



齐合环保

CHIHO

CHIHO ENVIRONMENTAL GROUP LIMITED

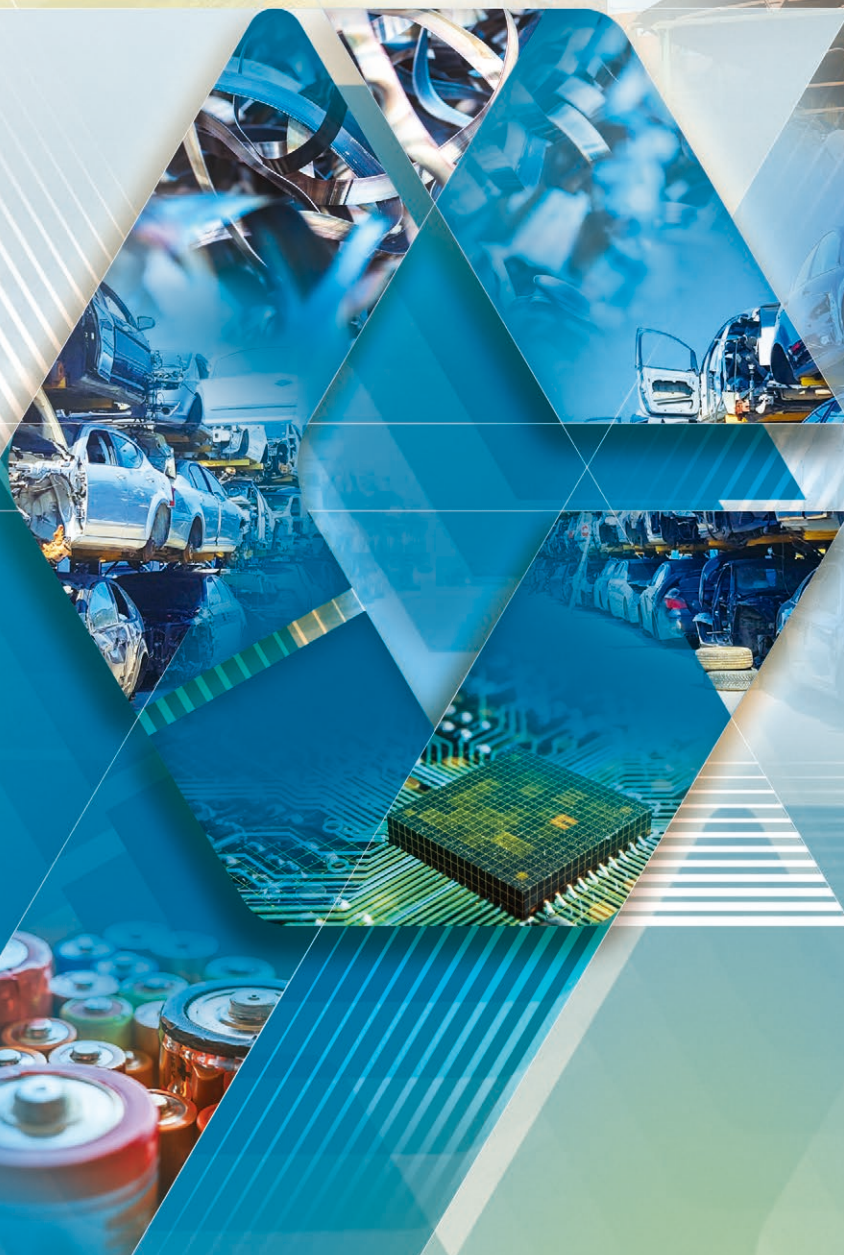
齊合環保集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

*(於開曼群島註冊成立的有限公司)*

Stock Code 股份代號 : 976

*Interim Report*  
**2024**  
中期報告



## MISSION

### 使命

To be a global market leader in resources recycling and environmental protection, earning a quality return for shareholders through the provision of quality products and services, by a group of motivated and diversified staff force.

## VISION

### 願景

Becoming a global circular economy solution partner.

## CULTURE

### 文化

We are committed to building a long-term and win-win partnership with our customers, partners and suppliers.

We provide a safe workplace and career development opportunities for our employees.

We are devoted to achieving a quality, stable and continuous return for our shareholders.

We meet our corporate social responsibility by making continuous contributions to social well-being and environmental protection.

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## Our Worldwide Operations

### 我們的全球業務

Chiho Environmental Group Limited (the “Company”, and together with its subsidiaries, the “Group” or “Chiho”) is a listed metal recycling corporation with operating bases covering three continents including Asia, Europe and North America in the world.

#### ASIA HONG KONG

Group Headquarters

A diversified, comprehensive and highly automotive e-waste recycling centre

#### MAINLAND CHINA

##### Beijing 北京

Head office of the Mainland China operations

##### Taizhou 台州

Engaged in recycling and trading of metal scraps

A major metal importer and domestic metal trader

Invested in the construction of end-of-life vehicles and electric lithium batteries recycling projects, of which the first phase was officially kicked off in September 2022

##### Yantai 煙台

Engaged in recycling and domestic trading of metal scraps, and recycling of waste oil

##### Binzhou 濱州

Joint venture with Hongqiao Group, engaging in end-of-life vehicle dismantling, scrap metals recycling, secondary aluminium production and electric vehicle lithium batteries recycling

##### Shanghai 上海

Trading hub with focus on import of recycled metals

#### THAILAND

Joint venture with Hidaka Yookoo Enterprises Co. Limited and Suzuki Shokai Co. Limited, engaging in dismantling of scrap motors and other mixed scrap metal

Hidaka Yookoo Enterprises Co. Limited Suzuki Shokai Co. Limited

Ferrous scraps are sold domestically while non-ferrous scraps are exported to other Asian markets

#### EUROPE

##### GERMANY

Operating 88 yards, including joint ventures, covering South-West, Central and Eastern Germany

88

Covering full scope of collection, sorting and processing with all types of equipment including the most advanced post-shredder material recovery technology





## Our Worldwide Operations 我們的全球業務

### CZECH REPUBLIC

Operating 43 yards mainly situated in northern Bohemia and Prague area

43

With a very strong market share in ferrous market, covering both old scrap and new scrap market

### ROMANIA

Operating 40 yards, joint venture with two experienced local business partners

40

Covering the heavily populated and well industrialised areas in this country

Proximity to Turkey enables significant scrap export

High non-metals share of sales, including significant portion of paper and plastics

### SLOVENIA

Operating 17 yards

17

Well equipped with yard network, transportation assets and processing capabilities to cover all suppliers (industry and old scrap)

Strong non-ferrous operations, including paper and plastic recycling

### AUSTRIA

Joint venture with steel mill Voestalpine Group, operating 13 yards with sourcing subsidiary in Hungary

13

Market leader for ferrous scrap trading in the country with strong track record in project business (e.g. power plant dismantling)

### POLAND

Operating 5 yards covering central and southern Poland, the most industrialised and scrap rich areas

5

Covering full scope of collection, sorting and processing with all types of equipment



### NORTH AMERICA

Divestment of most of the loss-making operations

Future focus towards brokerage business

# Financial Highlights

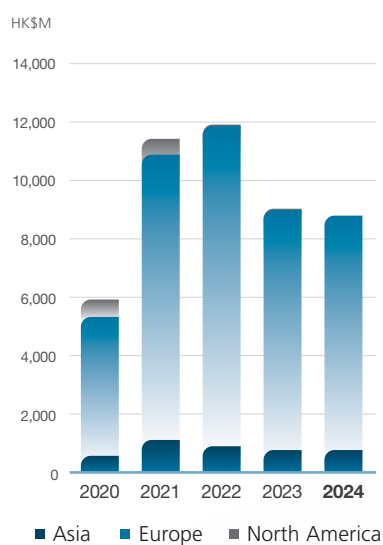
## 財務摘要

	Six months ended 30 June		
	2024 二零二四年 (Unaudited) (未經審核)	2023 (Unaudited)	Increase/ (Decrease)
Operating results (HK\$M)			
Segment revenue			
Asia	<b>867.1</b>	762.5	13.7%
Europe	<b>8,098.4</b>	8,224.8	(1.5%)
North America	–	4.0	N/A
Inter-segment sales	<b>(112.7)</b>	(169.6)	(33.5%)
Revenue	<b>8,852.8</b>	8,821.7	0.4%
Gross profit	<b>537.5</b>	561.3	(4.2%)
Segment profit/(loss)			
Asia	<b>5.4</b>	(102.6)	105.3%
Europe	<b>190.9</b>	337.4	(43.4%)
North America	<b>0.4</b>	(5.9)	106.8%
Unallocated	<b>(30.4)</b>	(34.9)	12.9%
Profit before interest and tax (EBIT)	<b>166.3</b>	194.0	(14.3%)
Finance costs, net	<b>(93.2)</b>	(93.3)	(0.1%)
Profit before income tax	<b>73.1</b>	100.7	(27.4%)
Income tax expense	<b>(33.4)</b>	(50.5)	(33.9%)
Profit for the period	<b>39.7</b>	50.2	(20.9%)
Earnings per share attributable to shareholders of the Company (HK\$)	<b>0.03</b>	0.03	–
Cash generated from operations before changes in working capital	<b>266.0</b>	353.1	(24.7%)
Key ratios (%)	(%)		
Gross profit margin	<b>6.1</b>	6.4	(4.7%)
Net profit margin <sup>1</sup>	<b>0.4</b>	0.6	(21.1%)
EBIT/Revenue	<b>1.9</b>	2.2	(13.6%)
Return on shareholders' funds <sup>2</sup>	<b>1.0</b>	1.1	(9.1%)

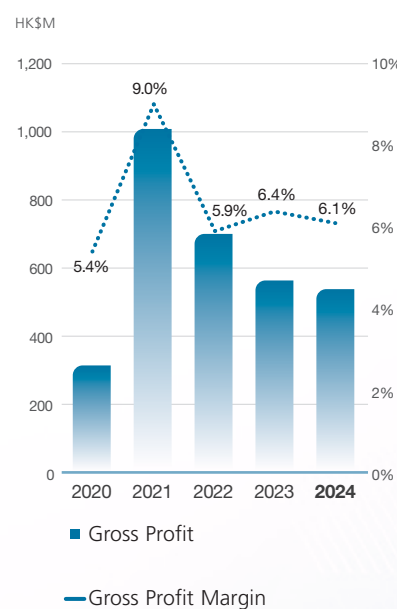
## Financial Highlights 財務摘要

	At 30 June 2024 於二零二四年 六月三十日 (Unaudited) (未經審核)	At 31 December 2023 (Audited)	Increase/ (Decrease)
Financial position (HK\$M)			
Total assets	<b>8,918.8</b>	8,720.4	2.3%
Cash, pledged and restricted bank deposits	<b>190.3</b>	371.5	(48.8%)
Equity attributable to shareholders of the Company	<b>4,849.8</b>	4,931.5	(1.7%)
Shareholders' funds per share (HK\$)			
	<b>3.02</b>	3.07	(1.6%)

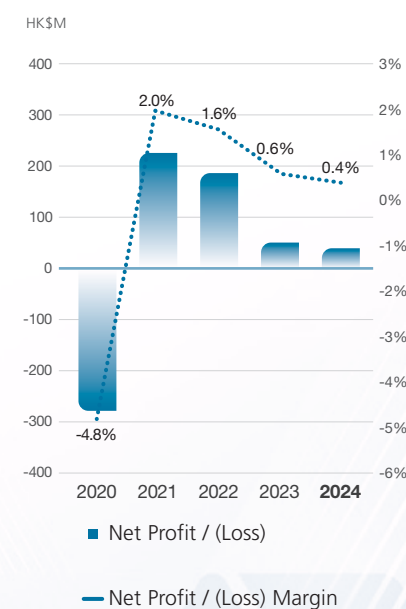
### Revenue (First 6 months) 收益 (首6個月)



### Gross Profit and Gross Profit Margin (First 6 months)<sup>3</sup> 毛利及毛利率 (首6個月)<sup>3</sup>



### Net Profit/(Loss) and Net Profit/ (Loss) Margin (First 6 months)<sup>1</sup> 淨溢利/(虧損)及淨溢利/(虧損)率 (首6個月)<sup>1</sup>



<sup>1</sup> Net profit margin is calculated as profit attributable to shareholders of the Company as a percentage of revenue.

<sup>2</sup> Return on shareholders' funds is calculated based on the profit attributable to shareholders of the Company as a percentage of shareholders' funds.

<sup>3</sup> These figures illustrate the impact after the adoption of HKFRS 15 Revenue and HKFRS 16 Lease for comparison purposes only.

# Chairman's Statement 主席報告

Global economic growth slowed down in the first half of 2024, with geopolitical tensions and differences in market volatility across regions causing uneven growth across key economies. In Europe, despite a downward trend in inflation and a gradual rebound in economic activity, the ongoing Russian-Ukrainian conflict and weak economic sentiment posed headwinds to the region's economic recovery. The metals trading industry in the region was also affected by the contraction of demand in downstream markets, with ferrous and non-ferrous metals trading volumes on a downward trend. These factors, to some extent, exacerbated the pressure of the business growth of metal recycling and trading-related companies.

In view of the unfavorable economic and market conditions in key business regions, Chiho has been more prudent in project developing and investing in, and has strengthened its financial controls, particularly for profit and liquidity. At the same time, the Group continued to implement the policy of "stabilizing the base of operating" in its European entities, striving to balance the pressure of social costs and the pressure of corporate production and operation, and achieve cost down and efficiency enhancement. In its Asian entities, the Group promoted technology research and development ("R&D") in the field of resource recycling and has obtained a number of patents for inventions related to the resource utilization of scrap vehicles and the recycling of lithium batteries, which will empower the business and operations of the entities in each region.

Benefiting from the Group's consistent implementation of its established development strategies and business plans, and its efforts to ensure the efficient operation of its mature business segments, as well as its proactive efforts to enhance the leanness of its production operations, Chiho achieved positive growth in revenue in the first six months of 2024, reversing the downturn since the second half of last year. Notably, the Asia region recorded significant growth in revenue, gross profit and gross margin.

研發

## OPERATION REVIEW

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 2024. The Group's total sales volume and revenue for the first six months of 2024 amounted to 1.8 million tonnes and HK\$8,852.8 million respectively.

1.8 8,852.8

Metal sales volume and revenue in Europe operations amounted to 1.76 million tonnes and HK\$8,098.4 million respectively, representing a year-on-year decrease of 4.0% and 1.5% respectively. As the business in Europe operations accounted for over 90% of the Group's operating, the decline in performance in Europe due to factors such as the economic and market environment resulted in the Group's sales volume to fall short of the expected growth during the Period. In the face of external pressures, the Group, on the one hand, has stabilized its existing business and production in the region to enhance quality and efficiency, and on the other hand, strengthened its investment management, tightened upstream and downstream exchanges and co-operation, and focused on innovation in recycling technology. Since the Group joined the Car2Car Alliance in 2023, Chiho's European subsidiary, the Scholz Recycling GmbH (together with its subsidiaries, the "Scholz Group"), has been actively exchanging knowledge and cooperating with automobile manufacturers, recyclers, and universities in order to promote the R&D of innovative methods of dismantling and sorting of end-of-life vehicles (ELVs). The alliance is committed to achieve highly automated dismantling and sorting of ELVs by automating through digital technology and artificial intelligence (AI). In the first half of 2024, the Scholz Group established strategic partnership with Autocirc, a European automotive components and parts recycler, to further improve the quality of recycled automotive parts and the quality of recycled raw materials. Both parties will integrate core business of ELVs recycling in the key European markets through a long-term, substantial co-operation. At the same time, through the strategic cooperation, the Scholz Group will support Autocirc in expanding its automotive parts remanufacturing business in Central and Eastern Europe, and Autocirc, with its experience in automotive parts remanufacturing, will support Scholz in improving the efficiency of ELVs recycling.

1.76

8,098.4  
4.0% 1.5%  
90%

控股

Car2Car  
順爾茨  
順爾茨集團

(AI)

Autocirc

Autocirc

Autocirc

## Chairman's Statement 主席報告

The Group's metal sales volume in Asia was 0.07 million tonnes and revenue was HK\$867.1 million. The revenue increased by 13.7% period-over-period, while the gross profit increased by 133.2%, the gross profit margin increased to 3.4%. The growth in revenue and gross profit in the region was attributable to the increase in the proportion of higher-priced metal products in the trading business. During the first half of 2024, the Group continued to improve its operational management, enhance its internal efficiency and strengthen its budgetary control to ensure the stable development of its subsidiaries in the region. As a result of the improvement of internal communication, in the face of the unfavorable situation of persistently high procurement cost of ELVs and the downward trend of scrap steel price, the relevant operation team of Qishun Recycling Project in Taizhou, Zhejiang, China, adjusted the procurement channels, optimized dismantling technology in the production process, to enhance the efficiency of dismantling and reduce the cost of dismantling of ELVs. The team also expanded the sales channel, adjusted the classification standard of dismantled products according to the market situation, and determined production in accordance with the sale target, which improved the operating indicators in a short period of time. In addition, during the Period, the Group obtained a number of patents for recycling technology in the region, including three patents related to automobile lithium batteries recycling, namely "A System and Method for Recycling Electrode Powder from Waste Lithium Batteries by Low Temperature Evaporation", "A System and Method for Shredding Waste Lithium Ion Batteries" and "A Resource Utilization System and Method for New Energy Vehicles", all of which have been awarded by the State Intellectual Property Office of the People's Republic of China ("PRC"). The accumulation of patents in the region provides technical support for the Group's recycling business and sustainable development.

	867.1	0.07
	13.7%	133.2%
	3.4%	

中國

## PROSPECT

In the second half of 2024, despite the optimistic expectation of economic growth, the global economy continue to face multiple challenges and risks. The persistence of geopolitical conflicts, rising operating costs due to the reshaping of supply and industry chains, and inflation will continue to add to the complexity and uncertainty of the world economy. In European market, which accounts for 90% of the Group's revenue, the pressure on its operation caused by soaring energy price and rising labor cost will not be alleviated in short-term. In anticipation of possible adverse factors, the Group will continue to stabilize its existing businesses of metals recycling and trading, ELVs recycling and dismantling, enhance the quality of key businesses, develop higher efficiency projects, reduce costs, strengthen cooperation with upstream and downstream market players, and drive technological innovation, to ride out the downturn period with toughness.

90%

In terms of the outlook of the recycling industry, with the global trend in carbon reduction, the key economies are actively promoting the recycling of renewable resources and setting targets for the development of the circular economy. In March 2024, the European Environment Agency (EEA) released reporting regarding the "Accelerating Circular Economy in Europe – State and Prospect 2024" (the "Report"). The Report noted that although the European Union ("EU") has a much higher rate of recycled material use than the rest of the world, the growth of such rate was less than 1 percentage point as compared to 2010, and falls short of the target of doubling the use of recycled materials in the EU by 2030 as set out in the Action Plan for the Circular Economy. The report explained that many circular economy policies and measures are still relatively new, and some have not yet been fully implemented at national level. The Report suggested that future actions will increase the use of secondary raw materials for productive reuse through the circular economy, and will promote the establishment of a governance framework for resource utilization and the circular economy.

2024 3 European  
Environment Agency EEA  
2024  
Accelerating circular economy in Europe  
state and outlook 2024  
歐盟  
2010  
1  
2030

## Chairman's Statement 主席報告

Meanwhile, the State Council of the PRC issued the Action Plan for Promoting Large-scale Equipment Renewal and Consumer Goods Replacement (the "Action Plan"), which implemented four major actions, namely, equipment renewal, consumer goods replacement, recycling and upgrading of standards. According to the Action Plan, by 2027, the recycling volume of scrap vehicles will be approximately a double of 2023, the recycling volume of used and waste electric home appliances will increase by 30% compared with 2023, and the share of recycled materials in the supply of resources will be further increased. According to the relevant information released by the Ministry of Commerce of the PRC in June 2024, from January to May 2024, 2.2 million vehicles were recycled in Mainland China, representing a year-on-year growth of 19.4%; in May 2024 alone, 577,000 vehicles were recycled, representing a year-over-year growth of 48.9%, and a month-on-month growth of 16.2%.

The growth in scrap vehicles recycling stipulated in the Report and the Action Plan, have further boost the Group's confidence in business development in the two important regions of Europe and China. As the economies continue to implement green and low-carbon initiatives, the potential of the global recycling industry is broadening. The Group will seize the opportunities and face the challenges, and overcome the external pressures by leveraging its extensive business network, innovative recycling technologies to serve customers with stronger competitiveness, and maximize the interest of the Shareholders of the Company.

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*

	2027		2023
			2023
30%			
		2024	6
		2024	1-5
	220		19.4%
2024	5		57.7
	48.9%		16.2%

秦永明

# Management Discussion and Analysis

## 管理層討論及分析

### FINANCIAL REVIEW

In the first half of 2024, market demand from manufacturers and traders in downstream industries decreased, affected by the slowdown in global economic growth, continuous rates hike by the Federal Reserve as well as geopolitical tensions. Since the metal industry is highly sensitive to demand and supply landscape and economic volatilities, capacity growth during the Period was slow. These factors affected the market sentiment which in turn resulted in global price fluctuation for ferrous and non-ferrous metal. With increasing pressure from demand-side and inflation, the Group recorded slightly lower than expected sales volume in metal scrap.

The Group sold 1.8 million tonnes of recycled products for the six months ended 30 June 2024, representing a 4.4% decrease as compared to 1.9 million tonnes sold in the same period in 2023, but reversed the downward trend during the second half of last year. Total external revenue for the first half of 2024 was HK\$8,852.8 million, representing an increase of 0.4% as compared to HK\$8,821.7 million for the same period last year, this was mainly attributable to positive revenue growth and tightly controlled scrap sales prices.

1.8	
1.9	4.4%
8,852.8	
8,821.7	0.4%

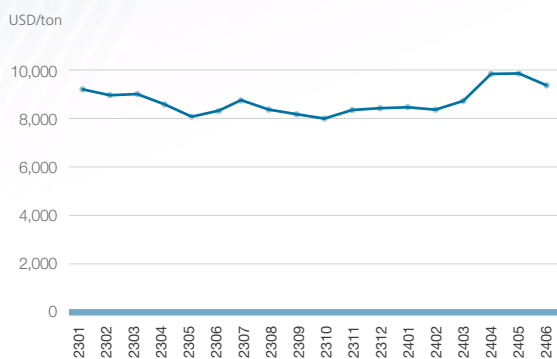
	Six months ended 30 June 截至六月三十日止六個月			
	2024 二零二四年	As a percentage of total segment revenue 佔分部收益 總額的百分比	2023 二零二三年	As a percentage of total segment revenue
	HK\$M 百萬港元		HK\$M	
Asia	867.1	9.7%	762.5	8.5%
Europe	8,098.4	90.3%	8,224.8	91.5%
Other	-	-	4.0	0.0%
Total segment revenue	8,965.5	100%	8,991.3	100%
Inter-segment sales	(112.7)		(169.6)	
Revenue	8,852.8		8,821.7	

# Management Discussion and Analysis

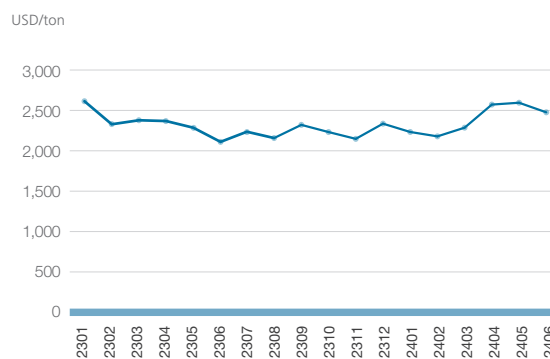
## 管理層討論及分析

### FINANCIAL REVIEW (continued)

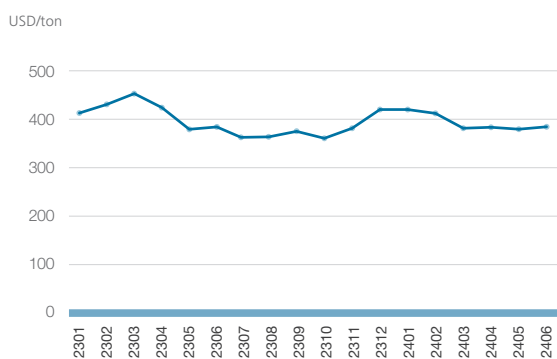
#### LME Copper LME銅



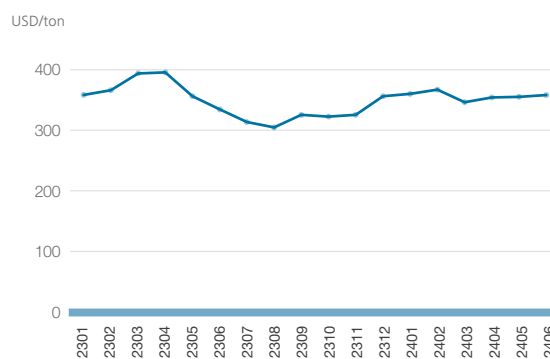
#### LME Aluminum LME鋁



#### LME Steel Scrap LME廢鋼



#### Germany BDSV (Steel Scrap) 德國BDSV (廢鋼)



#### Gross Profit/Margin

Gross profit for the Period was HK\$537.5 million, representing a decrease of 4.2% as compared to HK\$561.3 million for the same period last year. The gross profit margin decreased slightly from 6.4% for the first half of 2023 to 6.1% for the first half of 2024. The decrease in gross profit was mainly due to the logistic and energy costs remaining high in Germany and decrease in both sales volume and revenue as a result of weak demand for metals in Europe during the Period.

#### 毛利/毛利率

	537.5	
561.3		4.2%
		6.4%
		6.1%

## FINANCIAL REVIEW (continued)

### Operating Expenses

Total operating expenses for the Period were HK\$479.4 million, representing a decrease of 1.1% over the same period last year, and as a percentage of revenue, it has decreased to 5.4% (2023: 5.5%). The results was achieved by continuous implementation of the “stabilizing the base of operating” policy, through which the Group became continuously lean and efficient. The decrease in administrative expenses was mainly attributable to the Group’s effort in striving a balance between the pressure of social costs and the pressure of corporate production and operation, which led to decrease in production costs and efficiency enhancement.

### 經營費用

479.4  
1.1%  
5.4%                      5.5%

	Six months ended 30 June 截至六月三十日止六個月			
	2024 二零二四年	As a percentage of revenue 佔收益的 百分比	2023 二零二三年	As a percentage of revenue
	HK\$M 百萬港元		HK\$M	
Distribution and selling expenses	23.6	0.3%	23.1	0.3%
Administrative expenses	455.8	5.1%	461.7	5.2%
<b>Total</b>	<b>479.4</b>	<b>5.4%</b>	<b>484.8</b>	<b>5.5%</b>

### Profit Attributable to Shareholders and Earnings Per Share

Profit attributable to shareholders of the Company for the Period was HK\$50.5 million, as compared to a profit of HK\$53.2 million for the same period last year.

### 股東應佔溢利及每股盈利

50.5  
53.2

Basic earnings per share for the Period was HK\$0.03 which was in line with the same period last year.

0.03

### Analysis of Cash Flow from Operations

The Group’s cash generated from operations before changes in working capital for the Period was HK\$266.0 million, a decrease of 24.7% compared to the first half of 2023 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.

### 經營業務產生的現金流量分析

266.0  
24.7%

## Management Discussion and Analysis

### 管理層討論及分析

#### FINANCIAL REVIEW (continued)

##### Liquidity and Financial Resources

Shareholders' funds as at 30 June 2024 were HK\$4,849.8 million, a decrease of 1.7% from 31 December 2023, and included foreign exchange losses from the depreciation of foreign currencies, namely Euro, against Hong Kong dollar over the Period. Shareholders' funds per share decreased from HK\$3.07 as at 31 December 2023 to HK\$3.02 as at 30 June 2024.

##### 流動資金與財務資源

4,849.8  
1.7%

3.07  
3.02

As at 30 June 2024, the Group had cash, various bank balances and pledged bank deposits amounting to HK\$190.3 million (31 December 2023: HK\$371.5 million), used mainly for the working capital for the expansion of business operations.

190.3  
371.5

The current ratio as at 30 June 2024 was 1.34 (31 December 2023: 1.33). 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.

1.34  
1.33

Total external borrowings as at 30 June 2024 were HK\$1,010.4 million, an addition of HK\$107.3 million as compared to 31 December 2023. 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\$390.0 million (31 December 2023: HK\$390.0 million) of borrowings are at fixed interest rates.

1,010.4  
107.3  
390.0  
390.0

The gearing ratio of the Group as at 30 June 2024 was 11.3% (31 December 2023: 10.4%) which is calculated based on the total borrowings divided by the total assets.

11.3%  
10.4%

## FINANCIAL REVIEW (continued)

### Working Capital Change

Overall, the Group's net operating cycle has improved significantly in the Period, showing the Group's commitment to improve operating efficiencies.

Inventories as at 30 June 2024 were HK\$1,567.1 million (31 December 2023: HK\$1,712.2 million). The inventory turnover days increase from 33 days for the first half of 2023 to 35 days for the first half of 2024.

Provision for inventories as at 30 June 2024 were HK\$5.3 million (31 December 2023: reversal of HK\$23.8 million). The increase of provision was due to the price volatility toward the period end.

### 營運資金變動

			1,567.1
	1,712.2		
		33	
		35	
			5.3
	23.8		

	As at 30 June 2024 於二零二四年 六月三十日	As at 31 December 2023 於二零二三年 十二月三十一日
Inventories (HK\$M)	1,567.1	1,712.2
Average inventories as a percentage of revenue (annualised)	9.26%	9.21%
	Six months ended 30 June 截至六月三十日止六個月	
	2024 二零二四年	2023 二零二三年
Turnover days	35	33

## Management Discussion and Analysis

### 管理層討論及分析

#### FINANCIAL REVIEW (continued)

##### Working Capital Change (continued)

Net trade and bills receivables as at 30 June 2024 were HK\$1,873.4 million, increased from HK\$1,417.6 million as at 31 December 2023. Debtor turnover days increased from 31 days for the first half of 2023 to 34 days for the first half of 2024. The higher receivables balance as at 30 June 2024 was mainly due to timing of sales toward Period end. The Group adopts a tight management on credit exposure.

##### 營運資金變動(續)

	1,417.6	
	1,873.4	31
	34	
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2024</b>	<b>2023</b>
	於二零二四年	於二零二三年
	六月三十日	十二月三十一日
Trade and bills receivables, net (HK\$M)	1,873.4	1,417.6
Average receivables as a percentage of revenue (annualised)	9.3%	8.2%
	<b>Six months ended 30 June</b>	
	<b>截至六月三十日止六個月</b>	
	<b>2024</b>	<b>2023</b>
	二零二四年	二零二三年
Turnover days	34	31

## FINANCIAL REVIEW (continued)

### Working Capital Change (continued)

Trade and bills payables as at 30 June 2024 were HK\$1,727.8 million (31 December 2023: HK\$1,644.8 million). Creditor turnover days increased from 34 days for the first half of 2023 to 37 days for the first half of 2024.

### 營運資金變動 (續)

	1,727.8	
	1,644.8	34
		37
	<b>As At</b>	<b>As At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2024</b>	<b>2023</b>
	於二零二四年	於二零二三年
	六月三十日	十二月三十一日
Trade and bills payables (HK\$M)	1,727.8	1,644.8
	<b>Six months ended 30 June</b>	
	<b>截至六月三十日止六個月</b>	
	<b>2024</b>	<b>2023</b>
	二零二四年	二零二三年
Turnover days	37	34

### 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.

### 財政政策

### Capital Expenditure

For the six months ended 30 June 2024, the Group invested HK\$79.3 million in tangible assets including machinery and equipment, leasehold improvements, office equipment for improving production efficiency (30 June 2023: HK\$152.1 million). These capital expenditures were financed through internal resources and lease arrangements.

### 資本開支

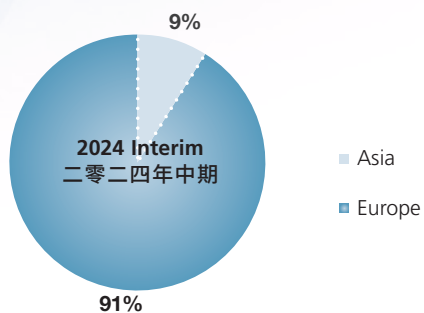
79.3	152.1
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# Management Discussion and Analysis

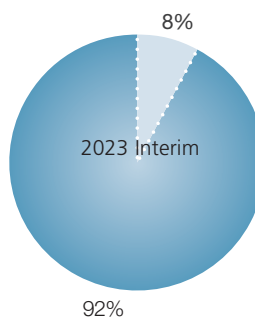
## 管理層討論及分析

### BUSINESS REVIEW

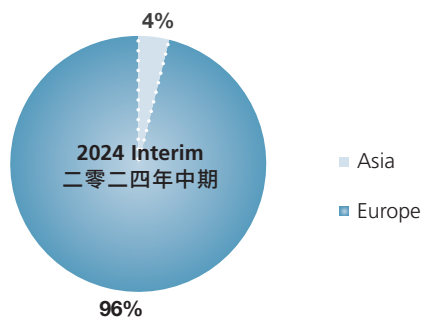
Revenue by Regions



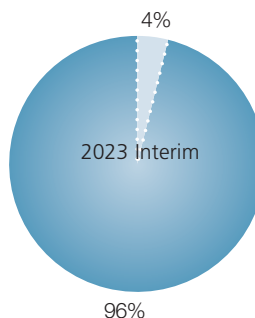
按地區劃分的收益



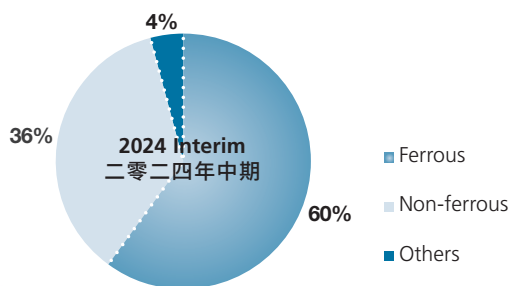
Sales Quantity by Regions



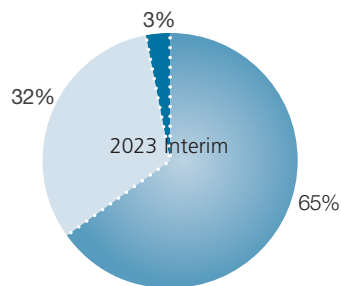
按地區劃分的銷售量



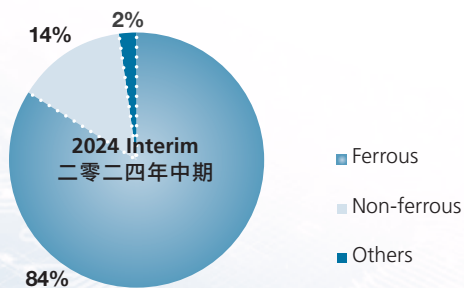
Revenue by Products



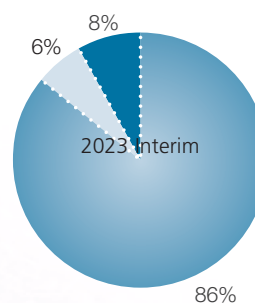
按產品劃分的收益



Sales Quantity by Products



按產品劃分的銷售量



## BUSINESS REVIEW (continued)

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 Period. 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, the Group is in a good position to mitigate the risks of depending overly on a single market. The Group is among the processing and technology leaders in ferrous and non-ferrous metal recycling worldwide, and owns many advanced processing technologies in scrap metal shredding and post-shredding processing.

### Europe

In 2024, the European operations were faced with the ongoing Russia-Ukrainian war and weak economic sentiment were posing resistance to the recovery. The European segment sold 1.76 million tonnes of recycled products for the six months ended 30 June 2024, representing a decrease of 4.0% compared to the same period last year of 1.84 million tonnes. Segment revenue decreased by 1.5% to HK\$8,098.4 million as compared to the same period in 2023.

European segment's gross profit for the first half of 2024 was HK\$513.7 million, representing a decrease of 20.6% as compared to the same period last year, and the gross profit margin for the period decreased from 7.9% in 2023 to 6.3% in the Period.

The Group continued to implement the policy of "stabilizing the base of operating" by striving a balance between the pressure of social costs and corporate production and operations and achieving decrease in production cost and efficiency enhancement in its European operations.

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 2024 was HK\$190.9 million (2023: HK\$337.4 million).

### 歐洲

1.84	1.76	4.0%
1.5%	8,098.4	
513.7		20.6%
6.3%		7.9%

337.4	190.9
-------	-------

## Management Discussion and Analysis

### 管理層討論及分析

#### BUSINESS REVIEW (continued)

##### Asia

The sales tonnage for the Asian segment remained stable at 0.07 million tonnes in the first half of 2024 (2023: 0.08 million tonnes). Segment revenue for the first half of 2024 was HK\$867.1 million, which was attributable to the increase in scrap prices, representing a 13.7% increase as compared to the first half of 2023.

Segment gross profit for the first half of 2024 was HK\$25.7 million, representing the turnaround from segment gross loss of HK\$77.4 million in the same period last year. In addition, the gross loss margin in the first half of 2023 was 11.4%, increased to gross profit margin 3.4% in the first half of 2024. The growth in revenue and gross profit was attributable to the increase in the proportion of higher-price metal products in the trading businesses. The Asian segment recorded significant improvement with segment profit of HK\$5.4 million for the first half of 2024 as compared to segment loss of HK\$102.6 million in the same period last year.

##### 亞洲

0.07		0.08	
		867.1	
	13.7%		
		25.7	
		77.4	
		2023	
11.4%	2024		3.4%
			5.4
			102.6

#### CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2024, 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\$3,224.8 million (31 December 2023: HK\$4,418.6 million) to secure certain borrowings and general banking facilities granted to the Group.

3,224.8  
4,418.6

As at 30 June 2024, 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\$57.0 million (31 December 2023: HK\$116.5 million).

57.0  
116.5

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

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The Group has provided financial guarantees to certain related parties and joint ventures of HK\$20.2 million and HK\$50.9 million (31 December 2023: HK\$20.3 million and HK\$50.9 million), respectively. As the risk of default is very remote and there is no history of default, no financial guarantee liability was recognised.

20.2	50.9
	20.3
50.9	

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.

3040	HCA 3040/2015	57.8
	Delco	
	Delco Asia Company Limited	Delco Asia
	Delco	
	Delco	Delco
		57.8

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.

	HWH Holdings	
Limited	HWH	
	HWH	
	HCA 3040/2015	

## Management Discussion and Analysis 管理層討論及分析

### CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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.

Delco			
		HWH	
	2939		HCA 2939/2016
Delco			
		Delco	
		Delco	
1.0			Delco Asia
		Delco	

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.

			HCA 3040/2015
HCA 2939/2016			
HCA 3040/2015	HCA 2939/2016		

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (continued)

### Disclosure Pursuant to Rules 13.19 and 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

根據香港聯合交易所有限公司證券上市規則（「上市規則」）第13.19條和第13.21條作出的披露

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.

300,000,000

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 report (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.

1,691.5                      220,000,000

376                              50,000,000

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.

Subsequently, the Company was notified by the facility agent that an assignment agreement was made on 12 August 2024 between the facility agent, which is one of the existing lenders, as assignor and a third party institution as assignee. Pursuant to which, such third party institution becomes a party to the facility agreement as a lender and the facility agent is released from all obligations under the facility agreement. The facility agent also resigned as the facility agent and the security agent in relation to such facility.

## Management Discussion and Analysis 管理層討論及分析

### CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (continued)

#### Disclosure Pursuant to Rules 13.19 and 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (continued)

Further announcement(s) will be made by the Company as and when necessary or appropriate if there are any material updates on the Outstanding Loan Balance and the Default.

根據香港聯合交易所有限公司證券上市規則（「上市規則」）第13.19條和第13.21條作出的披露（續）

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save as disclosed in this interim report, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures and any concrete future plans for material investment or capital assets.

### EVENTS DURING AND AFTER THE REPORTING PERIOD

#### Potential Restructuring of the Controlling Shareholders

References are 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, 22 November 2023, 22 May 2024, 29 July 2024, 20 August 2024 and 23 August 2024 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”).

控股股東之潛在重整

## EVENTS DURING AND AFTER THE REPORTING PERIOD (continued)

### Potential Restructuring of the Controlling Shareholders (continued)

控股股東之潛在重整 (續)

As disclosed in the Announcements, Loncin Group Co., Limited, Loncin Holdings Co., Limited and USUM Investment Group Limited (“USUM Group”) (collectively, 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. As per the notification from Mr. Tu Jianhua (“Mr. Tu”), a director of USUM Group dated 28 July 2024, the administrator of the Restructuring (the “Administrator”) altered the Restructuring plan and signed agreement with a third party purchaser in relation to the disposal (the “Disposal”) of certain assets of the Loncin Restructuring Companies without obtaining proper authorization and consent from the creditors’ meeting and the board approval from the Loncin Restructuring Companies. Mr. Tu filed a lawsuit (the “Lawsuit”) with the Fifth Intermediate People’s Court of Chongqing City (the “Court”) on 16 July 2024 to challenge the validity of such agreement. Mr. Tu would also file an invalidation lawsuit against such agreement in relation to the parts relevant to the Company. The Disposal which involved partial shares of the Company held by USUM Investment Group Hong Kong Limited, has not been completed.

## Management Discussion and Analysis 管理層討論及分析

### EVENTS DURING AND AFTER THE REPORTING PERIOD (continued)

#### Potential Restructuring of the Controlling Shareholders (continued)

控股股東之潛在重整 (續)

On 16 August 2024, The Shanghai Stock Exchange (the “Shanghai Stock Exchange”) issued a letter to Loncin Motor Co., Limited (“Loncin Motor”). According to such letter, the Shanghai Stock Exchange was of the view that the Administrator’s requisition of shareholders’ meeting may subject to litigation risk. The Shanghai Stock Exchange requested Loncin Motor and the Administrator to closely monitor the development of the Lawsuit and proactively report to the local government and the Court the progress of the Lawsuit. In addition, Loncin Motor and the relevant parties were reminded to comply with the relevant regulations and requirements under China Companies Ordinance, Rules for the Shareholders’ Meetings of Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the articles of association of Loncin Motor with respect to the convention of the shareholders’ meeting and the proposed change of directors.

On 21 August 2024, the Court has made a civil ruling approving the extension of the execution of the Restructuring plan for further six months (i.e. until 21 February 2025). For details of the above updates on the Restructuring, please refer to the announcements of the Company dated 29 July 2024, 20 August 2024 and 23 August 2024.

## EVENTS DURING AND AFTER THE REPORTING PERIOD (continued)

### Potential Restructuring of the Controlling Shareholders (continued)

控股股東之潛在重整 (續)

Given that the Lawsuit filed with the Court challenging the validity of the relevant disposal agreements, it is uncertain as to whether the Disposal would be proceeded. It is also uncertain 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. Considering 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 and the Disposal has no material adverse impact on the operation and the financial status of the Company.

The Company will continue to closely monitor the subsequent development and effect of the Restructuring. Further announcement(s) will be made by the Company if there is any substantial progress in relation to the Restructuring, or, if no further extension is granted by the Court to extend the execution period of the Restructuring plan upon the expiry of the above extended period, or as required in accordance with the Listing Rules and/or other applicable codes, laws and regulations.

### Disclosure Pursuant to Rules 13.19 and 13.21 of the Listing Rules

根據上市規則第13.19條和第13.21條作出的披露

The disclosure is set out in the section headed “CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES” in the Management Discussion and Analysis section of this interim report.

## Management Discussion and Analysis 管理層討論及分析

### 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 2024, the Group had a workforce of 2,632 (31 December 2023: 2,617) employees. In addition, we engaged approximately 421 (31 December 2023: 470) 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.

2,632
2,617
421
470

## EMPLOYEES AND REMUNERATION POLICY (continued)

The Group's total staff costs for the six months ended 30 June 2024 were approximately HK\$480.8 million (2023: HK\$479.8 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.

479.8                      480.8

The emoluments of 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.

## Disclosure of Interests 權益披露

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, the interests or short positions of the Directors and chief executives of the Company ("Chief Executives") in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules, were as follows:

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C3

Name of Director 董事姓名	Capacity/Nature of Interest 身份／權益性質	Long position (L)/ Short position (S) 好倉(L)／淡倉(S)	Total number of Shares interested 持有權益的股份總數	Approximate percentage of shareholding in the Company (Note 1) 佔本公司股權 概約百分比 1
Mr. Tu Jianhua	Interest in controlled corporations	L	978,383,181 (Note 2) 2	60.95%
Notes:				
(1)	As at 30 June 2024, the total number of issued Shares of the Company was 1,605,152,291 Shares.	(1)	1,605,152,291	
(2)	The 978,383,181 Shares were held by the USUM Investment Group Hong Kong Limited ("USUMHK"), a company in which Mr. Tu Jianhua ("Mr. Tu") was indirectly interested. USUMHK was directly wholly owned by USUM Investment Group Limited ("USUM Group"), a limited liability company incorporated in the People's Republic of China ("PRC"). The single largest shareholder of USUM Group was Loncin Holdings Co., Ltd. ("Loncin Holdings"), with an equity interest in USUM Group of 53.29%. The remaining equity interests in USUM Group were held by 13 individuals and 27 companies, all of whom were independent third parties of Loncin Holdings and Mr. Tu, and they each held between 0.29% to 10% equity interests in USUM Group. Loncin Holdings was 98% owned by Loncin Group Co., Ltd. ("Loncin Group") and 2% owned by Mr. Tu. Loncin Group was 98% owned by Mr. Tu; 1% owned by Ms. Tu Jianmin and 1% owned by Ms. Tu Jianrong, both being sisters of Mr. Tu. USUMHK held 978,383,181 Shares as at 30 June 2024. Therefore, Mr. Tu was deemed to be interested in the Shares held by USUMHK pursuant to the SFO.	(2)	978,383,181  13 27 0.29% 10% 2% 1% 978,383,181	53.29% 98% 98%

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Save as disclosed above, as at 30 June 2024, none of the Directors and Chief Executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, the interests and short positions of the persons, other than the Directors and Chief Executives, in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

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Name of Substantial Shareholder 主要股東名稱/姓名	Capacity/Nature of Interest 身份/權益性質	Long position (L)/ Short position (S) 好倉(L)/淡倉(S)	Total number of Shares interested 持有權益的股份總數	Approximate percentage of Shareholding in the Company (Note 1) 佔本公司股權 概約百分比 1
USUM Investment Group Hong Kong Limited	Beneficial owner	L	978,383,181 (Note 2) 2	60.95%
USUM Investment Group Limited	Interest in controlled corporations	L	978,383,181 (Note 2) 2	60.95%
Loncin Holdings Co., Ltd.	Interest in controlled corporations	L	978,383,181 (Note 2) 2	60.95%
Loncin Group Co., Ltd.	Interest in controlled corporations	L	978,383,181 (Note 2) 2	60.95%
Mr. Tu Jianhua	Interest in controlled corporations	L	978,383,181 (Note 2) 2	60.95%
Tai Security Holding Limited	Beneficial owner	L	98,773,990 (Note 3) 3	6.15%

## Disclosure of Interests 權益披露

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Name of Substantial Shareholder 主要股東名稱/姓名	Capacity/Nature of Interest 身份/權益性質	Long position (L)/ Short position (S) 好倉(L)/淡倉(S)	Total number of Shares interested 持有權益的股份總數	Approximate percentage of Shareholding in the Company (Note 1) 佔本公司股權 概約百分比 1
Good Union Hong Kong Investment Limited	Beneficial owner	L	44,700,000 (Note 4) 4	2.79%
Mr. Zhang Mingjie	Interest in controlled corporations	L	143,473,990 (Notes 3 & 4) 3 4	8.94%
Notes:				
(1)	As at 30 June 2024, the total number of issued Shares of the Company was 1,605,152,291 Shares.	(1)	1,605,152,291	
(2)	The 978,383,181 Shares were held by the USUMHK, a company in which Mr. Tu was indirectly interested. USUMHK was directly wholly owned by USUM Group, a limited liability company incorporated in the PRC. The single largest shareholder of USUM Group was Loncin Holdings, with an equity interest in USUM Group of 53.29%. The remaining equity interests in USUM Group were held by 13 individuals and 27 companies, all of whom were independent third parties of Loncin Holdings and Mr. Tu, and they each held between 0.29% to 10% equity interests in USUM Group. Loncin Holdings was 98% owned by Loncin Group and 2% owned by Mr. Tu. Loncin Group was 98% owned by Mr. Tu; 1% owned by Ms. Tu Jianmin and 1% owned by Ms. Tu Jianrong, both being sisters of Mr. Tu. USUMHK held 978,383,181 Shares as at 30 June 2024. Therefore, Mr. Tu was deemed to be interested in the Shares held by USUMHK pursuant to the SFO.	(2)	978,383,181	53.29% 13 27 0.29% 10% 98% 2% 98% 1% 978,383,181
(3)	The 98,773,990 Shares were held by Tai Security Holding Limited ("Tai Security") as beneficial owner and Tai Security was directly wholly-owned by Mr. Zhang Mingjie ("Mr. Zhang") as at 30 June 2024. Therefore, Mr. Zhang was deemed to be interested in the same number of Shares as held by Tai Security pursuant to the SFO.	(3)	98,773,990	Tai Security Holding Limited Tai Security Tai Security
(4)	The 44,700,000 Shares were held by Good Union Hong Kong Investment Limited ("Good Union") as beneficial owner and Good Union was directly wholly-owned by Mr. Zhang as at the 30 June 2024. Therefore, Mr. Zhang was deemed to be interested in the same number of Shares as held by Good Union pursuant to the SFO.	(4)	44,700,000	

Save as disclosed above, as at 30 June 2024, the Company had not been notified by any persons (other than the Directors and Chief Executives) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

XV 2 3

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## 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 2024, the Company has complied with all the applicable code provisions in Part 2 of the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the Listing Rules, save and except as explained below:

C1

### 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.

### C.2.1

C.2.1

With effect from 14 December 2023, Mr. Zhang Wei (“Mr. Zhang”) resigned as an executive Director due to job adjustment and he remained as the chief executive officer of the Company. Mr. Zhang subsequently resigned as the chief executive officer of the Company with effect from 25 June 2024. Since then, Mr. Qin Yongming, the chairman of the Board, temporarily performs the role of chief executive officer.

Vesting the roles of both chairman and chief executive officer in the same person is a temporary measure due to the vacancy of the position of chief executive officer. The Company is in the process of identifying a suitable candidate to fill the vacancy.

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.

C.2.1

The Company will, from time to time, review the effectiveness of the Group’s corporate governance structure and consider whether any changes are necessary.

## Corporate Governance and Other Information 企業管治及其他資料

### 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 C3 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 2024.

C3

### 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 2024.

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

### SIGNIFICANT EVENTS

Save as disclosed in this interim report, the Company and any of its subsidiaries did not have any significant events after 30 June 2024.

### REVIEW OF INTERIM REPORT

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed the financial matters, including reviewed and approved of the Group’s unaudited condensed consolidated results for the six months ended 30 June 2024 and this interim report.

## Condensed Consolidated Statement of Profit or Loss

### 簡明綜合損益表

	Notes	Six months ended 30 June 截至六月三十日止六個月	
		2024 二零二四年 HK\$M 百萬港元 (Unaudited) (未經審核)	2023 HK\$M (Unaudited)
Revenue	6	<b>8,852.8</b>	8,821.7
Cost of sales		<b>(8,315.3)</b>	(8,260.4)
Gross profit		<b>537.5</b>	561.3
Other income		<b>41.2</b>	49.6
Other gains, net	7	<b>7.4</b>	4.4
Impairments on non-financial assets	7	–	(0.4)
Reversal of impairments on financial assets, net		<b>1.3</b>	21.0
Distribution and selling expenses		<b>(23.6)</b>	(23.1)
Administrative expenses		<b>(455.8)</b>	(461.7)
		<b>108.0</b>	151.1
Finance income	8	<b>2.1</b>	1.9
Finance costs	8	<b>(95.3)</b>	(95.2)
Finance costs, net		<b>(93.2)</b>	(93.3)
Share of post-tax profit of an associate		–	0.5
Share of post-tax profit of joint ventures		<b>58.3</b>	42.4
Profit before income tax		<b>73.1</b>	100.7
Income tax expense	10	<b>(33.4)</b>	(50.5)
Profit for the period	9	<b>39.7</b>	50.2
Profit/(loss) attributable to:			
Shareholders of the Company		<b>50.5</b>	53.2
Non-controlling interests		<b>(10.8)</b>	(3.0)
		<b>39.7</b>	50.2
Earnings per share attributable to shareholders of the Company for the period (expressed in HK\$ per share)			
Basic earnings per share	12	<b>0.03</b>	0.03
Diluted earnings per share	12	<b>0.03</b>	0.03

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

## Condensed Consolidated Statement of Comprehensive Income

### 簡明綜合全面收益表

	Six months ended 30 June 截至六月三十日止六個月	
	2024 二零二四年 HK\$M 百萬港元 (Unaudited) (未經審核)	2023 HK\$M (Unaudited)
Profit for the period	39.7	50.2
<b>Other comprehensive (loss)/income</b> 其他全面 (虧損) / 收入		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	(124.0)	78.3
<i>Items that will not be reclassified to profit or loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	2.2	(0.2)
Share of other comprehensive income of joint ventures	–	0.6
Other comprehensive (loss)/income for the period	(121.8)	78.7
Total comprehensive (loss)/income for the period	(82.1)	128.9
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
Shareholders of the Company	(81.7)	134.6
Non-controlling interests	(0.4)	(5.7)
	(82.1)	128.9

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Condensed Consolidated Balance Sheet

### 簡明綜合資產負債表

		At 30 June 2024 於二零二四年 六月三十日 HK\$M 百萬港元 (Unaudited) (未經審核)	At 31 December 2023 HK\$M (Audited)
		Notes	
<b>ASSETS</b>	<b>資產</b>		
<b>Non-current assets</b>	<b>非流動資產</b>		
Property, plant and equipment		13	2,138.5
Right-of-use assets			2,232.6
Investment properties			650.0
Intangible assets			49.7
Investments accounted for using the equity method			760.1
Financial assets at fair value through profit or loss			793.5
Financial assets at fair value through other comprehensive income			762.8
Other deposits		14	0.8
Deferred income tax assets			86.3
			9.0
			100.5
			4,555.4
			4,607.5
<b>Current assets</b>	<b>流動資產</b>		
Inventories			1,567.1
Trade, bills and other receivables		14	1,712.2
Amounts due from related parties		20	2,290.3
Derivative financial instruments			107.6
Tax recoverable			85.3
Pledged bank deposits and restricted bank deposits			23.6
Cash and cash equivalents			133.2
			91.1
			1.1
			5.0
			189.2
			366.5
			4,312.1
			4,061.2
Assets held for sale		21	51.3
			51.7
			4,363.4
			4,112.9
<b>Total assets</b>	<b>資產總值</b>		<b>8,918.8</b>
			8,720.4

## Condensed Consolidated Balance Sheet

### 簡明綜合資產負債表

		Notes	At 30 June 2024 於二零二四年 六月三十日 HK\$M 百萬港元 (Unaudited) (未經審核)	At 31 December 2023 HK\$M (Audited)
<b>EQUITY AND LIABILITIES</b>	<b>權益及負債</b>			
<b>Equity attributable to shareholders of the Company</b>	<b>本公司股東應佔權益</b>			
Share capital		15	16.1	16.1
Other reserves			6,374.3	6,506.5
Accumulated losses			(1,540.6)	(1,591.1)
			<b>4,849.8</b>	4,931.5
Non-controlling interests			<b>(57.4)</b>	(57.0)
<b>Total equity</b>	<b>總權益</b>		<b>4,792.4</b>	4,874.5
<b>Non-current liabilities</b>	<b>非流動負債</b>			
Borrowings		16	177.4	116.6
Lease liabilities			277.8	247.0
Other payables		17	106.9	110.9
Deferred income tax liabilities			315.2	285.4
			<b>877.3</b>	759.9
<b>Current liabilities</b>	<b>流動負債</b>			
Trade, bills and other payables		17	2,134.7	2,013.5
Current income tax liabilities			45.0	55.3
Borrowings		16	833.0	786.5
Lease liabilities			112.8	114.8
Amounts due to related parties		20	78.5	97.1
Derivative financial instruments			45.1	18.8
			<b>3,249.1</b>	3,086.0
<b>Total liabilities</b>	<b>負債總額</b>		<b>4,126.4</b>	3,845.9
<b>Total equity and liabilities</b>	<b>權益及負債總額</b>		<b>8,918.8</b>	8,720.4

The above condensed consolidated statement of balance sheet should be read in conjunction with the accompanying notes.

# Condensed Consolidated Statement of Changes in Equity

## 簡明綜合權益變動表

Unaudited

Attributable to shareholders of the Company

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Statutory general reserve	Enterprise expansion fund	Re-measurement of financial assets	Re-measurement of pension plans	Foreign currency translation reserve	Accumulated losses	Sub-total	Non-controlling interest	Total equity
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
				(Note i)	(Note ii)	(Note ii)							
				i	ii	ii							
At 1 January 2023	16.1	5,911.9	0.3	221.4	107.1	107.1	(6.5)	3.3	45.3	(1,581.8)	4,824.2	(43.5)	4,780.7
Comprehensive income/(loss)													
Profit/(Loss) for the period	-	-	-	-	-	-	-	-	-	53.2	53.2	(3.0)	50.2
Other comprehensive loss/(income) for the period, net of tax													
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
Shares of other comprehensive income of joint venture	-	-	-	-	-	-	-	0.6	-	-	0.6	-	0.6
Currency translation differences	-	-	-	-	-	-	-	-	81.0	-	81.0	(2.7)	78.3
	-	-	-	-	-	-	(0.2)	0.6	81.0	-	81.4	(2.7)	78.7
Total comprehensive (loss)/income for the period, net of tax	-	-	-	-	-	-	(0.2)	0.6	81.0	53.2	134.6	(5.7)	128.9
At 30 June 2023 (unaudited)	16.1	5,911.9	0.3	221.4	107.1	107.1	(6.7)	3.9	126.3	(1,528.6)	4,958.8	(49.2)	4,909.6

## Condensed Consolidated Statement of Changes in Equity 簡明綜合權益變動表

Unaudited

	Attributable to shareholders of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Statutory general reserve	Enterprise expansion fund	Re-measurement of financial assets	Re-measurement of pension plans	Foreign currency translation reserve	Accumulated losses	Sub-total	Non-controlling interest	Total equity
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
At 1 January 2024	16.1	5,911.9	0.3	221.4	107.1	107.1	(4.7)	5.7	157.7	(1,591.1)	4,931.5	(57.0)	4,874.5
Comprehensive income/(loss) Profit/(Loss) for the period	-	-	-	-	-	-	-	-	-	50.5	50.5	(10.8)	39.7
Other comprehensive income/(loss) for the period, net of tax													
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	2.2	-	-	-	2.2	-	2.2
Currency translation differences	-	-	-	-	-	-	-	-	(134.4)	-	(134.4)	10.4	(124.0)
	-	-	-	-	-	-	2.2	-	(134.4)	-	(132.2)	10.4	(121.8)
Total comprehensive (loss)/income for the period, net of tax	-	-	-	-	-	-	2.2	-	(134.4)	50.5	(81.7)	(0.4)	(82.1)
At 30 June 2024 (unaudited)	16.1	5,911.9	0.3	221.4	107.1	107.1	(2.5)	5.7	23.3	(1,540.6)	4,849.8	(57.4)	4,792.4

Notes:

- (i) Capital reserve represents the sum of (a) the difference between the nominal value of the aggregate share capital and share premium of the subsidiaries acquired by the Company upon a group reorganisation in 2008 and the nominal value of the Company's shares issued in exchange and (b) a capitalisation of shareholders' loans in 2010. (i) (a) (b)
- (ii) Statutory general reserve and enterprise expansion fund represent the appropriation of 10% of profit after tax determined based on the relevant accounting rules and regulations of the PRC as required by the Articles of Association of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory general reserve and enterprise expansion fund has reached 50% of the PRC subsidiaries' registered capital. The statutory general reserve and enterprise expansion fund can be used to make up prior year losses or to increase share capital. (ii) 50% 10%

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Condensed Consolidated Statement of Cash Flows

### 簡明綜合現金流量表

		Six months ended 30 June 截至六月三十日止六個月	
		2024 二零二四年 HK\$M 百萬港元 (Unaudited) (未經審核)	2023 HK\$M (Unaudited)
<b>Cash flows from operating activities</b>	<b>經營活動所得現金流</b>		
Cash generated from operations before changes in working capital		<b>266.0</b>	353.1
Changes in working capital		<b>(282.0)</b>	(310.2)
<b>Cash (used in)/generated from operations</b>	<b>經營 (所用) / 所得現金</b>	<b>(16.0)</b>	42.9
Interest paid		<b>(65.7)</b>	(117.4)
Tax paid, net		<b>(97.8)</b>	(85.8)
<b>Net cash used in operating activities</b>	<b>經營活動所用現金淨額</b>	<b>(179.5)</b>	(160.3)
<b>Cash flows from investing activities</b>	<b>投資活動所得現金流</b>		
Purchases of property, plant and equipment and intangible assets		<b>(80.1)</b>	(152.5)
Investment in financial assets at fair value through other comprehensive income		<b>(0.2)</b>	(0.2)
Proceeds from disposals of property, plant and equipment, right-of-use assets and intangible assets		<b>36.7</b>	48.2
Placement of pledged bank deposits		–	(0.2)
Withdrawal of pledged bank deposits		<b>3.9</b>	46.0
Dividends received from joint ventures		<b>13.5</b>	10.6
Other dividends received		<b>0.4</b>	0.7
Proceeds from disposals of assets held for sale		–	138.5
Interest received		<b>2.0</b>	2.0
<b>Net cash (used in)/generated from investing activities</b>	<b>投資活動 (所用) / 所得現金淨額</b>	<b>(23.8)</b>	93.1

## Condensed Consolidated Statement of Cash Flows

### 簡明綜合現金流量表

		Six months ended 30 June 截至六月三十日止六個月	
		2024 二零二四年 HK\$M 百萬港元 (Unaudited) (未經審核)	2023 HK\$M (Unaudited)
<b>Cash flows from financing activities</b>	<b>融資活動所得現金流</b>		
Proceeds from bank borrowings		119.1	98.4
Repayments of bank borrowings		(16.5)	(29.4)
Repayments of other borrowings		–	(260.1)
Repayment of lease liabilities		(67.9)	(91.7)
<b>Net cash generated from/(used in) financing activities</b>	<b>融資活動所得／(所用) 現金淨額</b>	<b>34.7</b>	<b>(282.8)</b>
Cash and cash equivalents at beginning of the period		366.5	713.7
Net decrease in cash and cash equivalents		(168.6)	(350.0)
Exchange differences on cash and cash equivalents		(8.7)	(12.6)
<b>Cash and cash equivalents at end of the period</b>	<b>期末之現金及現金等值項目</b>	<b>189.2</b>	<b>351.1</b>

# Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

## 1 GENERAL INFORMATION

Chiho Environmental Group Limited (“the Company”) is an investment holding company. The Company and its subsidiaries (together “the Group”) are mainly engaged in the principal business of resources recycling, involving recycling of mixed metal, end-of-life vehicle (“ELV”), waste electrical and electronic equipment (“WEEE”), 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 Law 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 has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“HK\$”), unless otherwise stated.

Significant events and transactions incurred in the current interim period has been disclosed in the Management Discussion and Analysis section in the Interim Report 2024.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 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”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

1

(Zorba)

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2

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16

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

## 2 BASIS OF PREPARATION (continued)

### 2.1 Going concern basis

As at 30 June 2024, the Group had total borrowings of HK\$1,010.4 million of which HK\$833.0 million were classified as current borrowings. As at 30 June 2024, the cash and cash equivalents held by the Group was amounting to HK\$189.2 million.

Included in current borrowings as at 30 June 2024, a secured syndicated term loan (the "Syndicated Term Loan") was due on 30 March 2024 which the Group has not repaid and this constituted an event of default under the Syndicated Term Loan agreement. 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.

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 totalling HK\$1,943.3 million under the Syndicated Term Loan and lowered its outstanding balance under the Syndicated Term Loan to HK\$390.0 million as at 30 June 2024.

2

### 2.1 持續經營基準

1,010.4

833.0

189.2

1,691.5

1,943.3

390.0

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 2 BASIS OF PREPARATION (continued)

#### 2.1 Going concern basis (continued)

As of the date of approving these condensed consolidated financial statements, no binding agreement has been entered into by the Group and the lender.

The above conditions indicated the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

In view of such circumstance, the Directors have given careful consideration to the future liquidity and performance of the Group, taking into account the potential 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.

2

#### 2.1 持續經營基準 (續)

- (i) (ii)
- (v)

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

## 2 BASIS OF PREPARATION (continued)

### 2.1 Going concern basis (continued)

- (ii) The Group is in negotiation with various Asian and European financial institutions for a new secured long-term borrowing. 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 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 remaining months of 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 on 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.

## 2

### 2.1 持續經營基準 (續)

(ii)

(iii)

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 2 BASIS OF PREPARATION (continued)

#### 2.1 Going concern basis (continued)

- (iv) The Group continues its efforts to implement measures in Europe to generate cash flow from operations including further control on 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 2024. 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

#### 2.1 持續經營基準 (續)

- (iv)
  
- (v)

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

### 3 ACCOUNTING POLICIES

3

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2023, 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 2024.

Amendments to HKFRSs effective for the financial year ending 31 December 2024 do not have a material impact on the Group.

### 4 ESTIMATES

4

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2023.

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5

#### 5.1 Financial risk factors

#### 5.1 金融風險因素

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2023.

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### 5.1 Financial risk factors (continued)

There have been no changes in the risk management policies since year ended 31 December 2023.

#### 5.2 Liquidity risk

Compared to year ended 31 December 2023, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

#### 5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2024 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5

#### 5.1 金融風險因素 (續)

#### 5.2 流動資金風險

#### 5.3 公平值估計

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## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 5.3 Fair value estimation (continued)

5

### 5.3 公平值估計 (續)

Financial assets/(liabilities) 金融資產/(負債)	Fair value as at 於以下日期的公平值		Fair value hierarchy 公平值層級
	30 June 2024 二零二四年 六月三十日 HK\$M 百萬港元	31 December 2023 HK\$M	
1) Publicly traded metal commodities future contracts classified as derivative financial instruments in the condensed consolidated balance sheet	0.3	(0.3)	Level 1
2) Metal commodities future contracts classified as derivative financial instruments in the condensed consolidated balance sheet	23.2 (36.7)	8.1 (16.8)	Level 2
3) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated balance sheet	0.1 (7.8)	8.4 (1.1)	Level 2
4) Interest rate swap contracts classified as derivatives financial instruments in the condensed balance sheet	(0.6)	(0.6)	Level 2
5) Financial assets at fair value through profit or loss	0.8	0.8	Level 3
6) Financial assets at fair value through other comprehensive income	86.3	87.6	Level 3

5 FINANCIAL RISK MANAGEMENT AND  
FINANCIAL INSTRUMENTS (continued)

5.3 Fair value estimation (continued)

Financial instruments in level 1

The fair value of derivative financial instruments publicly traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the quoted bid commodity future price. These instruments are included in level 1 and comprise primarily metal commodities future contracts publicly traded in the London Metal Exchange.

Financial instruments in level 2

The Group's metal commodities future contracts represented the Group's derivative financial instruments which are included in level 2. The basis of fair value measurement and valuation technique of such derivative financial instruments are par method and taking actively traded future prices into account.

The Group's foreign currency forward contracts represented the Group's derivative financial instruments which are included in level 2. The basis of fair value measurement and valuation technique of such derivative financial instruments are discount cash flow method and present value of the future cash flows estimated based on forward exchange rates. The unobservable input is expected future cash flow, therefore lower cash flow results in lower present value.

Financial instruments in level 3

The Group's equity interests in unlisted entities represented the Group's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are included in level 3. The basis of fair value measurement and valuation technique of such financial assets are discount cash flow method and discount rate used to calculate the present value of the estimated future cash flows of the investee entities. The unobservable input is expected future cash flow, therefore lower cash flow results in lower present value.

5

5.3 公平值估計 (續)  
第一級金融工具

第二級金融工具

第三級金融工具

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5

### 5.3 Fair value estimation (continued)

### 5.3 公平值估計 (續)

Fair value measurements recognised in the condensed consolidated balance sheet:

		Level 1 第一級 HK\$M 百萬港元	Level 2 第二級 HK\$M 百萬港元	Level 3 第三級 HK\$M 百萬港元	Total 總計 HK\$M 百萬港元
As at 30 June 2024					
<b>Assets</b>	<b>資產</b>				
Financial assets at fair value through profit or loss		–	–	0.8	0.8
Financial assets at fair value through other comprehensive income		–	–	86.3	86.3
Hedging derivatives					
– metal commodities futures		0.3	23.2	–	23.5
Trading derivatives					
– foreign currency		–	0.1	–	0.1
<b>Liabilities</b>	<b>負債</b>				
Hedging derivatives					
– metal commodities futures		–	(36.7)	–	(36.7)
– Interest rate swap contracts		–	(0.6)	–	(0.6)
Trading derivatives					
– foreign currency		–	(7.8)	–	(7.8)
As at 31 December 2023					
<b>Assets</b>	<b>資產</b>				
Financial assets at fair value through profit or loss		–	–	0.8	0.8
Financial assets at fair value through other comprehensive income		–	–	87.6	87.6
Hedging derivatives					
– metal commodities futures		–	8.1	–	8.1
Trading derivatives					
– foreign currency forwards		–	8.4	–	8.4
<b>Liabilities</b>	<b>負債</b>				
Hedging derivatives					
– metal commodities futures		(0.3)	(16.8)	–	(17.1)
– Interest rate swap contracts		–	(0.6)	–	(0.6)
Trading derivatives					
– foreign currency forwards		–	(1.1)	–	(1.1)

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5

#### 5.3 Fair value estimation (continued)

#### 5.3 公平值估計 (續)

The following table presents the changes in level 3 instruments for the period ended 30 June 2024:

	Financial assets at fair value through profit or loss 按公平值計入 損益之 金融資產 HK\$M 百萬港元	Financial assets at fair value through other comprehensive income 按公平值計入 其他全面收益 之金融資產 HK\$M 百萬港元	Total  總計 HK\$M 百萬港元
As at 1 January 2024	0.8	87.6	88.4
Currency translation differences	–	(1.3)	(1.3)
As at 30 June 2024	0.8	86.3	87.1

There were no transfers between the three levels during the period ended 30 June 2024. There were also no changes made to any of the valuation techniques applied as at 31 December 2023.

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial information approximate their fair values.

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

#### 6 SEGMENT INFORMATION

6

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 two reportable segments of its business: Asia and Europe. The operating segments are assessed based on the measure of segment profit. This measurement basis excludes the effects of non-operating gains/losses, such as impairments on non-financial assets, fair value gain/loss on trading derivative financial instruments, and gain/loss on disposals of assets held for sale, joint ventures, property, plant and equipment and right-of-use assets. The measure also excludes centralised costs such as the Group's key managements' remunerations and other central administrative expenses. Finance income, finance costs, income tax expenses and those unallocated income and expenses are not included in the result for each operating segment that is reviewed by the Group's CODM. Inter-segment sales are charged at prevailing market price.

Total segment assets exclude deferred income tax assets, tax recoverable, derivative financial instruments and cash and cash equivalents which are managed centrally. Information relating to segment liabilities is not disclosed as such information is not regularly reported to the CODM.

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 6 SEGMENT INFORMATION (continued)

6

The following table presents revenue and segment profit information regarding the Group's reportable segments for the six months ended 30 June 2024 and 2023, respectively:

	For the six months ended 截至以下日期止六個月							
	30 June 2024 二零二四年六月三十日				30 June 2023			
	Asia 亞洲 HK\$M 百萬港元	Europe 歐洲 HK\$M 百萬港元	Unallocated 未分配 HK\$M 百萬港元	Total 總計 HK\$M 百萬港元	Asia HK\$M	Europe HK\$M	Unallocated HK\$M	Total HK\$M
Revenue								
Total segment revenue	867.1	8,098.4	-	8,965.5	762.5	8,224.8	4.0	8,991.3
Inter-segment sales	(112.7)	-	-	(112.7)	(83.5)	(86.1)	-	(169.6)
External sales	754.4	8,098.4	-	8,852.8	679.0	8,138.7	4.0	8,821.7
Segment profit/(loss)	5.4	190.9	(30.0)	166.3	(102.6)	337.4	(40.8)	194.0
Finance income				2.1				1.9
Finance costs				(95.3)				(95.2)
Profit before income tax				73.1				100.7
Income tax expense				(33.4)				(50.5)
Profit for the period				39.7				50.2
Depreciation and amortisation expenses	(28.8)	(150.5)	-	(179.3)	(30.8)	(156.7)	-	(187.5)
Fair value loss on derivative financial instruments (Note)	-	-	(14.8)	(14.8)	-	-	(11.7)	(11.7)
Gain on disposals of property, plant and equipment and right-of-use assets	-	-	12.1	12.1	-	-	8.9	8.9
Gain on disposals of assets held for sale	-	-	-	-	-	-	6.1	6.1
Provision for impairments on property, plant and equipment (Note 7)	-	-	-	-	-	-	(0.4)	(0.4)

Note: The fair value loss on derivative financial instruments for the period ended 30 June 2024 and 2023 represented the fair value loss related to those trading derivative financial instruments that were not subject to hedge accounting.

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 6 SEGMENT INFORMATION (continued)

#### Segment assets

Reconciliation of segment assets to total assets as at 30 June 2024 and 31 December 2023 are provided as follows:

	30 June 2024 二零二四年六月三十日				31 December 2023			
	Asia 亞洲 HK\$M 百萬港元	Europe 歐洲 HK\$M 百萬港元	Unallocated 未分配 HK\$M 百萬港元	Total 總計 HK\$M 百萬港元	Asia 亞洲 HK\$M 百萬港元	Europe 歐洲 HK\$M 百萬港元	Unallocated 未分配 HK\$M 百萬港元	Total 總計 HK\$M 百萬港元
Segment assets	1,171.2	7,298.2	2.9	8,472.3	1,313.5	6,844.6	25.9	8,184.0
Deferred income tax assets				100.5				62.3
Tax recoverable				133.2				91.1
Derivative financial instruments				23.6				16.5
Cash and cash equivalents				189.2				366.5
Total assets				8,918.8				8,720.4

### 6 分部資產

### 7 OTHER GAINS, NET

	Six months ended 30 June 截至六月三十日止六個月	
	2024 二零二四年 HK\$M 百萬港元	2023 HK\$M
Loss on fair value change of:		
– derivative financial instruments	(14.8)	(11.7)
Foreign exchange gain, net	8.0	0.1
Gain on disposals of property, plant and equipment, and right-of-use assets	12.1	8.9
Gain on disposals of assets held for sale	–	6.1
Others	2.1	1.0
Impairments on non-financial assets		
– provision for impairments on property, plant and equipment	–	(0.4)
	7.4	4.0

### 7

**Notes to the Condensed Consolidated Financial Information**  
**簡明綜合財務資料附註**

8 FINANCE COSTS, NET

8

		Six months ended 30 June 截至六月三十日止六個月	
		2024 二零二四年 HK\$M 百萬港元	2023 HK\$M
Interest income from bank deposits		1.7	1.4
Interest income from joint ventures (Note 20(a))	20(a)	0.2	0.3
Interest income from related parties (Note 20(a))	20(a)	0.2	0.2
<b>Finance income</b>		<b>2.1</b>	<b>1.9</b>
Interest expense on bank loans, overdrafts, bills payable and factoring arrangement		<b>(49.7)</b>	(43.3)
Interest expense on other borrowings		<b>(34.2)</b>	(45.4)
Interest expense on lease liabilities		<b>(10.3)</b>	(6.2)
Interest expense on loan from related parties (Note 20(a))	20(a)	<b>(1.1)</b>	(0.3)
<b>Finance costs</b>		<b>(95.3)</b>	(95.2)
<b>Finance costs, net</b>		<b>(93.2)</b>	(93.3)

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

#### 9 PROFIT FOR THE PERIOD

9

Profit for the period has been arrived after charging:

	Six months ended 30 June	
	截至六月三十日止六個月	
	2024	2023
	二零二四年	
	HK\$M	HK\$M
	百萬港元	
Changes in inventories of work-in-progress and finished goods	55.2	54.7
Raw materials and consumables used	7,023.9	7,058.7
Provision for inventories, net	5.3	37.0
Employee benefit expenses	480.8	479.8
Depreciation and amortisation expenses	179.3	187.5
Legal and professional expenses	14.4	20.6

#### 10 INCOME TAX EXPENSE

10

Hong Kong Profits Tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong during both interim periods.

16.5% 16.5%

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% (2023: 25%) on the estimated assessable profit for the period.

25% 25%

Germany income tax has been provided at the rate of approximately 30% (2023: 30%) on the estimated assessable profit for the period.

30% 30%

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.

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 10 INCOME TAX EXPENSE (continued)

10

	Six months ended 30 June 截至六月三十日止六個月	
	2024 二零二四年 HK\$M 百萬港元	2023 HK\$M
Current income tax expense:		
Germany	34.1	51.1
PRC EIT	0.4	0.5
Hong Kong Profits Tax	–	–
Other jurisdictions	4.4	2.5
	<b>38.9</b>	54.1
Over provision in prior years:		
Other jurisdictions	(0.8)	–
PRC EIT	–	(3.4)
Deferred income tax expense	(4.7)	(0.2)
Income tax expense	<b>33.4</b>	50.5

### 11 DIVIDEND

11

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 2024 and 2023.

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

#### 12 EARNINGS PER SHARE

12

##### (a) Basic

##### (a) 基本

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 截至六月三十日止六個月	
		2024 二零二四年 HK\$M 百萬港元	2023 HK\$M
<b>Profit</b>	<b>溢利</b>		
Profit for the period attributable to shareholders of the Company		<b>50.5</b>	53.2
<b>Number of shares</b>	<b>股份數目</b>		
Weighted average number of ordinary shares in issue (thousands)		<b>1,605,152</b>	1,605,152
Basic earnings per share (expressed in HK\$)		<b>0.03</b>	0.03

##### (b) Diluted

##### (b) 攤薄

The Group has no potentially dilutive shares outstanding during the interim periods ended 30 June 2024 and 2023.

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 13 PROPERTY, PLANT AND EQUIPMENT

13

For the six months ended 30 June 2024, the Group acquired property, plant and equipment of HK\$79.3 million (2023: HK\$152.1 million) and disposed of property, plant and equipment with a net book value of HK\$13.6 million (2023: HK\$39.3 million).

79.3  
152.1  
13.6  
39.3

For the six months ended 30 June 2023, the Group recognised a provision for impairments on property, plant and equipment of HK\$0.4 million which was related to idle assets in Europe.

0.4

### 14 TRADE, BILLS AND OTHER RECEIVABLES

14

	At 30 June 2024 於二零二四年 六月三十日 HK\$M 百萬港元	At 31 December 2023 HK\$M
Trade receivables	1,873.0	1,434.7
Less: loss allowance	(15.6)	(27.3)
Trade receivables, net	1,857.4	1,407.4
Bills receivables	16.0	10.2
Deposits and prepayments	164.7	134.6
Deposits paid for purchase of raw materials	62.7	20.9
VAT recoverable	113.6	105.9
Other receivables (Note)	84.9	113.1
	<b>2,299.3</b>	1,792.1
Less: non-current portion Other deposits	(9.0)	(7.5)
	<b>2,290.3</b>	1,784.6

Note: As at 30 June 2024, the balance included a receivable of HK\$41.6 million (31 December 2023: HK\$41.9 million) from the Taizhou Bay Committee, a government authority in the PRC.

41.6  
41.9

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

#### 14 TRADE, BILLS AND OTHER RECEIVABLES 14 (continued)

At 30 June 2024 and 31 December 2023, the aging analysis of the trade receivables based on invoice date was as follows:

		At 30 June 2024 於二零二四年 六月三十日 HK\$M 百萬港元	At 31 December 2023 HK\$M
0 – 90 days	0 90	1,821.0	1,350.5
91 – 180 days	91 180	15.7	36.4
Over 180 days	180	36.3	47.8
		<b>1,873.0</b>	1,434.7

#### 15 SHARE CAPITAL 15 Authorised share capital 法定股本

		Numbers of shares 股份數目 (Thousands) (千股)	Share capital 股本 HK\$M 百萬港元
Ordinary shares of HK\$0.01 each at 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024		0.01	5,000,000 50.0
<b>Issued and fully paid</b> At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024		<b>已發行及繳足</b>	
		1,605,152	16.1

Notes to the Condensed Consolidated Financial Information  
簡明綜合財務資料附註

16 BORROWINGS

16

		<b>At 30 June 2024</b> 於二零二四年 六月三十日 <b>HK\$M</b> 百萬港元	At 31 December 2023  HK\$M
<b>Non-current</b>	<b>非流動</b>		
Bank borrowings		<b>177.4</b>	116.6
<b>Current</b>	<b>流動</b>		
Bank borrowings		<b>442.0</b>	410.5
Other borrowings (Note)		<b>391.0</b>	376.0
		<b>833.0</b>	786.5
<b>Total borrowings</b>	<b>借款總額</b>	<b>1,010.4</b>	903.1

Note: The outstanding balance of Syndicated Term Loan amounted to HK\$391.0 million as of 30 June 2024 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.

391.0

**Notes to the Condensed Consolidated Financial Information**  
**簡明綜合財務資料附註**

17 TRADE, BILLS AND OTHER PAYABLES

17

	<b>At 30 June 2024</b> 於二零二四年 六月三十日 <b>HK\$M</b> 百萬港元	At 31 December 2023  HK\$M
Trade payables	<b>1,727.8</b>	1,644.8
Contract liabilities	<b>137.8</b>	90.2
Other tax payable	<b>29.3</b>	31.0
Accrued salaries and employee benefits	<b>117.2</b>	132.0
Accrued professional expenses	<b>11.5</b>	27.7
Asset retirement obligations	<b>78.8</b>	70.9
Other payables and accruals	<b>139.2</b>	127.8
	<b>2,241.6</b>	2,124.4
Less: non-current portion		
Asset retirement obligations	<b>(78.8)</b>	(70.9)
Other payables (including retirement benefit obligations)	<b>(28.1)</b>	(40.0)
	<b>2,134.7</b>	2,013.5

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

		<b>At 30 June 2024</b> 於二零二四年 六月三十日 <b>HK\$M</b> 百萬港元	At 31 December 2023  HK\$M
0 – 90 days	0 90	<b>1,694.8</b>	1,529.1
91 – 180 days	91 180	<b>10.7</b>	12.5
Over 180 days	180	<b>22.3</b>	103.2
		<b>1,727.8</b>	1,644.8

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 18 PLEDGE OF ASSETS

18

As at 30 June 2024 and 31 December 2023, the Group has pledged the following assets to banks to secure certain borrowings and general banking facilities granted to the Group:

	<b>At 30 June 2024</b> 於二零二四年 六月三十日 <b>HK\$M</b> 百萬港元	At 31 December 2023  HK\$M
Property, plant and equipment	<b>1,074.4</b>	1,895.9
Right-of-use assets	<b>134.0</b>	136.7
Investment properties	<b>47.4</b>	49.7
Inventories	<b>299.9</b>	1,098.6
Trade receivables	<b>1,668.1</b>	1,236.5
Pledged bank deposits	<b>1.0</b>	1.2
	<b>3,224.8</b>	4,418.6

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

#### 19 CAPITAL COMMITMENTS

19

As at 30 June 2024 and 31 December 2023, significant capital expenditure contracted for but not yet incurred is as follows:

	At 30 June 2024 於二零二四年 六月三十日 HK\$M 百萬港元	At 31 December 2023 HK\$M
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of:		
– acquisition of property, plant and equipment	44.4	105.5
– additions in construction in progress	12.6	11.0
	<b>57.0</b>	116.5

#### 20 RELATED PARTIES TRANSACTIONS

20

The Group is controlled by USUMHK which owns 60.95% of the Company's shares. The remaining 39.05% of the shares are widely held. The ultimate holding company of the Group is Loncin Group Co., Ltd (incorporated in the PRC). The ultimate controlling party of the Group is Mr. Tu Jianhua.

60.95%

39.05%

##### (a) Transactions

##### (a) 交易

In addition to those disclosed elsewhere in the condensed consolidated financial information, the Group had the following transactions with its related parties for the six months ended 30 June 2024 and 2023.

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 20 RELATED PARTIES TRANSACTIONS (continued) 20

#### (a) Transactions (continued)

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties. They are summarised as follows:

#### (a) 交易 (續)

	Six months ended 30 June 截至六月三十日止六個月	
	2024 二零二四年 HK\$M 百萬港元	2023 HK\$M
Sales of goods to		
– Joint ventures	<b>166.6</b>	125.3
– Related parties	<b>6.1</b>	12.8
Purchases of goods from		
– Joint ventures	<b>(219.4)</b>	(231.9)
– Related parties	<b>(62.4)</b>	(63.2)
Interest income from		
– Joint ventures	<b>0.2</b>	0.3
– Related parties	<b>0.2</b>	0.2
Interest expense to		
– Related parties	<b>(1.1)</b>	(0.3)
Other income from (Note (i))		
– Joint ventures	<b>2.6</b>	1.0
– Related parties	<b>0.2</b>	1.8
Administrative expenses to (Note (ii))		
– Related parties	<b>(5.1)</b>	(7.6)

Notes:

- (i) Other income mainly comprised management fee income, rental income, service income and commission income.
- (ii) Administrative expenses mainly comprised management fee, lease expense and service fee.

(i)

(ii)

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

## 20 RELATED PARTIES TRANSACTIONS (continued) 20

### (b) Key management compensation

Key management includes chairman of the Company, all directors, chief executive officer, chief financial officer, chief operating officer and chief investment officer. The compensation paid or payable to key management for employee services are shown below:

### (b) 主要管理層薪酬

	Six months ended 30 June 截至六月三十日止六個月	
	2024 二零二四年 HK\$M 百萬港元	2023 HK\$M
Wages and salaries, including restructuring costs and other termination benefits	7.3	8.0
Pension costs – defined contribution plans	0.1	–
Other employee benefits	–	–
Total	7.4	8.0

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 20 RELATED PARTIES TRANSACTIONS (continued) 20

#### (c) Period-end balances

#### (c) 期末結餘

		At 30 June 2024 於二零二四年 六月三十日 HK\$M 百萬港元	At 31 December 2023 HK\$M
Receivables from:			
– Joint ventures (Note (i))	(i)	97.7	74.6
– Related parties (Note (i))	(i)	9.9	10.7
		<b>107.6</b>	85.3
Payables to:			
– Joint ventures (Note (ii))	(ii)	<b>(16.4)</b>	(37.6)
– Related parties (Note (ii))	(ii)	<b>(32.7)</b>	(28.1)
– Non-controlling interests (Note (iii))	(iii)	<b>(29.4)</b>	(31.4)
		<b>(78.5)</b>	(97.1)

#### Notes:

- |  |       |      |
|--|-------|------|
| (i) The receivables from joint ventures and related parties include trade receivables and other receivables. Trade receivables are repayable within 60 days, and other receivables are repayable on demand. Both are unsecured and non-interest bearing. | (i)   | 60   |
| (ii) The payables to joint ventures and related parties include trade payables and other payables. Trade payables are repayable within 60 days, and other payable are repayable on demand. Both are unsecured and non-interest bearing.                  | (ii)  | 60   |
| (iii) The balance with non-controlling interests is unsecured, repayable on demand and bearing interest rate of 3.5% per annum.  | (iii) | 3.5% |

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

#### 21 ASSETS HELD FOR SALE

21

		<b>At 30 June 2024</b> 於二零二四年 六月三十日 <b>HK\$M</b> 百萬港元	At 31 December 2023  HK\$M
Property, plant and equipment (Note (i))	(i)	<b>49.0</b>	49.4
Right-of-use assets		<b>2.3</b>	2.3
		<b>51.3</b>	51.7
Representing:			
Assets held for sale		<b>51.3</b>	51.7
		<b>51.3</b>	51.7

Notes:

- (i) The balance as at 30 June 2024 represented certain plant and equipment located in Asia with a net book value of HK\$49.0 million (2023: HK\$49.4 million).
- (i) 49.4 49.0

## Notes to the Condensed Consolidated Financial Information 簡明綜合財務資料附註

### 22 CONTINGENCIES

- (a) The Company is one of the defendants to a legal claim by Delco Participation B.V. (“Delco”) regarding an alleged non-payment of a portion of the loans advanced by Delco Asia Company Limited (“Delco Asia”) to subsidiaries of the Company, amounting to approximately HK\$57.8 million together with interest and costs. Delco alleged that it acquired the assets and liabilities of Delco Asia in 2011. Delco Asia was dissolved by deregistration in 2012. Each of Mr. Fang Ankong (“Mr. Fang”), a former director of the Company, and HWH Holdings Limited (“HWH”) undertook to the Company to indemnify and hold the Company harmless on demand against all losses arising out of, inter alia, this claim 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 “Indemnity”). The exact scope of the indemnity is yet to be determined.

The court case is still in progress, with the parties filing amended pleadings and evidence. 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 High Court of Hong Kong. The directors of the Company, after taking legal advice from its legal advisers and in review of the Indemnity, are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle this claim. Accordingly, no provision for this claim has been made.

### 22

(a)	Delco Participation B.V. Delco Delco Asia Company Limited Delco Asia	57.8
	Delco Delco Asia Delco Asia	
	HWH Holdings Limited HWH HWH	
	Delco Delco	57.8

## Notes to the Condensed Consolidated Financial Information

### 簡明綜合財務資料附註

#### 22 CONTINGENCIES (continued)

(b) The Company and Chiho-Tiande (HK) Limited (“CTHK”), a wholly-owned subsidiary of the Company, are two of the defendants to another legal claim by Delco regarding an alleged breach of a letter of undertaking in relation to a convertible bond issued by the Company and subscribed for by Delco. Delco further claimed against CTHK for a sum of US\$1.0 million, allegedly advanced by Delco Asia to CTHK. Delco further claimed interests, costs and further or other relief of approximately HK\$6.3 million.

22

(b)

	Delco	
	Delco	
	Delco	
	1.0	
	Delco Asia	
	Delco	
		6.3

The parties subsequently filed amended pleadings and gave evidence at the trial in July 2022. The case is still in progress, with the parties having made close submissions, and the parties are awaiting judgement from the Court. The directors of the Company, after taking legal advice from its legal advisers, are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle this claim. Accordingly, no provision for this claim has been made.

(c) As at 30 June 2024, the Group has provided financial guarantees to certain related parties and joint ventures of HK\$20.2 million and HK\$50.9 million (31 December 2023: HK\$20.3 million and HK\$50.9 million), respectively. As the risk of default is very remote and there is no history of default, no financial guarantee liability was recognised.

(c)

		20.2
	50.9	
		20.3
	50.9	

## BOARD OF DIRECTORS

### Executive Directors

執行董事

Mr. Tu Jianhua  
Mr. Qin Yongming (*Chairman*)  
Mr. Miao Yu  
Mr. Yao Jietian  
Mr. Wang Li  
Mr. Liu Yongxin

### Independent Non-Executive Directors

獨立非執行董事

Prof. Li Zhiguo  
Prof. Yan Guowan  
(*resigned on 24 May 2024*)  
Mr. Szeto Yuk Ting  
Ms. Leung Pui Yee  
(*appointed on 21 August 2024*)

## EXECUTIVE COMMITTEE

Mr. Tu Jianhua  
Mr. Qin Yongming (*Chairman*)  
Mr. Miao Yu  
Mr. Yao Jietian

## AUDIT COMMITTEE

Prof. Yan Guowan (*Chairlady*)  
(*resigned on 24 May 2024*)  
Ms. Leung Pui Yee (*Chairlady*)  
(*appointed on 21 August 2024*)  
Prof. Li Zhiguo  
Mr. Szeto Yuk Ting

## NOMINATION COMMITTEE

Mr. Qin Yongming (*Chairman*)  
Mr. Miao Yu  
Prof. Li Zhiguo  
Prof. Yan Guowan  
(*resigned on 24 May 2024*)  
Mr. Szeto Yuk Ting  
Ms. Leung Pui Yee  
(*appointed on 21 August 2024*)

## REMUNERATION COMMITTEE

Mr. Szeto Yuk Ting (*Chairman*)  
Mr. Miao Yu  
Prof. Li Zhiguo  
Prof. Yan Guowan  
(*resigned on 24 May 2024*)  
Ms. Leung Pui Yee  
(*appointed on 21 August 2024*)

## STRATEGY AND INVESTMENT COMMITTEE

Mr. Tu Jianhua  
Mr. Qin Yongming (*Chairman*)  
Mr. Miao Yu  
Mr. Yao Jietian

## PRICING COMMITTEE

Mr. Qin Yongming (*Chairman*)  
Mr. Miao Yu  
Mr. Yao Jietian  
Mr. Udo Langhans

Udo Langhans

## AUTHORISED REPRESENTATIVES

Mr. Tu Jianhua  
Ms. Ng Mei Wah

## COMPANY SECRETARY

Ms. Ng Mei Wah

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## LEGAL ADVISORS

Conyers Dill & Pearman (Cayman Islands)  
Chiu & Partners (Hong Kong)  
Bird & Bird (Hong Kong)  
DLA Piper (Hong Kong)  
Deacons (Hong Kong)  
LC Lawyers LLP (Hong Kong)  
JYC Law Firm (China)  
Kingpound Law Firm (China)  
Aber-Law (Thailand)  
Latham & Watkins LLP (Germany)  
CMS Hasche Sigle (Germany)  
Menold Bezler (Germany)  
Acuminis (US)  
Withers Worldwide

Conyers Dill & Pearman

LC Lawyers LLP

Aber-Law  
Latham & Watkins LLP  
CMS Hasche Sigle  
Menold Bezler  
Acuminis  
Withers Worldwide

## PRINCIPAL BANKERS

Agricultural Bank of China  
Landesbank Baden-Württemberg (LBBW)  
Standard Chartered Bank (Hong Kong) Limited

Landesbank Baden-Württemberg (LBBW)

## REGISTERED OFFICE IN CAYMAN ISLANDS

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Cricket Square, Hutchins Drive  
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## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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48

## GROUP HEADQUARTERS

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199

10 1001

## HEADQUARTERS IN THE PRC

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18

1 A 25 AF2

## HEADQUARTERS IN EUROPE

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Germany

Berndt-Ulrich-Scholz-Str.1  
73457 Essingen  
Germany

## HEADQUARTERS IN NORTH AMERICA

1515 East Avenue  
Erie, PA 16503  
USA

1515 East Avenue  
Erie, PA 16503  
USA

\* For business addresses of other principal operational bases of the Group, please refer to the Company's website.

\*

## Corporate Information 公司資料

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai  
Hong Kong

183  
17  
1712-1716

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Hong Kong Stock Exchange 976

976



CHIHO ENVIRONMENTAL GROUP LIMITED  
齊合環保集團有限公司