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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
IN RELATION TO
THE DISPOSAL OF ASSETS**

THE ASSET PURCHASE AGREEMENT

The Board is pleased to announce that on 25 December 2020, an indirectly wholly owned subsidiary of the Company as the Seller, entered into the Asset Purchase Agreement with the Buyers, pursuant to which the Seller has conditionally agreed to sell and the Buyers have conditionally agreed to purchase the Disposal Assets at the Consideration of US\$13.2 million (equivalent to approximately HK\$103 million).

IMPLICATIONS OF THE LISTING RULES

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio for the Transaction exceeds 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the Shareholders' approval requirement.

INTRODUCTION

The Board is pleased to announce that on 25 December 2020, an indirectly wholly owned subsidiary of the Company as the Seller, entered into the Asset Purchase Agreement with the Buyers, pursuant to which the Seller has conditionally agreed to sell and the Buyers have conditionally agreed to purchase the Disposal Assets at the Consideration of US\$13.2 million (equivalent to approximately HK\$103 million).

DISPOSAL ASSETS AND RATIONALE OF TRANSACTION

The Company is an investment holding company with principal business in the resources recycling, involving recycling of mixed metal, end-of-life vehicle (ELV), waste electrical and electronic equipment (WEEE), wasted lubricant oil recycling and production of secondary aluminium ingots. The Company has operations in Asia, Europe and North America.

The Company operates several yards in the US, including three shredder facilities. To enhance the performance of the US business, the Company has reviewed its geographic footprint and decided to strategically refocus on its Southwest operations and divest the Disposal Assets. The Disposal Assets include certain properties, equipment, and inventory of the shredder facility that the Company owns and operate in Girard, Ohio, Pennsylvania. After the divestment, the Company will cease to own and operate the Girard shredder facility.

The Board is of the view that the Transaction may allow the Group to divert resources to better performing assets. The proceeds from the sale will be primarily used to repay existing local bilateral bank loans secured over the Disposal Assets, hence reducing loans and financial expenses.

PARTIES TO THE TRANSACTION

The Seller is Liberty Iron & Metal, Inc., an indirectly wholly owned subsidiary of the Company. The buyers are Chloe Girard, LLC (“**Metalico Girard**”), and Metalico Youngstown, Inc. (“**Metalico Youngstown**”) (Metalico Girard and Metalico Youngstown are collectively known as the “**Buyers**”). The Buyers are part of the group of Ye Chiu Metal Recycling (China) Ltd. (the “**YeChiu Group**”) (listed on The Shanghai Stock Exchange, stock code 601388), one of the largest secondary aluminium producer globally, and operate shredder operations also in Ohio.

To the best of the Directors’ knowledge, each of the Buyers and their respective ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

CONSIDERATION AND PAYMENT TERMS

The Company conducted an auction sales process for the Disposal Assets and the Buyers offered the best price. The Consideration of US\$13.2 million (equivalent to approximately HK\$103 million) is close to the estimated net book value of the Disposal Assets as at 30 November 2020. The Consideration, which was determined on an arm's length basis, shall be the sum of:

- (a) US\$12.5 million (equivalent to approximately HK\$97.5 million) for Disposal Assets other than the inventory;
- (b) US\$0.7 million (equivalent to approximately HK\$5.5 million) for the inventory; and
- (c) for the cash balance remaining in an automated teller machine located at the Girard property in the US on the Completion Date, estimated value of US\$150,000 (equivalent to approximately HK\$1.2 million), which shall be payable on the Completion Date, dollar for dollar.

A purchase deposit of US\$250,000 (equivalent to approximately HK\$1.9 million) will be paid to the Seller as at the date of signing of the Asset Purchase Agreement, and to be netted off from the remaining Consideration, which shall be payable in full to the Seller on the Completion Date.

COMPLETION DATE

Completion shall take place on 31 December 2020 or such later date as the Seller and the Buyers may mutually agree.

INFORMATION ABOUT SELLER

The Seller is a Delaware corporation incorporated in the US and is wholly-owned by the Company, its principal activity is engaged in the business of buying and selling (wholesale and retail) of ferrous and non-ferrous scrap metal.

INFORMATION ABOUT THE BUYERS

Metalico Girard is an Ohio limited liability company incorporated in the US that is engaged in the business of buying and selling of ferrous and non-ferrous scrap metal. The ultimate beneficial owner of Metalico Girard is YeChiu Group.

Metalico Youngstown is a Delaware corporation incorporated in the US that is engaged in the business of buying and selling of ferrous and non-ferrous scrap metal. The ultimate beneficial owner of Metalico Youngstown is YeChiu Group.

IMPLICATIONS OF THE LISTING RULES

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio for the Transaction exceeds 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the Shareholders' approval requirement.

DEFINITIONS

In this announcement, the following expressions shall (unless the context otherwise requires) have the following meanings:

“Asset Purchase Agreement”	the asset purchase agreement entered into between, the Seller and the Buyers on 25 December 2020, pursuant to which the Seller has conditionally agreed to sell the Disposal Assets to the Buyers
“Board”	the board of Directors
“Company”	Chiho Environmental Group Limited, a company incorporated in the Cayman Islands and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 976)
“Completion Date”	31 December 2020
“Consideration”	the consideration payable by the Buyers to the Seller for the purchase of the Disposal Assets
“Disposal Assets”	include certain properties, equipment, and inventory of the shredder facility that the Seller owns and operate in Girard, Ohio, Pennsylvania
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Seller”	Liberty Iron & Metal, Inc., a company incorporated in the US with limited liability and an indirectly wholly owned subsidiary of the Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the Asset Purchase Agreement
“US”	United States
“US\$”	United States dollars, the lawful currency of the United States of America

In this announcement, certain amounts denominated in US\$ are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in USD were or may have been converted into HK\$ at such rate or any other exchange rates or at all: US\$1 = HK\$7.8.

By Order of the Board
Chiho Environmental Group Limited
Chen Chunguo
Chairman and Executive Director

Hong Kong, 27 December 2020

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

Executive Directors:

Mr. Chen Chunguo (*Chairman*)

Mr. Tu Jianhua

Mr. Rafael Heinrich Suchan (*Chief Executive Officer*)

Mr. Martin Simon (*Chief Financial Officer*)

Independent Non-executive Directors: Dr. Loke Yu

Prof. Qian Liping

Mr. Ko Frankie Andrew

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