

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 DISPOSAL OF ASSETS

THE ASSET PURCHASE AGREEMENT AND REAL ESTATE PURCHASE AGREEMENTS

The Board is pleased to announce that on 25 June 2021 (after trading hours of the Stock Exchange):

1. 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\$19.8 million (equivalent to approximately HK\$154.1 million); and
2. the Seller together with DHS, a wholly owned subsidiary of the Seller, as the Sellers, entered into the Real Estate Purchase Agreements with the Buyers, pursuant to which the Sellers have conditionally agreed to sell and the Buyers have conditionally agreed to purchase the Disposal Properties at the consideration of US\$12.7 million (equivalent to approximately HK\$99.4 million).

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio for the Transactions exceeds 5% but less than 25%, the Transactions 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, after trading hours of the Stock Exchange on 25 June 2021:

1. the Seller and the Buyers entered into the Asset Purchase Agreement 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\$19.8 million (equivalent to approximately HK\$154.1 million) (“**Transaction 1**”); and
2. the Sellers and the Buyers entered into the Real Estate Purchase Agreements pursuant to which the Sellers have conditionally agreed to sell and the Buyers have conditionally agreed to purchase the Disposal Properties at the Consideration of US\$12.7 million (equivalent to approximately HK\$99.4 million) (“**Transaction 2**” and, together with Transaction 1, “**Transactions**”).

RATIONALE OF TRANSACTIONS

The Group is principally engaged in the resources recycling, involving recycling of mixed metal, end-of-life vehicle, waste electrical and electronic equipment, wasted lubricant oil recycling and production of secondary aluminium ingots. The Group has operations in Asia, Europe and North America.

In order to improve business efficiency, the Group has conducted a thorough portfolio and geographic footprint review and decided to strategically divest its Southwest operations in the USA. The Disposal Properties and Disposal Assets include certain lands, properties, equipment, machinery, vehicles, trailers, containers, computer software and inventory of the shredder facilities that the Group owns and operates in Erie, Buffalo and Phoenix, the USA. After the divestment, the Group will cease to own and operate those shredder facilities. The Board is of the view that the Transactions would allow the Group to divert resources to better performing assets. The proceeds from the Transactions will be primarily used to repay existing bank loans, hence reducing loans and financial expenses, and to target growth opportunities.

PARTIES TO THE TRANSACTIONS

Transaction 1

The Seller is Liberty Iron & Metal, Inc., an indirectly wholly owned subsidiary of the Company. The Buyers are AIM Recycling Erie, LLC, a Delaware limited liability company, (“**AIM Erie**”), and AIM Recycling Phoenix, LLC, a Delaware limited liability company (“**AIM Phoenix**” and, together with AIM Erie, “**Buyers**”).

Transaction 2

The Sellers are Liberty Iron & Metal, Inc. and DHS, indirectly wholly owned subsidiaries of the Company. The Buyers are AIM Erie and AIM Phoenix.

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.

DISPOSAL ASSETS AND DISPOSAL PROPERTIES

Transaction 1

The Disposal Assets include certain equipment, machinery, vehicles, trailers, containers, computer software and inventory of the shredder facilities that the Group owns and operates in Erie, Buffalo and Phoenix, the USA.

Transaction 2

The Disposal Properties include the Real Properties located at:

1. 207 & 267 Marilla Street, Buffalo, New York, USA;
2. 1431 East Avenue Erie, Pennsylvania, USA;
3. 2144 McDowell Road/Grand Avenue, Phoenix, Arizona, USA; and
4. 4202 West Highland Avenue, Phoenix, Arizona, USA.

CONSIDERATION AND PAYMENT TERMS

Transaction 1

The consideration of Transaction 1, which was determined on an arm's length basis, shall be the sum of:

1. US\$17.3 million (equivalent to approximately HK\$134.6 million) for Disposal Assets other than the inventory; and
2. US\$2.5 million (equivalent to approximately HK\$19.5 million) for the inventory.

Details of payment are set out as follows:

1. US\$2.3 million (equivalent to approximately HK\$18.0 million) will be paid by the Buyers as the deposit to the Seller concurrently with the execution of the Asset Purchase Agreement and the Real Estate Purchase Agreements;
2. US\$2.5 million (equivalent to approximately HK\$19.5 million) will be paid by the Buyers by wire transfer of immediately available funds to an account designated by the Seller at least 2 Business Days prior to the date of Closing of Transaction 1; and
3. the remaining balance will be paid by the Buyers to the Seller within 90 days after the date of Closing of Transaction 1.

Transaction 2

The consideration of Transaction 2 is US\$12.7 million (equivalent to approximately HK\$99.4 million). Details of payment are set out as follows:

1. US\$12.7 million (equivalent to approximately HK\$99.0 million) will be paid by the Buyers as the deposit to the Sellers concurrently with the execution of the Asset Purchase Agreement and the Real Estate Purchase Agreements; and
2. the remaining balance will be paid by the Buyers to the Sellers at the date of Closing of Transaction 2.

The above considerations for Transaction 1 and Transactions 2 were determined after arm's length negotiation between the Sellers and the Buyers with reference to, among other things, (i) the unaudited financial information for the year ended 31 December 2020 and for the five months ended 31 May 2021 of the Sellers' shredder facilities in Erie, Buffalo and Phoenix, the USA; (ii) the net book values of the Disposal Assets and Disposal Properties as recorded in the Group's unaudited consolidated financial statements as at 31 May 2021 of approximately US\$23.3 million (equivalent to approximately HK\$181.7 million); and (iii) the recent local market sentiment for shredder facilities.

The Transactions are expected to enable the Group to recognise an unaudited gain of approximately US\$6.7 million (equivalent to approximately HK\$52.3 million), being the difference between the total considerations of the Transactions over the carrying values of the Disposal Assets and Disposal Properties after deducting the estimated expenses and tax. The actual gain or loss as a result of the Transactions to be recorded by the Group is subject to audit and will be determined as at the dates of the Closing of the Transaction 1 and Closing of Transaction 2.

CONDITIONS PRECEDENT

Closing is conditional upon, among others, the satisfaction of the following:

Transaction 1

1. the Seller and Buyers shall have performed and complied in all material respects with the covenants and obligations in the Asset Purchase Agreement required to be performed by the Seller and Buyers, respectively, at or before the date of Closing of Transaction 1;
2. there shall not have occurred a material adverse effect as described in the Asset Purchase Agreement;
3. the Seller and Buyers shall have received the respective document as described in the Asset Purchase Agreement;

4. the respective representations and warranties given by the Seller and Buyers under the Asset Purchase Agreement remaining true and accurate and not misleading in all material respects at the date of Closing of Transaction 1 (or as of such other date to which such representation or warranty expressly is made); and
5. the transactions contemplated by the Real Estate Purchase Agreements shall have been consummated.

Transaction 2

1. the Sellers and Buyers shall have received the respective document as described in the Real Estate Purchase Agreements;
2. the respective covenants and obligations of the Sellers and Buyers in the Real Estate Purchase Agreements shall have been performed in all material respects;
3. the respective representations and warranties given by the Sellers and Buyers under the Real Estate Purchase Agreements remaining true and accurate and not misleading in all material respects as at the date of Closing of Transaction 2 (or as of such other date to which such representation or warranty expressly is made); and
4. the transactions contemplated by the Assets Purchase Agreement shall have been consummated.

CLOSING DATE

Transaction 1

Subject to the satisfaction of all of the conditions precedent set out in the paragraph headed “Conditions precedent” above, the Closing of Transaction 1 shall take place on the third Business Day following the day on which the last of the conditions are satisfied (other than those conditions that by their nature are to be satisfied at the Closing of Transaction 1, but subject to the satisfaction of those conditions) in accordance with the Asset Purchase Agreement, or at such other date, time or place as Buyers and Seller may mutually agree.

Transaction 2

The consummation of the transactions contemplated by the Real Estate Purchase Agreements shall occur, if at all, on such date as the transactions contemplated by the Asset Purchase Agreement are consummated.

INFORMATION ABOUT SELLERS

Liberty Iron & Metal, Inc. is a Delaware corporation incorporated in the USA and is indirectly wholly-owned by the Company, which is principally engaged in the business of buying and selling (wholesale and retail) of ferrous and non-ferrous scrap metal.

DHS is a Delaware corporation incorporated in the USA and is directly wholly-owned by the Seller, which is principally engaged in the business of buying and selling (wholesale and retail) of ferrous and non-ferrous scrap metal.

INFORMATION ABOUT BUYERS

AIM Erie and AIM Phoenix are Delaware corporations incorporated in the USA, each of which is a member of American Iron & Metal Recycling Group (“AIM”). AIM is a Canadian family business founded in 1936 in Montreal, Quebec, Canada, specialising in the recovery and recycling of scrap metal by-products. AIM is founded by Peter Black in 1936 and has been owned and managed by the Black family since then.

IMPLICATIONS OF THE LISTING RULES

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio for the Transactions exceeds 5% but less than 25%, the Transactions 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:

“Agreements”	Asset Purchase Agreement and Real Estate Purchase Agreements
“Asset Purchase Agreement”	the asset purchase agreement entered into between, the Seller and the Buyers on 25 June 2021, pursuant to which the Seller has conditionally agreed to sell the Disposal Assets to the Buyers
“Board”	the board of Directors
“Business Day(s)”	any day other than a Saturday, Sunday or any federal legal holiday in the USA
“Closing of Transaction 1”	closing of the transactions contemplated by the Asset Purchase Agreement
“Closing of Transaction 2”	closing of the transactions contemplated by the Real Estate Purchase Agreements

“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)
“Directors”	the directors of the Company
“Disposal Assets”	include certain equipment, machinery, vehicles, trailers, containers, computer software and inventory of the shredder facilities that the Seller owns and operates in Erie, Buffalo and Phoenix, the USA
“Disposal Properties”	include the Real Properties located at: (i) 207 & 267 Marilla Street, Buffalo, New York, USA; (ii) 1431 East Avenue Erie, Pennsylvania, USA; (iii) 2144 McDowell Road/Grand Avenue, Phoenix, Arizona, USA; and (iv) 4202 West Highland Avenue, Phoenix, Arizona, USA
“DHS”	DHS Realty, Inc., a company incorporated in the USA with limited liability and a directly wholly owned subsidiary of the Seller
“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
“Real Estate Purchase Agreements”	the real estate purchase and sale agreements entered into between the Sellers and the Buyers on 25 June 2021, pursuant to which the Sellers have conditionally agreed to sell the Disposal Properties to the Buyers
“Real Properties”	parcels of land together with all appurtenant easements and any other rights and interests appurtenant thereto and all buildings, structures (surface and subsurface), parking areas and other improvements located on or affixed to the land and all fixtures on the land which constitute real property

“Seller”	Liberty Iron & Metal, Inc., a company incorporated in the USA with limited liability and an indirectly wholly owned subsidiary of the Company
“Sellers”	Liberty Iron & Metal, Inc. and DHS
“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 1”	the transaction contemplated under the Asset Purchase Agreement
“Transaction 2”	the transaction contemplated under the Real Estate Purchase Agreements
“Transactions”	Transaction 1 and Transaction 2
“USA”	the United States of America
“US\$”	the United States dollars, the lawful currency of the United States of America
“%”	percent

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
Rafael Heinrich Suchan
Chief Executive Officer and Executive Director

Hong Kong, 27 June 2021

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

Executive Directors:

Mr. Tu Jianhua

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

Mr. Martin Simon (*Chief Financial Officer*)

Mr. Miao Yu

*Independent Non-Executive
Directors:*

Dr. Loke Yu

Mr. Ko Frankie Andrew

Prof. Li Zhiguo

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