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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)

CONNECTED TRANSACTION

The Board is pleased to announce that on 20 October 2018, Chiho Taizhou, an indirect wholly-owned subsidiary of the Company as lender, entered into the Loan Agreement with USUM Investment as borrower in respect of the Loan in the amount of RMB32,000,000 (equivalent to approximately HK\$36,153,600) for a term of ninety (90) days.

As at the date of this announcement, USUM Investment HK, being a controlling shareholder of the Company, which is a direct wholly-owned subsidiary of USUM Investment. Accordingly, USUM Investment is a connected person of the Company as defined in the Listing Rules and the Transaction constitutes a connected transaction for the Company pursuant to 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 Loan exceed 0.1% but are all less than 5%, the Loan Agreement and the Transaction are only subject to reporting and announcement requirement, but are exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 20 October 2018, Chiho Taizhou, an indirect wholly-owned subsidiary of the Company, as lender entered into the Loan Agreement with USUM Investment as borrower in respect of the Loan in the amount of RMB32,000,000 (equivalent to approximately HK\$36,153,600) for a term of ninety (90) days.

THE LOAN AGREEMENT

The principal terms of the Loan Agreement are set out as follows:

Date:	20 October 2018
Parties:	(a) Chiho Taizhou (as lender); and (b) USUM Investment (as borrower).
Principal amount:	RMB32,000,000 (equivalent to approximately HK\$36,153,600).
Interest rate:	The annual interest rate is 12% which is determined based on the market interest rate.
Availability period:	The Loan will be available for drawdown upon satisfaction of certain conditions as set out in the Loan Agreement.
Term:	Ninety (90) days commencing from the date of the drawdown.
Purpose:	For operational purposes of USUM Investment.
Security:	No security or guarantee is given in favor of Chiho Taizhou in respect of the Loan.
Repayment:	USUM Investment shall repay the Loan and interests in full upon expiry of the Loan.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The interest rate of the Loan is higher than the interest rate received by Chiho Taizhou by placing cash deposits with commercial banks in the PRC. As our China operations has some surplus cash due to a previous disposal of a piece of land, the Transaction will optimize the return of such surplus cash compared to depositing it with a commercial bank in the PRC.

The terms of the Loan Agreement, including the principal amount and the applicable interest rate, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices.

The Directors (including the independent non-executive Directors) consider that the Loan Agreement has been entered into after arm's length's negotiation. The Loan Agreement is not entered into in the ordinary and usual course of business of the Group, however, the Loan Agreement and the Transaction are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholder as a whole.

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 our reliance on natural resources and our environmental footprint.

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

USUM Investment

USUM Investment was established in 2013 in the PRC, and is principally engaged in investment, construction related business, sales of hardware and building and ornament materials and chemical products, business consulting services, import and export of goods and technology. USUM Investment is headquartered in Chongqing, the PRC. As of the date of this announcement, USUM Investment holds 100% interest in USUM Investment HK, which is a controlling shareholder of the Company.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, USUM Investment HK, being a controlling shareholder of the Company, which is a direct wholly-owned subsidiary of USUM Investment. Accordingly, USUM Investment is a connected person of the Company as defined in the Listing Rules and the Transaction constitutes a connected transaction for the Company pursuant to 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 Loan exceed 0.1% but are all less than 5%, the Loan Agreement and the Transaction are only subject to reporting and announcement requirement, but are exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Tu Jianhua, an executive Director of the Company is the beneficial owner of USUM Investment, he had abstained from voting on the relevant Board resolutions approving the Loan Agreement and the Transaction. Saved as disclosed above, none of the Directors had any material interest in the Loan Agreement and the Transaction and had abstained from voting at the relevant Board resolutions.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors;
“Chiho Taizhou”	Taizhou Chiho Tiande Foundry Company Limited* (台州齊合天地鑄造有限公司), 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;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	the loan in the amount of RMB32,000,000 (equivalent to approximately HK\$36,153,600) for a term of ninety (90) days granted by Chiho Taizhou to USUM Investment pursuant to the Loan Agreement;
“Loan Agreement”	the loan agreement dated 20 October 2018 entered into between Chiho Taizhou and USUM Investment in respect of the Loan;
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed thereto under the Listing Rules;
“Transaction”	the transaction contemplated under the Loan Agreement;
“USUM Investment”	USUM Investment Group Limited* (渝商投資集團股份有限公司), a company established in the PRC owns 100% interests in USUM Investment (HK);

“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;

“%” percent

For the purpose of this announcement and illustration only, conversation of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.1298. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.

For ease of reference, the names of the PRC established companies or entities have been included in this announcement in both the Chinese and English languages, and in the event of any inconsistency, the Chinese version shall prevail.

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

Hong Kong, 20 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

* *for identification purpose only*