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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 DISPOSAL OF ASSETS

THE ASSET TRANSFER AGREEMENT

The Board is pleased to announce that on 15 October 2021, Chiho Yantai and Chiho Investments, two indirectly wholly owned subsidiaries of the Company, as the Seller and the Guarantor, respectively, entered into the Asset Transfer Agreement with the Buyer, pursuant to which the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to purchase the Disposal Assets at the consideration of RMB180.4 million (equivalent to approximately HK\$216.5 million) (“**Transaction**”).

LISTING RULES IMPLICATIONS

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 15 October 2021, the Seller, the Guarantor and the Buyer entered into the Asset Transfer Agreement pursuant to which the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to purchase the Disposal Assets at a consideration of RMB180.4 million (equivalent to approximately HK\$216.5 million).

DISPOSAL ASSETS AND RATIONALE OF TRANSACTION

The Group is principally engaged in resources recycling, involving recycling of mixed metal, end-of-life vehicle, waste electrical and electronic equipment, wasted oil and Zorba in Asia, Europe and North America.

As part of the industrial transformation and upgrading plan for the Yantai Chemical Industry Zone* (煙台化工區), Yantai Yeda, which is under the control of the State-owned Assets Supervision and Administration Bureau of Yantai Economic and Technological Development Zone* (煙台經濟技術開發區國有資產監督管理局), had recently approached the Group for an acquisition of certain lands use right and properties which are owned by an indirectly wholly owned subsidiary of the Group. The Group had been actively cooperating with the Yantai local government and finally reached an agreement with Yantai Yeda. The Disposal Assets include certain land use rights, plants, buildings, properties, and ancillary facilities situated in Yantai Development Area* (煙台開發區).

With the emphasis from the Chinese government on promoting circular economy and dual-carbon goals, there is a boom in demand for recycled metals in the domestic and global market this year. The Group has implemented a series of structured optimisation and growth initiatives to capture the opportunities present. Our targeted business transformation efforts have started to bear fruit and the profitability of the Group showed significant improvement in the first half of year 2021. The Board welcomes the approach and the opportunity that the cash, being generated from the Transaction, can provide additional funding to the Group's new growth projects identified in China and to support its existing business for rising commodity prices, helping the Group to continue the good momentum in the second half of the year.

The Consideration is much higher than the costs and carrying values of the Disposal Assets. The Board is of the view that the Transaction is in the interests of the Group and its Shareholders as a whole.

PARTIES TO THE TRANSACTION

The Seller is Chiho-Tiande (Yantai) Resources Recycling Company Limited* (齊合天地(煙台)再生資源有限公司) (“**Chiho Yantai**”).

The Buyer is Yantai Yeda International Talent Group Limited* (煙台業達國際人才集團有限公司) (“**Yantai Yeda**”).

The Guarantor is Chiho-Tiande Investments Limited (“**Chiho Investments**”).

To the best of the Directors' knowledge, the Buyer and its 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.

* *For identification purpose only*

CONSIDERATION AND PAYMENT TERMS

The Consideration is RMB180.4 million (equivalent to approximately HK\$216.5 million, which will be settled in cash in the following manners:

1. RMB36.1 million (equivalent to approximately HK\$43.3 million), representing 20% of the Consideration, will be paid by the Buyer within ten (10) days after the signing date of the Assets Transfer Agreement;
2. RMB54.1 million (equivalent to approximately HK\$64.9 million), representing 30% of the Consideration, will be paid by the Buyer upon signing of the Assets Transfer Confirmation Letter;
3. RMB81.2 million (equivalent to approximately HK\$97.4 million), representing 45% of the Consideration, will be paid by the Buyer within ten (10) Working Days after the completion of the official real estate ownership change registration or the first anniversary date of the Assets Transfer Confirmation Letter, whichever is earlier; and
4. the remaining balance will be paid by the Buyer to the Seller within ten (10) Working Days after the first anniversary date of the Assets Transfer Confirmation Letter.

The Consideration was determined after arm's length negotiation between the Seller and the Buyer with reference to, among other things, (i) the net book values of the Disposal Assets of HK\$102.3 million as recorded in the Group's unaudited consolidated financial statements as at 30 September 2021; and (ii) the recent local market sentiment for land use rights and properties in the region.

The Transaction is expected to enable the Group to recognise an unaudited gain of approximately HK\$46.3 million, being the difference between the Consideration over the carrying values of the Disposal Assets after deducting the estimated expenses and tax. The actual gain or loss as a result of the Transaction to be recorded by the Group is subject to audit and will be determined as at the date of the completion of the Transaction.

COMPLETION DATE

Completion shall take place upon the completion of the official real estate ownership change registration or such later date as the Seller and the Buyer may mutually agree.

INFORMATION ABOUT THE SELLER

Chiho Yantai is a company established in China and is indirectly wholly owned by the Company, which is principally engaged in the business of processing and sales of scrap metal.

INFORMATION ABOUT THE BUYER

Yantai Yeda is a company established in China and is directly wholly owned by the Yantai Yeda Economic Development Group Co., Ltd.* (煙台業達經濟發展集團有限公司) which is under the control of the State-owned Assets Supervision and Administration Bureau of Yantai Economic and Technological Development Zone* (煙台經濟技術開發區國有資產監督管理局). Yantai Yeda is engaged in various services, including but not limited to human resources services, hotel management, conference and exhibition services, properties management, leasing service, real estate consulting and agency service, marketing planning, education consulting services, elderly care services and park management services.

INFORMATION ABOUT GUARANTOR

Chiho Investments is a company incorporated in Hong Kong and is indirectly wholly owned by the Company. Chiho Investments is an investment holding company and is the immediate holding company of the Seller. It is jointly and severally liable to certain representations and warranties given by the Seller under the Asset Transfer Agreement.

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 Transfer Agreement” the asset transfer agreement entered into between the Seller, the Guarantor and the Buyer on 15 October 2021, pursuant to which the Seller has conditionally agreed to sell the Disposal Assets to the Buyer
- “Assets Transfer Confirmation Letter” a letter to confirm the transfer of control of the Disposal assets from the Seller to the Buyer, which is attached as an appendix to the Asset Transfer Agreement and will be signed by the Seller and the Buyer after mutual agreement on the conditions and transfer of the Disposal assets
- “Board” the board of Directors

* For identification purpose only

“Chiho Investments” /“Guarantor”	Chiho-Tiande Investments Limited, a company incorporated in Hong Kong
“Chiho Yantai”/“Seller”	Chiho-Tiande (Yantai) Resources Recycling Company Limited* (齊合天地 (煙台) 再生資源有限公司), a company established in China
“China”	the People’s Republic of China
“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)
“Consideration”	the consideration payable by the Buyer to the Seller for the purchase of the Disposal Assets
“Directors”	the directors of the Company
“Disposal Assets”	include certain land use rights, plants, buildings, properties, and ancillary facilities situated in Yantai Development Area* (煙台開發區)
“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 China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	renminbi, the official currency of China
“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 Transfer Agreement
“Working Day(s)”	any day other than a Sunday or any national legal holiday in China

“Yantai Yeda”/“Buyer” Yantai Yeda International Talent Group Limited* (煙台業達國際人才集團有限公司), a company established in China

“%” percent

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In this announcement, certain amounts denominated in RMB are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in RMB were or may have been converted into HK\$ at such rate or any other exchange rates or at all: RMB1 = HK\$1.2.

By Order of the Board
Chiho Environmental Group Limited
Rafael Heinrich Suchan
Chief Executive Officer and Executive Director

Hong Kong, 15 October 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.