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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)

VOLUNTARY ANNOUNCEMENT INVESTMENT IN NEW END-OF-LIFE VEHICLE AND ELECTRIC VEHICLE BATTERY RECYCLING FACILITIES

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Chiho Environmental Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to inform the shareholders and potential investors of the Company about the latest business updates of the Group.

The Board is pleased to announce that it has considered and approved the proposal regarding the establishment of an indirectly wholly owned subsidiary of the Company in Taizhou, the People’s Republic of China (“**China**”), which will be specialised in the recycling of end-of-life vehicle (“**ELV**”) and electric vehicle (“**EV**”) batteries (the “**Project**”).

Automobile ownership has been growing steadily in China over the recent years and more vehicles need to be recycled properly to enhance circular economy models. The current percentage of cars that is recycled, remains far lower than in many developed countries. The demand for ELV recycling and for recycling EV batteries is therefore on the rise. Especially as forecast say that in 2025 roughly 20 percent of new cars will be EVs.

This presents a huge immediate and long-term opportunity for the Group with its extensive industrial recycling know-how and latest developments in EV battery recycling. Furthermore, policies are in favour of the Group’s strategy: the Chinese government announced to promote a low carbon economy and to achieve carbon neutrality by 2060, including the Measures for the Management of End-of-Life Vehicle Recycling* 《報廢機動車回收管理辦法》 in 2020. It has also emphasized the development of circular economy and dual carbon goals in its 14th Five-Year-Plan.

* For identification purpose only

To take advantage of the great opportunities ahead, the Board, after careful consideration, has approved the Project. The new subsidiary will be jointly formed by Taizhou Chiho-Tiande Metals Company Limited* (台州齊合天地金屬有限公司) (“**Chiho Taizhou**”) and Scholz China GmbH (“**Scholz**”), both being indirectly wholly owned subsidiaries of the Company. The total expected investment capital for the project will be RMB243 million, mainly financed through internal resources. The projected 100 acres big recycling facility is designed to process up to 50,000 ELVs and 10,000 tonnes of EV batteries per year.

Scholz is a major subsidiary group of the Company and with a history of 150 years, and possesses advanced technology and deep operating experience in metal recycling and recycling of ELV. Through continuous innovation, Scholz can turn up to 97% of ELVs and 99% from fine grained residuals into new high-quality products for the industry, exceeding even the strictest European Union targets. Scholz has strengthened the research and development unit in China to keep a leading position in a rapidly developing market. Until today, 20 patents have been submitted to the China National Intellectual Property Administration, out of which seven patents are related to the unique recycling process for EV batteries, seven patents for the general recycling of ELVs and six other patents are related to aluminium smelting and recycling. On the other hand, Chiho Taizhou has been operating in the Chinese mixed metal recycling industry for more than two decades, and has a strong customer base, an extensive supplier network and latest local market knowledge. It is expected that the Project will combine the competitive advantages of these two entities and help to transform the existing production base in Taizhou, China, into a leading recycling center for ELV and EV batteries.

As the Project may or may not be successful, the shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. The Company may make separate announcement(s) in relation to the Project under the Listing Rules as and when appropriate.

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

Hong Kong, 5 November 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.

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