe	North America	Total	Asia	Europe	North America	Total
<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>
Segment assets	<u>1,313.5</u>	<u>6,844.6</u>	<u>25.9</u>	<u>8,184.0</u>	<u>1,337.6</u>	<u>6,273.5</u>	<u>146.7</u>	<u>7,757.8</u>
Deferred income tax assets				62.3				52.5
Tax recoverable				91.1				31.9
Derivative financial instruments				16.5				17.1
Cash and cash equivalents				<u>366.5</u>				<u>713.7</u>
Total assets				<u>8,720.4</u>				<u>8,573.0</u>

Geographical information

Non-current assets, other than financial instruments and deferred income tax assets, are analysed by geographic regions as follows:

	As at	
	31 December 2023	31 December 2022
	<i>HK\$M</i>	<i>HK\$M</i>
Asia	486.1	604.2
Europe	<u>3,967.1</u>	<u>3,774.2</u>
Total	<u>4,453.2</u>	<u>4,378.4</u>

Analysis of revenue by category

	For the year ended	
	31 December 2023	31 December 2022
	<i>HK\$M</i>	<i>HK\$M</i>
Metal recycling		
– Ferrous metal	10,358.4	12,624.8
– Non-ferrous metal	5,629.9	6,272.7
Forging and foundry	–	86.2
Others	<u>491.4</u>	<u>590.6</u>
Total	<u>16,479.7</u>	<u>19,574.3</u>

3 SEGMENT INFORMATION (CONTINUED)

Information about major customers

No single customer contributed 10% or more to the Group's revenue during the years ended 31 December 2023 and 2022.

4 OTHER GAINS, NET AND IMPAIRMENTS ON NON-FINANCIAL ASSETS

	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>
(Loss)/Gain on fair value change of:		
– trading derivative financial instruments not subject to hedge accounting	(4.5)	15.7
– financial assets at fair value through profit or loss	(0.1)	3.2
Foreign exchange losses, net	(10.8)	(15.1)
Gain on disposals of property, plant and equipment and right-of-use assets	12.6	35.3
Gain on disposals of assets held for sale	6.0	156.7
Impairments on non-financial assets:		
– provision for impairments on property, plant and equipment and right-of-use assets (<i>Note (i)</i>)	(11.0)	(1.0)
– provision for impairment on intangible assets (<i>Note (ii)</i>)	(9.4)	–
– provision for impairment on investment in a joint venture	–	(73.3)
– provision for impairment on assets held for sale	(15.2)	–
Others	10.4	10.1
	<u>(22.0)</u>	<u>131.6</u>

Note:

- (i) For the year ended 31 December 2023, the Group recognised a provision for impairments on property, plant and equipment and right-of-use assets totaled HK\$11.0 million (2022: HK\$1.0 million) which was related to certain idle assets in Asia (2022: Europe).
- (ii) During the year ended 31 December 2023, an impairment loss of HK\$9.4 million was recognised on goodwill of metal recycling cash-generating unit (“CGU”) in Asia based on management’s assessment on the prospect of metal recycling CGU in Asia.

5 EXPENSES BY NATURE

	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>
Changes in inventories of work-in-progress and finished goods	199.3	177.4
Raw materials and consumables used	13,098.1	16,005.2
(Reversal of)/Provision for impairments on inventories, net	(23.8)	33.6
Freight cost	813.0	780.8
Utilities and waste disposal cost	361.4	395.5
Employee benefit expenses	954.3	975.6
Depreciation and amortisation expenses of property, plant and equipment, intangible assets, right-of-use assets and investment properties	390.2	363.3
Legal and professional expenses	33.3	32.3
Auditors' remuneration		
– audit services	16.3	18.6
– non-audit services	2.7	3.7
Repair and maintenance expenses	185.1	165.4
Lease expenses		
– short-term leases	4.8	3.2
– low-value leases	6.9	6.8
Administrative services provided by related parties	11.5	18.0
Other expenses	344.0	362.0
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses and administrative expenses	16,397.1	19,341.4
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6 FINANCE COSTS, NET

	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>
Interest income from bank deposits	4.0	7.0
Interest income from related parties	0.9	1.3
	<hr/>	<hr/>
Finance income	4.9	8.3
	<hr/>	<hr/>
Interest expense on bank loans, overdrafts and bills payables	(92.5)	(61.1)
Interest expense on other borrowings	(78.2)	(122.1)
Interest expense on lease liabilities	(14.3)	(11.2)
Interest expense on loans from related parties	(0.6)	(0.6)
Interest expense on loan from non-controlling interest	(1.0)	–
	<hr/>	<hr/>
Finance costs	(186.6)	(195.0)
	<hr/> <hr/>	<hr/> <hr/>
Finance costs, net	(181.7)	(186.7)
	<hr/> <hr/>	<hr/> <hr/>

7 INCOME TAX EXPENSE

For the year ended 31 December 2023, Hong Kong profits tax has not been provided for as the Group's estimated assessable profit for the period are set off by tax loss carried forward from prior years.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 December 2022.

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 year.

Germany income taxes have been provided at the rate of approximately 30% (2022: 30%) on the estimated assessable profit for the year.

Taxation on profits from other jurisdictions has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2023 <i>HK\$M</i>	2022 <i>HK\$M</i>
Current income tax expense:		
Germany	(79.4)	(111.9)
PRC EIT	(0.5)	(12.6)
Other jurisdictions	(4.3)	(31.8)
	<u>(84.2)</u>	<u>(156.3)</u>
Over/(under) provision in prior years:		
Germany	1.6	1.8
Hong Kong	–	(0.6)
Other jurisdictions	6.0	1.6
	<u>7.6</u>	<u>2.8</u>
Deferred income tax credit/(expense)	<u>8.1</u>	<u>(13.1)</u>
Income tax expense	<u><u>(68.5)</u></u>	<u><u>(166.6)</u></u>

7 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities as follows:

	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>
Profit before income tax	<u>49.3</u>	<u>404.0</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	43.5	133.4
Tax effect of expenses not deductible for tax purpose	74.3	85.5
Tax effect of income not taxable for tax purpose	(43.0)	(45.5)
Tax effect of temporary differences not recognised	(5.7)	5.4
Tax effect of tax losses not recognised	24.5	40.0
Tax effect of utilisation of tax losses previously not recognised	(2.0)	(10.9)
Tax impact on share of results from an associate and joint ventures	(15.5)	(38.5)
Over provision in respect of prior years	<u>(7.6)</u>	<u>(2.8)</u>
Income tax expense for the year	<u>68.5</u>	<u>166.6</u>

8 DIVIDENDS

No dividend was paid or proposed during 2023 and 2022, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the years ended 31 December 2023 and 2022.

9 LOSS/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023 <i>HK\$M</i>	2022 <i>HK\$M</i>
(Loss)/Profit		
(Loss)/Profit for the year attributable to shareholders of the Company	<u>(9.3)</u>	<u>264.5</u>
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	<u>1,605,152</u>	<u>1,605,152</u>
Basic (loss)/earnings per share (expressed in HK\$)	<u><u>(0.01)</u></u>	<u><u>0.16</u></u>

(b) Diluted

The Group has no potentially dilutive shares outstanding during the years ended 31 December 2023 and 2022.

10 TRADE, BILLS AND OTHER RECEIVABLES

	2023 <i>HK\$M</i>	2022 <i>HK\$M</i>
Trade receivables	1,434.7	1,312.5
Less: loss allowance	<u>(27.3)</u>	<u>(38.3)</u>
Trade receivables, net	1,407.4	1,274.2
Bills receivables	10.2	16.3
Deposits and prepayments	134.6	123.7
Deposits paid for purchase of raw materials	20.9	18.9
VAT recoverable	105.9	108.1
Other receivables (<i>Note</i>)	<u>113.1</u>	<u>109.9</u>
	1,792.1	1,651.1
Less: non-current portion		
Other deposits and receivables	<u>(7.5)</u>	<u>(10.8)</u>
	<u><u>1,784.6</u></u>	<u><u>1,640.3</u></u>

Note: As at 31 December 2023, the balance included a receivable of HK\$41.9 million (2022: HK\$42.5 million) from the Taizhou Bay Committee, a government authority in the PRC.

As at 31 December 2023, the Group has pledged trade receivables with a net book value of HK\$1,236.5 million (2022: HK\$969.0 million) to secure certain borrowings and general banking facilities to the Group.

10 TRADE, BILLS AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2023 and 2022, the ageing analysis of the gross trade receivables based on invoice date was as follows:

	2023 <i>HK\$M</i>	2022 <i>HK\$M</i>
0 – 90 days	1,350.5	1,258.6
91 – 180 days	36.4	18.1
Over 180 days	47.8	35.8
	<u>1,434.7</u>	<u>1,312.5</u>

(a) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amounts are considered to approximate their fair values.

(b) Impairment and risk exposure

The Group measures the expected credit losses on the trade and bills receivables by grouping them based on shared credit risk characteristics and the days past due. The Group has divided the trade and bills receivables into three groups shared with similar credit risk characteristics based on geographical locations which are Asia, Europe and North America. The expected loss rates are estimated based on the historical credit losses experienced, adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of forward-looking economic conditions. On that basis, the loss allowances as at 31 December 2023 and 2022 were determined as follows:

	Expected credit loss rate	Gross carrying amount – trade and bills receivables <i>HK\$M</i>	Loss allowances <i>HK\$M</i>
As at 31 December 2023			
Active accounts			
Current	0.1%	1,075.8	0.5
Past due 1 – 30 days	1.7%	221.1	3.8
Past due 31 – 90 days	2.5%	35.4	0.9
Past due over 90 days	18.6%	98.7	18.4
Terminated accounts	100%	3.7	3.7
		<u>1,434.7</u>	<u>27.3</u>
Total		<u>1,434.7</u>	<u>27.3</u>

10 TRADE, BILLS AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment and risk exposure (Continued)

	Expected credit loss rate	Gross carrying amount – trade and bills receivables <i>HK\$M</i>	Loss allowances <i>HK\$M</i>
As at 31 December 2022			
Active accounts			
Current	0.2%	993.2	2.2
Past due 1 – 30 days	5.2%	238.5	12.4
Past due 31 – 90 days	12.4%	25.9	3.2
Past due over 90 days	32.0%	50.6	16.2
Terminated accounts	100%	4.3	4.3
Total		<u>1,312.5</u>	<u>38.3</u>

Loss allowances on terminated accounts are mostly from the Asia region and majority of the loss allowances on active accounts are from the Europe and North America regions.

Movements on the Group's loss allowance of trade receivables are as follows:

	2023 <i>HK\$M</i>	2022 <i>HK\$M</i>
As at 1 January	38.3	55.4
Reversal in loss allowance recognised	(5.9)	(0.6)
Receivables written off during the year as uncollectable	–	(12.6)
Currency translation differences	<u>(5.1)</u>	<u>(3.9)</u>
As at 31 December	<u>27.3</u>	<u>38.3</u>

As at 31 December 2023, provision for impairments on other receivables and prepayments amounted to approximately HK\$18.7 million (2022: HK\$18.5 million).

The other classes within trade, bills and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

10 TRADE, BILLS AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment and risk exposure (Continued)

The carrying amounts of the Group's trade receivables, net of provision, are denominated in the following currencies:

	2023 <i>HK\$M</i>	2022 <i>HK\$M</i>
Renminbi (“RMB”)	70.7	101.6
Euro (“EUR”)	1,078.1	957.1
United States dollar (“US\$”)	189.8	130.0
Other currencies	68.8	85.5
	<u>1,407.4</u>	<u>1,274.2</u>

The carrying amounts of the Group's other receivables are mainly denominated in RMB, EUR, US\$ and Polish Zloty (“PLN”) (2022: RMB, EUR, US\$ and PLN) as at 31 December 2023.

11 BORROWINGS

	2023 <i>HK\$M</i>	2022 <i>HK\$M</i>
Non-current		
Bank borrowings	116.6	111.3
Current		
Bank borrowings	410.5	286.1
Other borrowings (<i>Note i</i>)	376.0	744.7
	<u>786.5</u>	<u>1,030.8</u>
Total borrowings	<u>903.1</u>	<u>1,142.1</u>

Bank borrowings mature at various dates up to 2028 (2022: 2025) and bear average coupons ranging from 0.9% to 12% per annum (2022: 0.9% to 12% per annum).

11 BORROWINGS (CONTINUED)

As at 31 December 2023 and 2022, the Group's bank and other borrowings were repayable as follows:

	Bank borrowings		Other borrowings		Total	
	2023	2022	2023	2022	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>	<i>HK\$M</i>
Within 1 year	<u>410.5</u>	<u>286.1</u>	<u>376.0</u>	<u>744.7</u>	<u>786.5</u>	<u>1,030.8</u>
Between 1 and 2 years	81.3	88.8	-	-	81.3	88.8
Between 2 and 5 years	<u>35.3</u>	<u>22.5</u>	<u>-</u>	<u>-</u>	<u>35.3</u>	<u>22.5</u>
	<u>116.6</u>	<u>111.3</u>	<u>-</u>	<u>-</u>	<u>116.6</u>	<u>111.3</u>
	<u>527.1</u>	<u>397.4</u>	<u>376.0</u>	<u>744.7</u>	<u>903.1</u>	<u>1,142.1</u>

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>
EUR	74.2	45.2
US\$	376.0	768.2
RMB	187.6	163.6
Czech Koruna ("CZK")	235.4	164.9
PLN	<u>29.9</u>	<u>0.2</u>
	<u>903.1</u>	<u>1,142.1</u>

As at 31 December 2023, the Group had aggregate facilities of approximately HK\$3,379.4 million (2022: HK\$3,541.7 million) for loans, factoring and guarantees. Unused facilities as at the same date amounted to approximately HK\$1,207.0 million (2022: HK\$1,135.8 million) which were uncommitted facilities. These facilities are secured/guaranteed by certain properties, plant and equipment, right-of-use assets, investment properties, inventories, trade receivables and bank deposits with an aggregate amount of HK\$4,418.6 million (2022: HK\$3,722.9 million).

11 BORROWINGS (CONTINUED)

Note i:

Included in other borrowings was a Syndicated Term Loan drawn down in 2018 with a principal balance of HK\$376.0 million (2022: HK\$742.4 million) as at 31 December 2023. During the year ended 31 December 2023, the Group repaid a repayment instalment of HK\$92.1 million after the due date, which constituted an event of default under the Syndicated Term Loan agreement. According to the loan agreement, such event of default gives the lender of the Syndicated Term Loan the right to demand for immediate repayment of any outstanding Syndicated Term Loan balances. Furthermore, the outstanding balance of Syndicated Term Loan amounted to HK\$376.0 million as of 31 December 2023 was due on 30 March 2024 for which the Group has not repaid and this also constituted another event of default under the Syndicated Term Loan agreement. Consequently, on 2 April 2024, the Company received a Demand Letter from the lender of the Syndicated Term Loan for immediate repayment of the outstanding loan balance and the applicable default interest.

Note ii:

As at 31 December 2023, the Group's subsidiary in Czech Republic could not meet certain restrictive financial undertakings of a current bank borrowing with outstanding balance of HK\$91.5 million. In early 2024, the aforesaid subsidiary obtained a waiver letter from the relevant bank in respect of such non-compliance of restrictive financial undertakings.

The carrying amounts of the borrowings approximate their fair values.

12 TRADE, BILLS AND OTHER PAYABLES

	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>
Trade payables	1,644.8	1,418.8
Contract liabilities (<i>Note</i>)	90.2	57.9
Other taxes payable	31.0	38.0
Accrued salaries and employee benefits	132.0	138.8
Provision for claims and contingencies	–	2.4
Accrued professional expenses	27.7	39.1
Asset retirement obligations	70.9	68.5
Other payables and accruals	118.0	113.6
	<u>2,114.6</u>	<u>1,877.1</u>
Less: non-current portion		
Asset retirement obligations	(70.9)	(68.5)
Other payables	(30.2)	(30.3)
	<u>(101.1)</u>	<u>(98.8)</u>
	<u><u>2,013.5</u></u>	<u><u>1,778.3</u></u>

12 TRADE AND OTHER PAYABLES (CONTINUED)

Note: Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>
Revenue recognised that was included in the contract liabilities		
balance at the beginning of the year	<u>57.9</u>	<u>40.0</u>

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

	2023	2022
	<i>HK\$M</i>	<i>HK\$M</i>
0 – 90 days	1,529.1	1,374.0
91 – 180 days	12.5	25.6
Over 180 days	<u>103.2</u>	<u>19.2</u>
	<u>1,644.8</u>	<u>1,418.8</u>

The carrying amounts of the trade and other payables approximate their fair values.

CHAIRMAN’S STATEMENT

In 2023, challenges and opportunities coexist for enterprises and investors in the field of recycled metals. On one hand, the intensified geopolitical conflicts and the uncertainty of the regional economy led to a series of market fluctuations and changes in demand in the commodity industry, that caused pressures to the metal trading industry. On the other hand, environmental protection, climate change, and energy consumption issues garnered increasing attention, and initiatives such as “low-carbon economy” and “industrial green transformation” gradually became important development concepts for various economies and had a positive impact on the environmental protection and resource reuse industries.

In the face of macro-economy pressure and the complex global trade environment, Chiho Environmental Group Co., Ltd. (the “**Company**” or “**Chiho**”) ensured the stable development of its business by implementing established strategies, steadily deriving business expansion in regional subsidiaries, and strengthening employee’s recycling process training and recycling technology research and development (“**R&D**”), to enhance Chiho’s market advantage.

At the same time, facing the opportunities of “low carbon” and “green development”, the Company deepened cooperation with upstream and downstream enterprises, improved the stability and efficiency of the supply chain to meet the demand for high-quality raw materials and sustainable development in the renewable resources industry.

REVIEW OF OPERATIONS

On behalf of the Board of Directors (the “**Board**”), I am pleased to present the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023. The Group’s total sales tonnage and revenue for the fiscal year of 2023 were 3.64 million and HK\$16,479.7 million, respectively, representing a year-on-year decrease of 4.2% and 15.8%. The performance in the European business, its tonnage accounting for more than 90% of the Group’s total tonnage, did not achieve sales tonnage and revenue growth due to the impact of rising energy prices and demand fluctuations. The total sales tonnage in Asia increased by 11.8% year-on-year, and the gross profit increased by 247.5% year-on-year.

The metal sales tonnage of the European operations was 3.45 million tonnes, with revenue of HK\$14,960.9 million. In the past year, the external environment of the European market has been complex and changeable, and the impact of Russia Ukraine war was still ongoing. Many enterprises’ production and operation were still under the pressure of the high inflation and high-cost environment. Facing these unfavorable factors, the Group’s policy focused on stabilizing mature business module and deepening cooperation with the upstream and downstream, while promoting technology R&D, and laying out high growth commercial investments.

In the first half of 2023, the Group joined the Car2Car alliance team. The alliance was composed of original equipment manufacturers, recyclers, component processors, and universities, committed to collaborating on the development of innovative methods for dismantling and automatic sorting of scrapped cars. The team is working on using robots to partially or fully automate the dismantling process to achieve automatic execution and accelerate the recycling process. The team is also studying the recyclability of materials in the design process of the new car model, to reduce the carbon footprint of raw materials such as steel and aluminum. The Car2Car project had received support of 6.4 million euros from the Federal Ministry for Economic Affairs and Climate Action in Germany. This project will also drive Chiho's recycling technology to a new level.

In August 2023, the Group's metal recycling yard located in Plzen, Czech Republic was put into operation, and the groundbreaking ceremony was successfully held in October. This new yard built a solid foundation for promoting Chiho's business layout in Central Europe.

In November 2023, Scholz Recycling GmbH, (together with its subsidiaries, the "**Scholz Group**"), the subsidiary of Chiho, signed a long-term cooperation framework agreement with Voestalpine Group. The cooperative relationship aims to fully leverage the supply advantages of recycled steel raw materials of Scholz Group to assist Voestalpine Group in achieving the "Greentec Steel" steel production decarbonization strategy. This cooperation will further strengthen the Group's market influence in Europe.

The metal sales tonnage in Asian increased by 11.8% year-on-year, and the gross profit margin increased to 1.3%. Since the relaxation of the COVID-19 lockdown measures in China, the Group's sales, production, and operations in the region have progressed smoothly. The Group has made efforts to improve the quality and efficiency of business management for driving the development of subsidiaries in the region. In July 2023, Qishun Recycling Project located in Taizhou City, Zhejiang Province obtained the qualification for dismantling End-of-Life Vehicle ("**ELV**") and launched the recycling and dismantling business of ELV. At present, the collection and dismantling volume of the project are increasing month by month, and it is predicted that the business volume will continue to increase. In August 2023, our subsidiary in China obtained an invention for a waste aluminum shredding and sorting system. As of the end of December 2023, the Group had obtained a total of seven inventions and patents related to the recycling and utilization of waste lithium batteries, four patents related to the recycling of ELV, and four patents related to the recycling and utilization of aluminum in China, which are the technical support for the development of recycling business in Chiho's own investment projects and joint venture projects. In October 2023, the Group's joint venture project located in Binzhou City, Shandong Province launched the first batch of new energy scrapped vehicle recycling and utilization business, that was an important node in the field of green recycling and dismantling of the project.

PROSPECT

Despite the global economy in 2024 will still be full of challenges and risks, growth points such as technological innovation, green economy, sustainable development, and digital transformation will bring development space and opportunities to the world economy.

The 28th United Nations Climate Change Conference (COP28) held in 2023 continued to prioritize “accelerating green transformation” as a global climate action and invited nearly 200 countries that have signed the United Nations Framework Convention on Climate Change (UNFCCC) to convene a meeting to negotiate and develop action plans and rules for addressing climate change globally.

The urgency of climate change has made “low-carbon economy” a global consensus. At the institutional level, important economies in the world will continue to strengthen environmental regulations and policies, such as providing green financial support and creating a favorable market environment for low-carbon technological innovation. The green transformation of industries will also continue to be advanced, effectively reducing carbon emissions by improving the utilization of renewable materials and other measures. At the same time, important economies will continue to increase their investment in research and development in areas such as resource regeneration and energy-saving technologies, providing technical support for achieving low-carbon goals.

To achieve carbon neutrality, the European Union (“EU”) has proposed a “Fit for 55” emission reduction package, with the goal of reducing greenhouse gas emissions by 55% compared to 1990 by 2030 and achieving climate neutrality by 2050. As of the end of 2023, the plan includes a total of thirteen specific legislative proposals and action measures. In the regulatory proposal on ELVs, measures to strengthen the recyclability of the automotive industry (covering the design, production, and disposal of automobiles) are formally proposed to ensure that the design of new vehicles is conducive to their recycling and reuse after their lifecycle ends. The proposal emphasizes the requirement to increase the use of recycled materials in new cars, allowing the committee to set targets for recycled steel, recycled metals, and aluminum based on a feasibility evaluation. At the same time, the proposal also aims to increase the quantity, quality, and value of the reuse and recycling materials of scrapped vehicles, in order to achieve high-quality recycling.

Faced with the dual carbon target, the Chinese government has launched multiple guidance documents. In December 2023, the Ministry of Industry and Information Technology of China and eight other departments issued the Guiding Opinions on Accelerating the Transformation and Upgrading of Traditional Manufacturing Industry, which clearly stated that by 2027, the comprehensive utilization rate of solid waste in China's bulk industry will exceed 57%. The Guiding Opinions emphasized to actively promote the resource recycling production model, vigorously develop the comprehensive utilization industry of waste steel, waste non-ferrous metals, waste power batteries, waste household appliances, and waste textiles, develop the high-value recycling of renewable resources, and promote efficient resource recycling.

Therefore, from the long-term perspective, the renewable resources industry has broad prospects and huge market potential. Chiho, as a multinational group, will face up to the pressure from macroeconomic and geopolitical influences, and seize the market trend of renewable resource demand as well. Chiho will insist on the policy of making progress while maintaining stability, maintaining strategic focus, strengthening technological innovation, enhancing development momentum, that is, stabilize existing businesses such as metal recycling and trade, recycling and dismantling of ELV, expand new businesses such as power lithium battery ladder utilization, invest in technological R&D, strengthen upstream and downstream cooperation and exchange, and better serve customers and repay shareholders with a sustainable and sound business philosophy.

The Group firmly believes that resource reuse is an important factor for high-quality development of the global economy. Chiho will combine the advantages of operation and technology, actively contribute to the global carbon reduction strategy, and assist more customers and partners to achieve carbon reduction goals and sustainable development globally.

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 my utmost respect to the hardworking employees in different regions. Wishing you all stay safe and healthy.

Qin Yongming
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2023, market demand from manufacturers and traders in downstream industry shrank while commodities prices declined under the influences of macroeconomic factors such as regional economic downturn, continuous rates hike by the Federal Reserve, frequent geopolitical conflicts as well as the Russian-Ukrainian war. The metal industry is highly sensitive to demand and supply landscape and economic volatilities, which resulted in slowdown in capacity growth. Global ferrous and non-ferrous metal prices fluctuated and edged down after experiencing short-term rebound. With increasing pressures from demand-side shrinkage and inflation, there was a decrease in sales volume and revenue of the Group.

The Group sold 3.64 million tonnes of recycled products in 2023, a 4.2% decrease compared to 3.80 million tonnes sold in 2022. Total external revenue for the year was HK\$16,479.7 million, a decrease of 15.8% as compared to HK\$19,574.3 million last year.

The European segment continues to be the key contributor in terms of revenue. The Asian segment has progressed smoothly with sales tonnage increasing by 11.8%. The contribution from the North American segments has dropped relatively as businesses and assets in these regions were under the divestment process, reflecting the continuous restructuring of the Group's business for more efficient use of our resources.

Gross Profit/Margin

Gross profit for the year was HK\$1,038.0 million, a decrease of 14.1% as compared to HK\$1,207.7 million recorded in the previous year. The decrease in gross profit was mainly due to the increasing freight cost and higher energy prices in Germany and decline in both sales volume and revenue as a result of weak demand for metals in Europe during 2023.

The gross profit margin was slightly increased from 6.2% to 6.3% during the year. The increase in the gross profit margin was a result of focusing on sales bargaining power and continued review of scrap price changes to adjust the structures to maintain higher gross margins.

Operating expenses

Total operating expenses for the year were HK\$955.4 million (2022: HK\$974.8 million), a decrease of 2.0% over the last financial year. The reduction in operating expenses was attributed to the Group's implementation of the "cost reduction and efficiency improvement" policy. This approach increased cost efficiency across the organization. The Group's commitment in transformation initiatives and optimization programs in previous years have resulted in continuous improvement in lean and efficient operations. These efforts have enabled the Group to continuously streamline processes and enhance resources utilization, ultimately contributing to reducing operating expenses.

(Loss)/Profit Attributable to Shareholders and (Loss)/Earnings Per Share

Loss attributable to shareholders of the Company for the year ended 31 December 2023 was HK\$9.3 million, as compared to a profit of HK\$264.5 million in the last financial year.

Loss per share for the year ended 31 December 2023 was a loss per share of HK\$0.01 as compared to earnings per share of HK\$0.16 in the last financial year.

Analysis of Cash Flow from Operations

The Group's cash generated from operations before changes in working capital for the year was HK\$543.2 million (2022: HK\$699.4 million). The Group has been prudent in managing the working capital to cope with the uncertainties in the market condition.

Liquidity and Financial Resources

Shareholders' funds as at 31 December 2023 were HK\$4,931.5 million (2022: HK\$4,824.2 million), an increase of 2.2% from as at 31 December 2022. Shareholders' funds per share increased from HK\$3.01 as at 31 December 2022 to HK\$3.07 as at 31 December 2023.

As at 31 December 2023, the Group had cash, various bank balances, pledged and restricted bank deposits amounting to HK\$371.5 million (2022: HK\$766.0 million), used mainly for repayment of external borrowings and working capital for the expansion of business operations.

The current ratio improved from 1.31 as at 31 December 2022 to 1.33 as at 31 December 2023. Certain borrowings were classified as current liabilities as they will be maturing within the next twelve months. The management is in active discussions with lenders and potential lenders to refinance the maturing borrowings.

Total external borrowings as at 31 December 2023 were HK\$903.1 million (2022: HK\$1,142.1 million). A reduction of HK\$239.0 million as compared to 31 December 2022. Such borrowings were mainly utilized for the purchase of mixed recycle metal and working capital, and were denominated in Euro, US Dollar and Renminbi. Approximately HK\$390.0 million (2022: HK\$935.0 million) of borrowings are at fixed interest rates.

The gearing ratio of the Group as at 31 December 2023 was 10.4% (2022: 13.3%) which is calculated based on the total borrowings divided by our total assets. For details of the Group's liquidity position and management's measure and plans taken in relation to its borrowings, please refer to Note 2.1 and Note 11. Through the Group's cost reduction and efficiency improvement by strengthening management and control, the Group's gearing ratio decreased reasonably and continued to reduce the pressure on external debt.

Working Capital Change

Overall, our net operating cycle has remained healthy during the current year, showing our commitment to improve operational efficiency.

Inventories as at 31 December 2023 were HK\$1,712.2 million (2022: HK\$1,323.7 million). The inventory turnover days, which is calculated based on inventory balance as at year ended divided by cost of sales for the year, times three hundred and sixty five days, for the financial year was 40 days (2022: 26 days).

Provision for inventories as at 31 December 2023 were reversal of HK\$23.8 million (2022: provision of impairment HK\$33.6 million). The decrease of provision was due to the price volatility towards the end of the year.

Trade and bills receivables after netting loss allowance as at 31 December 2023 were HK\$1,417.6 million, increased from HK\$1,290.5 million as at 31 December 2022. Debtor turnover days, which is calculated based on trade and bill receivables balance after netting loss allowance as at year ended divided by revenue for the year, times three hundred and sixty five days, for the financial year increased from 24 days in last financial year to 31 days in this financial year.

Trade payables as at 31 December 2023 were HK\$1,644.8 million (2022: HK\$1,418.8 million). Creditor turnover days, which is calculated based on trade and bills payables balance as at year ended divided by cost of sales for the year, times three hundred and sixty five days, for the year ended 31 December 2023 were 39 days (2022: 28 days).

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 year ended 31 December 2023, the Group invested HK\$447.5 million (2022: HK\$453.8 million) in the purchase of tangible assets including land, buildings, plant, machinery and equipment, leasehold improvements, and office equipment for improving production efficiency. These capital expenditures were financed through internal resources and lease arrangements.

BUSINESS REVIEW

Operational Performance

In the face of weak recovery on the demand side, the Group continued to deepen its lean management and strengthen its market research during the year. In addition, the Group is committed to coordinating project layout based on the current industry and market conditions and existing production capacity, making progress while maintaining stability and preventing operational risks. 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 suffered from challenging economic conditions including skyrocketed energy prices, complex and volatile industry outlook and the impact of the Russia-Ukraine War as well as increasing trade deficit, facing the pressure of the high inflation and high-cost environment, resulting in a decrease in sales volume and revenue. The European segment sold 3.45 million tonnes of recycled products for the year ended 31 December 2023, a decrease of 5.0% compared to the last year of 3.63 million tonnes. Segment revenue was HK\$14,960.9 million for the year which decreased by 16.1% as against 2022.

European segment's gross profit for the year was HK\$1,031.4 million, a decrease of 16.9% as compared to last year. The European segment experienced significant increase in logistic and transportation costs from breakdown of global supply chain of scrap products in Europe due to high energy costs. However, the gross profit margin was 6.9% in 2023, as compared to 7.0% in 2022, resulting in an increase in sales bargaining power.

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 year was HK\$364.4 million (2022: HK\$707.8 million), decreased by 48.5% as compared to last year.

North America

The North American segment has undergone a business transformation process starting from 2022 to better allocate resources to other businesses. As a result, the North American segment, reported revenue of HK\$4.1 million for the year (2022: HK\$35.7 million).

Segment gross loss for the year was HK\$1.7 million (2022: HK\$3.4 million) and gross loss margin was at 40.9% (2022: 9.6%). Segment loss for the year was HK\$9.0 million (2022: segment loss of HK\$17.9 million).

Asia

The Asian segment sold 0.19 million tonnes of recycled products in the current year, an increase of 11.8% against 2022 of 0.17 million tonnes sold. Since the relaxation of the COVID-19 lockdown measures in China, the business of metal trading in China is the key contributor to the Asian segment. The segment revenue has slightly decreased by 3.8% from HK\$1,787.1 million in 2022 to HK\$1,719.8 million in 2023.

With increasing sales volume in the Asian segment, the gross profit for the year was HK\$23.1 million, an increase of 247.5% as compared to segment gross loss HK\$15.7 million in 2022. In addition, the gross loss margin in 2022 was 0.9%, increased to gross profit margin 1.3% in 2023. As such, segment loss was HK\$128.7 million as compared to segment loss HK\$104.0 million in 2022.

As the Chinese government has launched multiple dual carbon target guidance documents, and stimulus plans to actively promote the resources recycling production model, develop the high-value recycling of renewable resources, and promote efficient resource recycling, the performance of the Asian segment will likely to recover in the near future.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2023, the Group had pledged certain property, plant, equipment, right-of-use assets, investment properties, inventories, trade receivables and bank deposits with an aggregate carrying value of approximately HK\$4,418.6 million (31 December 2022: HK\$3,722.9 million) to secure certain borrowings and general banking facilities granted to the Group.

As at 31 December 2023, the Group had capital commitments in respect of acquisition of property, plant, equipment and additions in construction in progress which are contracted for but not provided for in the amount of HK\$116.5 million (31 December 2022: HK\$72.9 million).

As at the date of this announcement, save as disclosed below, the Board is not aware of any material contingent liabilities.

The Group has provided financial guarantees to certain related party and joint ventures of HK\$20.3 million and HK\$50.9 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 recognized.

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

Potential Restructuring of the Controlling Shareholders

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, 6 March 2023 and 22 November 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 the 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 Codes on Takeovers and Mergers and Share Buy-backs.

On 21 November 2023, the Company received a notification from USUM Investment Group Limited that there was certain delay in the implementation of the Restructuring plan. The Loncin Restructuring Companies believed that such delay was due to the impact of the pandemic at the early execution stage of the Restructuring plan which had affected the fund raising process. The Loncin Restructuring Companies have applied to the Fifth Intermediate People’s Court of Chongqing City for extension of execution of the Restructuring plan. On 20 November 2023, the Fifth Intermediate People’s Court of Chongqing City has made a civil ruling approving the extension of the execution of the Restructuring plan for six months (until 21 May 2024).

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 (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and/or the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).

Disclosure Pursuant to Rules 13.19 and 13.21 of the Listing Rules

Reference is made to the announcements (the “**Loan Announcements**”) of the Company dated 5 July 2018 and 3 April 2024.

A facility agreement was entered into between the Company and certain independent third party institutions in relation to a syndicated term loan of up to US\$300,000,000. Unless the context requires otherwise, capitalized terms used herein shall have the same meaning as those defined in the Loan Announcements.

The Loan was initially drawn down during the year ended 31 December 2018 with a loan principal of US\$220,000,000 (equivalent to HK\$1,691.5 million) and a repayment period of two years. Upon the maturity of its initial term, the repayment date of the Loan has been extended during each of the years ended 31 December 2020, 2021, 2022 and 2023 with the final repayment date of 30 March 2024 as last extended. Over the past years, the Group has repaid the majority of the Loan and the outstanding principal of the Loan amounted to US\$50,000,000 (equivalent to HK\$376.0 million) (the “**Outstanding Loan Balance**”) as at the final repayment date of 30 March 2024, which remained outstanding as at the date of this announcement (the “**Default**”). The Default constitutes an event of default under the Facility Agreement. As a result, the facility agent to the Facility Agreement is entitled to declare the Outstanding Loan Balance immediately due and repayable.

On 2 April 2024, the Company received a demand letter from the facility agent for immediate repayment of the Outstanding Loan Balance and the applicable default interest under the Facility Agreement. The management of the Group is in the course of negotiating with the facility agent for a further extension of the final repayment date to the Loan. Further announcement(s) will be made by the Company as and when necessary or appropriate if there is any material updates on the Outstanding Loan Balance and the Default.

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 to maintain a balance between the continuity of funding and flexibility through the use of bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a workforce of 2,617 (31 December 2022: 2,748) employees. In addition, as at 31 December 2023, we engaged approximately 470 (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 year ended 31 December 2023 were approximately HK\$954.3 million (2022: HK\$975.6 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 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 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.

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 or any of its subsidiaries during the year ended 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this announcement, the Company has maintained sufficient public float under the Listing Rules throughout the financial year ended 31 December 2023 and as at the date of this announcement.

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 year ended 31 December 2023, the Company has complied with all the applicable code provisions of the Corporate Governance Code ("CG Code"), contained in Part 2 of Appendix C1 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.

During the period from January 2023 to 20 March 2023, Mr. Li Linhui was the chairman of the Board and temporarily performed the responsibilities of the role of chief executive officer.

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 (“**Mr. Zhang**”) has been appointed as an executive Director and the chief executive officer of the Company. Mr. Zhang subsequently resigned as an executive Director due to job adjustment and he remains as the chief executive officer of the Company with effect from 14 December 2023. Given that the roles of chairman of the Board and chief executive officer are separate and are no longer performed by the same individual, as at the date of this announcement, the Company complies with all the applicable code provisions of the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors or Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries made by the Company of all such Directors, that they had complied with the required standard set out in the Model Code during the year ended 31 December 2023.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Further announcement(s) will be made by the Company in respect of the proposed date on which the forthcoming annual general meeting will be held and the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Prof. Yan Guowan (as chairlady), Prof. Li Zhiguo and Mr. Szeto Yuk Ting. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters and internal control systems, including the review of the Group's audited consolidated results for the year ended 31 December 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to those set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

EXTRACT OF INDEPENDENT AUDITOR’S OPINION

The following is the extract of the independent auditor’s report from PricewaterhouseCoopers:

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw your attention to Note 2.1 to the consolidated financial statements, which states that, the Group reported a net loss of HK\$19.2 million and a net cash outflow from operating activities of HK\$47.5 million for the year ended 31 December 2023 and as at 31 December 2023, the Group had total borrowings of HK\$903.1 million of which HK\$786.5 million were classified as current borrowings while the Group’s cash and cash equivalents amounted to HK\$366.5 million. Included in the current borrowings as at 31 December 2023 was a secured syndicated term loan with an outstanding balance of HK\$376.0 million which became overdue on 30 March 2024. On 2 April 2024, the Company received a demand letter from the lender for immediate repayment of the outstanding syndicated term loan balance and the applicable default interest. Furthermore, in early 2024, trade credit insurance facility of HK\$172.5 million of the Group’s European operation was cancelled by an insurer which caused some of the Group’s suppliers to require advance payments for inventory purchases. In addition, the Group’s subsidiary in Czech Republic could not meet certain restrictive financial undertakings of a current bank borrowing with outstanding balance of HK\$91.5 million as of 31 December 2023. These conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chihogroup.com). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be made available to the Company's shareholders and published on the above websites in due course.

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 year.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 2 April 2024 pending publication of this annual results announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 April 2024.

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

Hong Kong, 23 April 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

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