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## **CHIHO ENVIRONMENTAL GROUP LIMITED**

**齊合環保集團有限公司**

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

**(Stock Code: 976)**

### **CONTINUING CONNECTED TRANSACTIONS FRAMEWORK SALE AND PURCHASE AGREEMENT**

On 16 October 2018 (after trading hours), Chiho Taizhou, an indirect wholly-owned subsidiary of the Company, entered into the Framework Sale and Purchase Agreement with USUM Recycling for a term of six (6) months commencing from 16 October 2018 regarding the supply of scrap copper/brass to USUM Recycling for a total consideration of up to RMB100,000,000 (equivalent to approximately HK\$113,380,000).

As at the date of this announcement, USUM Investment HK, being a controlling shareholder of the Company, is a direct wholly-owned subsidiary of USUM Investment which directly holds 100% interest in USUM Recycling. Accordingly, USUM Recycling is a connected person of the Company as defined in the Listing Rules and the S&P Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Framework Sale and Purchase Agreement exceed 0.1% but are less than 5%, the S&P Transactions are subject to the reporting and announcement requirements but are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

On 16 October 2018 (after trading hours), Chiho Taizhou, an indirect wholly-owned subsidiary of the Company, entered into the Framework Sale and Purchase Agreement with USUM Recycling for a term of six (6) months commencing from 16 October 2018 regarding the supply of scrap copper/brass to USUM Recycling for a total consideration of up to RMB100,000,000 (equivalent to approximately HK\$113,380,000).

## **FRAMEWORK SALE AND PURCHASE AGREEMENT**

The principal terms of the Framework Sale and Purchase Agreement are summarized below:

|                 |   |
|-----------------|---|
| Date:           | 16 October 2018   |
| Parties:        | (a) Chiho Taizhou (as vendor)<br>(b) USUM Recycling (as purchaser)  |
| Subject matter: | Chiho Taizhou shall supply copper/brass scrap metals to USUM Recycling  |
| Term:           | six (6) months commencing from 16 October 2018  |
| Pricing:        | The purchase price will be negotiated by the parties with reference to (i) the prevailing market price of the relevant copper/brass scrap metals; (ii) the price quoted of the relevant copper/brass scrap metals on the Yangtze River Nonferrous Metals Site* (長江有色金屬網), a forum on metal prices for business which is operated by Dachangjiang (Xiamen) Information Technology Company Limited* (大長江(廈門)信息科技有限公司); and (iii) a mark-up margin by the Group. |

In any event, the purchase price of the copper/brass scrap metals payable by USUM Recycling shall be no less than the prices charged by the Group for comparable types of scrap metals supplied to Independent Third Parties under normal commercial terms and in the ordinary course of its business.

Total maximum consideration: RMB100,000,000 (equivalent to approximately HK\$113,380,000) inclusive of value-added tax of 16%, which is determined based on (i) the anticipated demand of USUM Recycling for the copper/brass scrap metals as a result of its business development; (ii) the estimated market trend and demand for copper/brass scrap metals in the PRC market; (iii) the current market price of copper/brass scrap metals; and (iv) the anticipated future unit price of copper/brass scrap metals.

Payment: Payment before release of goods

## **INFORMATION OF THE PARTIES**

### **The Group**

The Group is mainly engaged in the business of recycling scrap metals, electronic waste, and end-of-life vehicles and is also involved in the production of secondary aluminum ingots from aluminum scraps. Through urban mining and recovering reusable resources, the Group aims to reduce its reliance on natural resources and its environmental footprint.

Chiho Taizhou is an indirect wholly-owned subsidiary of the Company established in the PRC and is principally engaged in the importing and dismantling of electric motor scraps to recover the recyclable metal scraps.

### **USUM Recycling**

USUM Recycling was established in 2015 in the PRC, and is principally engaged in the recycling, processing, marketing and sales of recycling resources, scrap metal related businesses and is headquartered in Chongqing, the PRC. As of the date of this announcement, USUM Investment holds 100% interest in USUM Recycling.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK SALE AND PURCHASE AGREEMENT**

In maximizing the synergy between different regional segments, the Group plans to enhance its operation by seeking for new operational opportunities in other regions of China, including seeking for business opportunities in Chongqing and its adjacent area. Through cooperating with USUM Recycling, the Group can develop its market and set up its sales network in the southwest region of China which the Board believes can benefit the long-term development of the Group in China.

The Directors (including the independent non-executive Directors) are of the view that the Framework Sale and Purchase Agreement has been entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms of the Framework Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, USUM Investment HK, being a controlling shareholder of the Company, is a direct wholly-owned subsidiary of USUM Investment which directly holds 100% interest in USUM Recycling. Accordingly, USUM Recycling is a connected person of the Company as defined in the Listing Rules and the S&P Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Framework Sale and Purchase Agreement exceed 0.1% but are less than 5%, the S&P Transactions are subject to the reporting and announcement requirements but are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Tu Jianhua, an executive Director, is the beneficial owner of USUM Investment, he had abstained from voting on the relevant Board resolutions approving the Framework Sale and Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors had any material interest in the Framework Sale and Purchase Agreement and the S&P Transactions and was required to abstain from voting at the relevant Board resolutions.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

|   |   |
|---|---|
| “Board”                                 | the board of Directors;   |
| “Chiho Taizhou”                         | Taizhou Chiho-Tiande Metals Co., Ltd.* (台州齊合天地金屬有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement;             |
| “Company”                               | Chiho Environmental Group Limited, a company incorporated in Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 976);            |
| “connected person(s)”                   | has the meaning ascribed thereto under the Listing Rules;   |
| “controlling shareholder”               | has the meaning ascribed thereto under the Listing Rules;   |
| “Director(s)”                           | the director(s) of the Company;   |
| “Framework Sale and Purchase Agreement” | the framework sale and purchase agreement dated 16 October 2018 entered into between Chiho Taizhou and USUM Recycling in relation to the supply of brass/copper scrap metals to USUM Recycling; |
| “Group”                                 | the Company and its subsidiaries from time to time;   |
| “HK\$”                                  | Hong Kong dollars, the lawful currency of Hong Kong;  |
| “Hong Kong”                             | the Hong Kong Special Administrative Region of the PRC;   |
| “Independent Third Party(ies)”          | person(s) and/or company(ies) who/which is (are) independent of the Company and its connected persons (as defined in the Listing Rules);  |

|                      |   |
|----------------------|---|
| “Listing Rules”      | The Rules Governing the Listing of Securities on the Stock Exchange;  |
| “PRC”                | the People’s Republic of China, excluding, for the purposes of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;  |
| “RMB”                | Renminbi, the lawful currency of the PRC;   |
| “Shareholder(s)”     | the shareholder(s) of the Company;  |
| “S&P Transactions”   | the transactions contemplated under the Framework Sale and Purchase Agreement;  |
| “Stock Exchange”     | The Stock Exchange of Hong Kong Limited;  |
| “USUM Investment”    | USUM Investment Group Limited* (渝商投資集團股份有限公司), a company established in the PRC which owns 100% interest in USUM Investment HK as at the date of this announcement;   |
| “USUM Investment HK” | USUM Investment Group Hong Kong Limited 渝商投資集團(香港)有限公司, a company established in Hong Kong and directly holds 62.85% interests of the Company as at the date of this announcement and is a direct wholly-owned subsidiary of USUM Investment; |
| “USUM Recycling”     | Chongqing USUM Recycling Resources Developments Co., Ltd.* (重慶渝商再生資源開發有限公司), a company established in the PRC and a direct wholly-owned subsidiary of USUM Investment as at the date of this announcement;                                    |
| “%”                  | percent.  |

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.1338. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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

Hong Kong, 16 October 2018

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

*Executive Directors:* Qin Yongming, Tu Jianhua, Wong Wun Lam

*Independent Non-executive Directors:* Loke Yu, Qian Liping, Zhu Hongchao

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

\* *for identification purposes only*