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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)

DISCLOSEABLE TRANSACTION ASSET MANAGEMENT AGREEMENT

On 14 March 2016, the Company entered into the Original Asset Management Agreement with China First and the term of the Original Asset Management Agreement shall expire on 14 December 2018.

The Board is pleased to announce that on 14 December 2018, the Company and China First (as manager) entered into the Asset Management Agreement to extend the term of the Original Asset Management Agreement. Pursuant to the Asset Management Agreement, the Company agreed to entrust China First with the management of the Entrusted Assets of HKD247,936,651.35 on substantially the same terms as the Original Asset Management Agreement for a term of six months commencing from 15 December 2018, which may be extended by the parties by written agreement subject to compliance with the Listing Rules.

LISTING RULES IMPLICATIONS

As one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) is more than 5% but below 25%, the entering into of the Asset Management Agreement constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

INTRODUCTION

On 14 March 2016, the Company entered into the Original Asset Management Agreement with China First and the term of the Original Asset Management Agreement shall expire on 14 December 2018.

The Board is pleased to announce that on 14 December 2018, the Company and China First (as manager) entered into the Asset Management Agreement to extend the term of the Original Asset Management Agreement. Pursuant to the Asset Management Agreement, the Company agreed to entrust China First with the management of the Entrusted Assets of HKD247,936,651.35 on substantially the same terms as the Original Asset Management Agreement for a term of six months commencing from 15 December 2018, which may be extended by the parties by written agreement subject to compliance with the Listing Rules.

The major terms of the Asset Management Agreement are set out below.

THE ASSET MANAGEMENT AGREEMENT

Date

14 December 2018

Parties

- (a) the Company; and
- (b) China First (as manager).

Term

The Asset Management Agreement shall be for a term of six months commencing from 15 December 2018, which is renewable upon written agreement of the parties.

Asset Management and Investment Services

Pursuant to the Asset Management Agreement, China First shall provide asset management and investment services in respect of the Entrusted Assets. The Entrusted Assets shall be used to invest in companies listed on the Stock Exchange which has made profits in the past two years. Investment in companies listed on GEM of the Stock Exchange shall constitute no more than 20% of the total investment. The guaranteed return on the Entrusted Assets shall be 7% per annum.

Base on a term of six months, the return from the investment of the Entrusted Assets shall HKD8,654,008.05 from 15 December 2018 to 14 June 2019. Upon expiry of the term of the Asset Management Agreement, China first shall pay to the Company a sum of HKD256,590,659.40 inclusive of the principal amount of the Entrusted Assets and the guaranteed return thereon.

Early termination

The Company shall not terminate the Asset Management Agreement before expiry of the term of the Asset Management Agreement. Otherwise, the Company shall only be entitled to the return of the principal amount of the Entrusted Assets if there is any profit from the investment at the time of the termination. If at the time of the termination there is a loss in the investment, the Company shall bear all the losses arising from the investment.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSET MANAGEMENT AGREEMENT

The investment contemplated under the Asset Management Agreement could improve the capital usage efficiency of the fund of the Company and allow the Company to earn investment returns. As such, the Board is of the opinion that the entering into of the Asset Management Agreement is in the interests of the Company and its Shareholders as a whole.

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INFORMATION ON 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.

China First

China First is a company incorporated under the laws of Hong Kong with limited liability and is principally engaged in investment and asset management in Hong Kong.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China First and its ultimate beneficial owners are Independent Third Parties.

DEFINITION

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Asset Management Agreement”	the asset management agreement dated 14 December 2018 entered into between the Company and China First in relation to the provision of asset management and investment services by China First to the Company
“Board”	the board of Directors
“China First”	China First Private Equity Company Limited, a company incorporated in Hong Kong with limited liability
“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 persons”	has the meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company

“Entrusted Assets”	the cash of the Company in the amount of HKD247,936,651.35 entrusted with China First pursuant to the Asset Management Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKD”	Hong Kong Dollar, the lawful currency of Hong Kong
“Independent Third Parties”	parties who are independent from the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Asset Management Agreement”	the asset management agreement dated 14 March 2016 entered into between the Company and China First in relation to the provision of asset management and investment services by China First to the Company as amended and supplemented from time to time
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 14 December 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