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## **CHIHU ENVIRONMENTAL GROUP LIMITED**

**齊合環保集團有限公司**

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

**(Stock Code: 976)**

### **VOLUNTARY ANNOUNCEMENT**

This announcement is made by Chiho Environmental Group Limited (the “**Company**”), together with its subsidiaries, the “**Group**”) on a voluntary basis.

The board of directors (the “**Board**”) announces that on 9th June 2020, a wholly owned subsidiary of the Company, Scholz Recycling GmbH (“**Scholz**”), has signed a Memorandum of Understanding (MoU) with Shandong Weiqiao Pioneering Group Co., Ltd. (“**Weiqiao**”) in the presence of the Government of Huimin County, Binzhou City of Shandong Province, People’s Republic of China (collectively the “**Parties**”) on the development of an recycling industrial park.

- I. Pursuant to the MoU, Scholz and Weiqiao will jointly develop a recycling industrial park in Huimin County by which the Company will leverage its close cooperation with one of the largest aluminum producers in the world to enter the Chinese metal recycling market and especially the end-of-life vehicle (ELV) recycling market and further enhance the green and sustainable circular economy approach (“**the Project**”).

- II. To secure satisfying quantities of secondary material for the aluminum production of Weiqiao and related downstream partners, the Parties have been developing significant projects of sourcing and producing recycled raw materials. These joint efforts shall include the:
- a. Collection, sorting and processing of aluminum and other mixed metal scrap;
  - b. production of Aluminum from secondary raw materials;
  - c. dismantling and recycling of ELV including the recovery of automotive spare parts for the domestic Chinese reuse/remanufacturing parts market;
  - d. further improvement of specific know-how and comprehensive experience to design efficient and integrated recycled raw material routes.

The Parties shall within the next few months, work towards concluding various agreements including government policy, partnership and operational agreement. The recycling industrial park will be designed based on Weiqiao's requirements for secondary raw material with a targeted annual throughput of more than 200,000 tonnes of secondary aluminum scrap and an estimated 50,000 ELVs in the first phase. The Company, through Scholz and its operation team in China, will provide the advance technical, operational and commercial know how to develop and operate the Project.

The Directors consider it as an opportunity for the Company to enter the massively growing Chinese ELV and metal recycling market (including the reuse and remanufacturing of auto parts and recycled materials). Additionally it perfectly reflects the Company's strategy to contribute developing a sustainable and circular economy by using recycled materials over primary ones and thereof reducing the carbon footprint.

As China gradually develops, the domestic supply of metal scraps has been growing. The car ownership in China has been increasing, and so is the number of ELV. According to Ministry of Public Security, as of end of 2019, there are 348 million registered vehicles in China, of which 260 million are passenger cars. With the Central Government initiatives in recent years, including the recent enactment of updated ELV Administrative Policy 《報廢機動車回收管理辦法》, the Company sees it as an opportunity at the right time to enter the ELV market in China.

