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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 FORMATION OF JOINT VENTURE

FORMATION OF THE JOINT VENTURE COMPANY

On 26 September 2020, Scholz, a wholly-owned subsidiary of the Company, entered into a Cooperation Agreement with Hongqiao in relation to the formation of the Joint Venture Company in Binzhou City of Shandong Province, the PRC with a registered capital of RMB50 million.

Pursuant to the terms of the Cooperation Agreement, Scholz will contribute RMB25 million to the Joint Venture Company. The Joint Venture Company will be owned as to 25% by Scholz upon its establishment, which may further extend up to 49% upon achievement of certain mutually agreed targets.

The Joint Venture Company will design and operate a new recycling industrial park in Binzhou City to recycle more than 200,000 tonnes of Aluminum and 50,000 ELVs per annum.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Company's investment in the Joint Venture Company exceeds 5% and all of the percentage ratios are less than 25%, the Cooperation Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 26 September 2020, Scholz entered into a Cooperation Agreement with Hongqiao pursuant to which the parties agreed to jointly establish the Joint Venture Company for the purposes of investment in the design and operation of a new recycling industrial park in Binzhou City of Shandong Province, the PRC by which the Company will leverage its close cooperation with one of the world largest primary aluminum producers to enter the Chinese metal recycling market, especially the ELV recycling market, and further enhance the green and sustainable circular economy approach (the “**Project**”). The business scope of the Joint Venture Company will include ELV dismantling, scrap metals recycling, secondary aluminum production, research and development of recycling technologies and processes. The Project is expected to occupy a land over an area of 190,000 square meters and have an annual processing capacity of approximately 200,000 tonnes of aluminum and 50,000 units of ELVs, which may be further expanded. The total investment amount, including the registered capital of the Joint Venture Company, of the Project is approximately RMB800 million of which RMB25 million will be contributed by Scholz. 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.

MAJOR TERMS OF THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are set out below.

Date	26 September 2020
Parties	(i) Scholz; and (ii) Hongqiao
Scope of business of the Joint Venture Company	ELV dismantling, scrap metals recycling, secondary aluminum production, research and development of recycling technologies and processes.
Registered capital of the Joint Venture Company	RMB50 million
Details of equity contribution	(i) 25% by Scholz; and (ii) 75% by Hongqiao.

The Group intends to finance its investment in the Joint Venture Company from its internal resources.

The Joint Venture Company is not a subsidiary of the Company and its financial statements will not be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

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.

The terms of the Cooperation Agreement, including the investment amount, are negotiated after arm's length. The Directors are of the view that the terms of the Cooperation Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE JOINT VENTURE PARTNER

Hongqiao is a wholly-owned subsidiary of China Hongqiao. China Hongqiao is an extra-large enterprise covering the entire aluminum industry chain. It is specialised in thermoelectric, mining, and producing aluminum products. Its diverse product portfolio includes alumina, liquid aluminum alloy, aluminum alloy ingots, rolled and cast aluminum alloy products, aluminum busbar, high precision aluminum plates with foil, and new materials. It has been listed on the Main Board of the Stock Exchange since 2011.

INFORMATION ON THE COMPANY AND THE GROUP

Scholz is a wholly-owned subsidiary of the Chiho Environmental Group. Chiho Environmental Group is China's largest and one of the largest publically listed global scrap metal recycling companies with extensive operations in the recycling of ferrous and non-ferrous metals scraps, ELVs, electronic scraps and the production of secondary aluminum ingots from zorba. It operates more than 200 yards and processing plants across Asia, Europe and North America.

To the best of the Director’s knowledge, information and belief having made all reasonable enquiries, Hongqiao and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Board”	the board of Directors
“China”/ “PRC”	the People’s Republic of China
“China Hongqiao”	China Hongqiao Group Limited, a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 1378)
“Company”	Chiho Environmental Group Limited, a company incorporated in the Cayman Islands with limited liability
“Cooperation Agreement”	the cooperation agreement dated 26 September 2020 and entered into by and between Scholz and Hongqiao pursuant to which both parties agreed to cooperate in the Project
“Directors”	the director(s) of the Company from time to time
“ELV(s)”	end-of-life vehicle(s)
“Group”/ “Chiho Environmental Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Hongqiao”	Hongqiao Investment (Hong Kong) Limited, a company registered in Hong Kong with limited liability
“Joint Venture Company”	the joint venture company to be established in the PRC pursuant to the terms of the Cooperation Agreement
“Joint Venture Partner”	Hongqiao
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Scholz”	Scholz China GmbH, a limited liability company with its registered seat in Essingen, Germany, is registered in the commercial register of the local court of Ulm, Germany
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Chiho Environmental Group Limited
Rafael Heinrich Suchan
Chief Executive Officer

Hong Kong, 26 September 2020

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

Executive Directors:

Mr. Qin Yongming (*Chairman*)
Mr. Tu Jianhua
Mr. Rafael Heinrich Suchan (*Chief Executive Officer*)
Mr. Martin Simon (*Chief Financial Officer*)

Independent Non-Executive Directors: Dr. Loke Yu

Ms. Qian Liping
Mr. Ko Frankie Andrew