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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 TRANSACTIONS DISPOSAL OF 50% INTEREST IN OUR JOINT VENTURES

DISPOSAL AGREEMENT I

The Board announces that on 10 August 2022, the Seller (an indirect wholly-owned subsidiary of the Company) entered into the Disposal Agreement I with AIM (Canada), pursuant to which the Seller has conditionally agreed to sell and AIM (Canada) has conditionally agreed to purchase, the Sale Interests I, representing 50% of the issued and outstanding membership interests in Kalischatarra at the Consideration I pursuant to the terms of the Disposal Agreement I. Upon completion of the Disposal I, the Group will cease to hold any interest in Kalischatarra.

DISPOSAL AGREEMENT II

On 10 August 2022, the Seller entered into the Disposal Agreement II with AIM (USA), pursuant to which the Seller has conditionally agreed to sell and AIM (USA) has conditionally agreed to purchase the Sale Interests II and Sale Interests III, representing 50% of the issued and outstanding membership interests in KIM and KNM, respectively, at the Consideration II pursuant to the terms of the Disposal Agreement II. The completion of the Disposal II has taken place on 10 August 2022 upon the execution of the Disposal Agreement II, and the Group does not hold any interest in KIM and KNM as at the date of this announcement.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the Disposals are required to be aggregated since (i) AIM (USA) is an affiliate of AIM (Canada) and (ii) both Disposal Agreement I and Disposal Agreement II have been entered into on the same date and the Disposal I is expected to be completed within a 12-month period of the Completion Date II. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals, on an aggregate basis, is more than 5% but less than 25%, the Disposals constitute discloseable transactions for the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the Shareholders' approval requirement.

TAKEOVERS CODE IMPLICATIONS

The Company is currently in the offer period (as defined in the Takeovers Code) with respect to the Restructuring. Pursuant to the Takeovers Code, the Estimated Loss Statement, the KIM Unaudited Results and the KNM Unaudited Results (collective, the “**Required Financial Information**”) are considered to constitute profit forecast under Rule 10 of the Takeovers Code and should therefore be reported on by the Company's auditors or accountants and financial advisers in accordance with Rule 10.4 of the Takeovers Code. Since this announcement is required to be made pursuant to Rule 14.34(2) of the Listing Rules, which requires the Company to publish an announcement as soon as possible after the terms of any discloseable transaction have been finalised and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code.

Pursuant to Practice Note 2 of the Takeovers Code, the Executive is prepared to permit publication of the Required Financial Information in this announcement without full compliance with Rule 10 of the Takeovers Code and the reports from the Company's auditors or accountants and financial advisers on the Required Financial Information are required to be included in the next Shareholders' Document. If the 2022 Final Results Announcement will be published prior to the despatch of the next Shareholders' Document, the requirement under Rule 10 of the Takeovers Code to report on the Estimated Loss Statement will be superseded by the publication of the 2022 Final Results Announcement, and the KIM Unaudited Results and KNM Unaudited Results will still have to be reported on in accordance with Rule 10 of the Takeovers Code and the relevant reports will be included in the next Shareholders' Document. Otherwise, the Required Financial Information shall be reported on in accordance with Rule 10 of the Takeovers Code and the relevant reports will be included in the next Shareholders' Document. If no mandatory general offer obligation for the shares of the Company will be triggered as a result of the Restructuring under the Takeovers Code, the requirement under Rule 10 of the Takeovers Code to report on the Required Financial Information will cease to apply.

INTRODUCTION

The Board announces that on 10 August 2022, the Seller (an indirect wholly-owned subsidiary of the Company) entered into the Disposal Agreement I with AIM (Canada), pursuant to which the Seller has conditionally agreed to sell and AIM (Canada) has conditionally agreed to purchase, the Sale Interests I, representing 50% of the issued and outstanding membership interests in Kalischatarra at the consideration of US\$16,500,000 (equivalent to approximately HK\$129,360,000).

On 10 August 2022, the Seller entered into the Disposal Agreement II with AIM (USA), pursuant to which the Seller has conditionally agreed to sell and AIM (USA) has conditionally agreed to purchase the Sale Interests II and Sale Interests III, representing 50% of the issued and outstanding membership interests in KIM and KNM, respectively, at the aggregate consideration of the US\$3,500,000 (equivalent to approximately HK\$27,440,000).

A. DISPOSAL AGREEMENT I

The principal terms of the Disposal Agreement I (as amended and supplemented by the Amendment Agreement) are set out below:

Date: 10 August 2022

Parties: (i) the Seller, as the seller
(ii) AIM (Canada), as the purchaser

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, AIM (Canada) and its ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

Assets to be disposed

Pursuant to the Disposal Agreement I, the Seller has conditionally agreed to sell and AIM (Canada) has conditionally agreed to purchase, the Sale Interests I, representing 50% of the issued and outstanding membership interests in Kalischatarra.

Consideration and Payment Terms

The Consideration I was determined after arm's length negotiations between the Company and AIM (Canada) on normal commercial terms with reference to, amongst others, (i) the audited net asset value of Kalischatarra as at 31 December 2021 of approximately MXN 894,853,925 (equivalent to approximately HK\$348,993,031); (ii) the fact that no dividends were declared, distributed or paid by Kalischatarra to its members even though it recorded net profits for the year ended 31 December 2020 and 2021; and (iii) the reasons for the Disposals as described under the section headed "Reasons for and Benefits of Entering into the Disposal Agreements" below.

AIM (Canada) shall pay the sum of Consideration I to the bank account designated by the Seller by wire transfer in immediately available funds on the Completion Date I.

Conditions Precedent I

The completion of the Disposal I is conditional upon the satisfaction of, amongst others, the following conditions on or prior to the Completion Date I:

1. All material declarations, approvals and notices required to permit the consummation of the Disposal I, including without limitation the Antitrust Approval and the Discloseable Transaction Approval, shall have been obtained or made and shall be in full force and effect;
2. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Disposal I shall be in effect;
3. No Law shall have been enacted or shall be deemed applicable to the Disposal I that makes the consummation of the Disposal I illegal;
4. The Disposal II under the Disposal Agreement II has been completed;
5. Each of the representations and warranties made by the Seller and AIM (Canada) in the Disposal Agreement I shall be true and correct as of the Completion Date I or such earlier date (where applicable);
6. The Seller and AIM (Canada) shall have complied in all material respects with all obligations and covenants required by the Disposal Agreement I to be complied with by the Seller and AIM (Canada), respectively, at or prior to the Completion Date I;

7. The Seller and AIM (Canada) shall have received the respective certificates, documents, resolutions or instruments which are necessary to complete the Disposal I or required to be delivered pursuant the Disposal Agreement I;

As at the date of this announcement, all the Conditions Precedent I have been satisfied.

Completion

The completion of Disposal I shall take place 30 calendar days following full satisfaction or due waiver of all the Conditions Precedent I or on such other date as agreed by the Seller and AIM (Canada), but no later than 15 calendar days following to the obtaining of the Antitrust Approval granted by the Antitrust Authority and the Discloseable Transaction Approval (the “**Completion Date I**”). As at the date of this announcement, the Antitrust Approval and the Discloseable Transaction Approval have been obtained.

Guarantees

On the date of the execution of the Disposal Agreement I, Scholz shall execute and deliver to AIM (Canada) a continuing unlimited guarantee in favour of AIM (Canada), pursuant to which Scholz agrees to indemnify, defend, save AIM (Canada) harmless and guarantee (and re-pay) to AIM (Canada) (i) the sum of the Consideration II payable by AIM (USA) under the Disposal Agreement II, (ii) all direct costs resulting from the unwinding of the Disposal Agreement II (the “**U.S. Expenses**”) and (iii) 10% annual interest (the “**Interest**”) on the Consideration II, in the event the Disposal I does not complete pursuant to the terms of the Disposal Agreement I and the Seller does not refund the Consideration II, the U.S. Expenses or the Interest to Buyer.

Termination

The Disposal Agreement I may be terminated at any time prior to the Completion Date I by (i) mutual written consent of the Seller and AIM (Canada); or (ii) either the Seller or AIM (Canada) if the Antitrust Approval and/or the Discloseable Transaction Approval has not been received by 30 April 2023; or (iii) either the Seller or AIM (Canada) if any of them breaches its obligations under the Disposal Agreement I prior to the Completion Date I.

If for any reason (other than as a result of the right of first refusal being exercised or the Antitrust Approval not being received as set forth in the Disposal Agreement I), the Disposal I does not complete by 30 April 2023, AIM(Canada) shall pay all of the Seller's third-party expenses which should not exceed US\$200,000. Upon payment of such fee, the Disposal Agreement I shall immediately become null and void and there shall be no liability or obligation on the part of Seller or AIM (Canada) or their respective representatives or affiliates.

B. DISPOSAL AGREEMENT II

The principal terms of the Disposal Agreement II are set out below:

Date: 10 August 2022

Parties: (i) the Seller, as the seller
(ii) AIM (USA), as the purchaser

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, AIM (USA) and its ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

Assets to be disposed

Pursuant to the Disposal Agreement II, the Seller has conditionally agreed to sell and AIM (USA) has conditionally agreed to purchase, the Sale Interests II and the Sale Interests III, representing 50% of the issued and outstanding membership interests in KIM and KNM, respectively.

Consideration and Payment Terms

The Consideration II was determined after arm's length negotiations between the Company and AIM (USA) on normal commercial terms with reference to, amongst others, (i) the unaudited net asset value of KIM and KNM as at 31 December 2021 was nil and US\$3,441,186 (equivalent to approximately HK\$26,978,898) respectively; (ii) the fact that no dividends were declared, distributed or paid by KNM to its members even though it recorded net profits for the year ended 31 December 2020 and 2021; and (iii) the reasons for the Disposals as described under the section headed "Reasons for and Benefits of Entering into the Disposal Agreements" below.

AIM (USA) shall pay the sum of Consideration II to the bank account designated by the Seller by wire transfer in immediately available funds on the Completion Date II.

Conditions Precedent II

The completion of the Disposal II is conditional upon the satisfaction of, amongst others, the following conditions on or prior to the Completion Date II:

1. All material declarations, approvals and notices required to permit the consummation of the Disposal II shall have been obtained or made and shall be in full force and effect;
2. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Disposal II shall be in effect;
3. No Law shall have been enacted or shall be deemed applicable to the Disposal II that makes the consummation of the Disposal II illegal;
4. The Disposal Agreement I has been executed;
5. Each of the representations and warranties made by the Seller and AIM (USA) in the Disposal Agreement II shall be true and correct as of the Completion Date II or such earlier date (where applicable);
6. The Seller and AIM (USA) shall have complied in all material respects with all obligations and covenants required by the Disposal Agreement II to be complied with by the Seller and AIM (USA), respectively, at or prior to the Completion Date II; and
7. The Seller and AIM (USA) shall have received the respective certificates, documents, resolutions or instruments which are necessary to complete the Disposal II or required to be delivered pursuant the Disposal Agreement II.

As at the date of this announcement, all the Conditions Precedent II have been satisfied.

Completion

The completion of the Disposal II has taken place on 10 August 2022 (the “**Completion Date II**”) upon the execution of the Disposal Agreement II, and the Group has ceased to hold any interest in KIM and KNM since the Completion Date II.

Termination and Unwinding of transaction

In the event of the termination of the Disposal I after the completion of Disposal II for any reason, which results in the failure of the completion of Disposal I, the Seller agrees to unwind the Disposal Agreement II and refund to AIM (USA) the sum of Consideration II and further agrees to indemnify, defend and save AIM (USA) harmless of any and all the U.S. Expenses.

If for any reason (other than as a result of the right of first refusal being exercised or the Antitrust Approval not being receiving as set forth in the Disposal Agreement I), the Disposal I does not complete by 30 April 2023, and the Disposal Agreement I is terminated, AUM(USA) shall pay all of the Seller's third-party expenses which should not exceed US\$200,000.

If the Disposal II is completed, and for any reason whatever the Disposal I does not complete for failure to obtain the Antitrust Approval by 30 April 2023, the Seller shall refund to AIM (USA) the Consideration II paid under the Disposal Agreement II and the U.S. Expenses no later than 15 days after notice in writing is given by AIM (USA) to the Seller.

INFORMATION OF THE JOINT VENTURES

Kalischatarra is the joint venture established in Mexico, which is owned as to 50% by the Seller and 50% by Holding Asesoria. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Holding Asesoria is owned as to 80% by Samuel Gustavo Kalisch Seyffert and 20% by his father, Samuel Gustavo Kalisch Valdez (the "**Kalisch Family**"). Kalischatarra is principally engaged in collection, processing and trading of scrap metal. As at the date of this announcement, Kalischatarra has two subsidiaries, namely Comercializadora de Reciclados Iron, S.A. de C.V. and Recable, S.A. de C.V., both of which are incorporated in Mexico and engaged in buying and selling all classes of ferrous and non-ferrous metals. Kalischatarra operates in total 14 scrap yards across North and North-West Mexico. One of the key yards in Chihuahua, Mexico, is equipped with shredder and shredder downstream sorting facility, which enables Kalischatarra to process old scrap sourced from most of its locations and sell the materials mostly to major steel mills in Mexico or South-West USA. Besides ferrous metals recycling, Kalischatarra operates significant quantities of non-ferrous collection and sorting, mostly aluminium, stainless steel and copper.

KNM is a New Mexico limited liability company incorporated in the USA in July 2011, and is principally engaged in buying and selling, recovering and transforming all classes of ferrous and non-ferrous metals. As at the date of this announcement, KNM is owned as to 50% by AIM(USA) and 50% by Kalisch Investment Group, which is a wholly-owned subsidiary of Holding Asesoria.

KIM is a Texas limited liability company incorporated in the USA and is principally engaged in buying and selling, recovering and transforming all classes of ferrous and non-ferrous metals. As at the date of this announcement, KIM has minimal operations and business and is owned as to 50% by AIM (USA) and 50% by Kalisch Investment Group, which is a wholly-owned subsidiary of Holding Aseoria.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the ultimate beneficial owner of Kalisch Investment Group is Samuel Gustavo Kalisch Seyffert who is the president of both KIM and KNM.

According to the audited financial statements of Kalischatarra for the year ended 31 December 2020 and 31 December 2021, the audited net profit (before taxation) of Kalischatarra amounted to MXN63,429,139 (equivalent to approximately HK\$24,737,364) and MXN361,522,095 (equivalent to approximately HK\$140,993,617) for the year ended 31 December 2020 and 31 December 2021, respectively. The audited net profit (after taxation) of Kalischatarra amounted to MXN39,779,831 (equivalent to approximately HK\$15,514,134) and MXN263,487,780 (equivalent to approximately HK\$102,760,234) for the year ended 31 December 2020 and 31 December 2021, respectively. The audited net assets of Kalischatarra as at 31 December 2020 and 31 December 2021 amounted to MXN630,287,648 (equivalent to approximately HK\$245,812,182) and MXN894,853,925 (equivalent to approximately HK\$348,993,031), respectively.

According to the unaudited financial statements of KIM for the year ended 31 December 2020 and 31 December 2021, the net loss before and after taxation of KIM amounted to nil and US\$740 (equivalent to approximately HK\$5,802) for the year ended 31 December 2020 and 31 December 2021, respectively. The net assets of KIM as at 31 December 2020 and 31 December 2021 amounted to nil (collectively, the "**KIM Unaudited Results**").

According to the unaudited financial statements of KNM compiled by independent accountants for the year ended 31 December 2020 and 31 December 2021, the net profit (before and after taxation) of KNM amounted to US\$182,969 (equivalent to approximately HK\$1,434,477) and US\$793,364 (equivalent to approximately HK\$6,219,974) for the year ended 31 December 2020 and 31 December 2021, respectively. The net assets of KNM as at 31 December 2020 and 31 December 2021 amounted to US\$2,647,821 (equivalent to approximately HK\$20,758,917) and US\$3,441,186 (equivalent to approximately HK\$26,978,898) respectively (collectively, the "**KNM Unaudited Results**").

FINANCIAL IMPACT OF THE DISPOSALS

Upon completion of the Disposal I, Kalischatarra will cease to be a joint venture of the Seller and the Seller will cease to hold any interest in Kalischatarra. Accordingly, the financial results of Kalischatarra will no longer be accounted for in the accounts of the Group using the equity method after the completion of Disposal I.

The completion of the Disposal II has taken place on 10 August 2022 upon the execution of the Disposal Agreement II, and the Group does not hold any interest in KIM and KNM as at the date of this announcement.

The Company estimates that it will realise an unaudited net loss of approximately US\$5,628,227 (equivalent to approximately HK\$44,125,306) as a result of the Disposals for the year ending 31 December 2022 (the “**Estimated Loss Statement**”). The aforementioned estimated loss resulting from the Disposals reflects the difference between: (i) the Consideration I and Consideration II for the Disposals; and (ii) the aggregated unaudited carrying value of the Seller’s 50% equity interest in the Joint Ventures of approximately HK\$200,925,306 as at 30 November 2022. However, the actual gain or loss arising from the Disposals to be recognised by the Company will depend on the actual carrying value of the Seller’s 50% equity interest in the Joint Ventures recorded on the Company’s financial statements as at the Completion Date I or Completion Date II (as the case may be) and is subject to final audit to be performed by the Company’s independent auditor.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DISPOSAL AGREEMENTS

Since the establishment of the Joint Ventures, the relationship between the previous management of the Seller and the Kalisch Family had been difficult and in a deteriorating trend in the period of 2013 to 2016 due to worsening market conditions that resulted in several restructurings and changes of control in both the Seller and Scholz. After the acquisition of Scholz by the Group and the change in control of the Seller in December 2016, the management of the Group have attempted to improve the relationship with Kalisch Family. However, despite the effort made by the management of the Group over the past few years, the Group has failed to work out a viable solution to continue the business relationship with Kalisch Family and exercise control over the business directions and strategy of the development of the Joint Ventures. There has been strategic misalignment between the Seller and Kalisch Family. Also, the Board considers that the synergies in terms of customers and/or suppliers between our European operations and the Mexican operations and the North-eastern USA operations through the Joint Ventures have been very low, and after the divestment of most of the non-performing operations in the USA in 2021, the synergic effects of the material trading and cross border material sourcing between the Mexican operations and the North-eastern US businesses have become negligible to the Group.

Faced with the persistent challenges in control and integration of the business operation of the Joint Ventures, the Group has been difficult in leveraging the assets of the Joint Ventures that could drive long-term operational and financial sustainability of the Group in the region. By disposing the non-core assets of the Group by way of the Disposals, the Group will be able to consolidate its resources on its long-term strategic development. In addition, the Disposals will allow the Company to have access to new funds, optimise the allocation of resources and facilitate the realization of its strategy of prioritising the expansion of European and the PRC operations. The Disposals will also generate additional cash inflow for the Group and bring a beneficial impact on the Group's working capital and liquidity.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Disposal Agreements were entered into on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE SELLER

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 with geographical presence covering Asia, Europe and North America. The Seller is a Delaware corporation incorporated in the USA and is indirectly wholly-owned by the Company and a member of Scholz Group, which is principally engaged in the business of buying and selling (wholesale and retail) of ferrous and non-ferrous scrap metal.

INFORMATION OF THE PURCHASERS

AIM (Canada) is a corporation organized under the laws of Canada and AIM (USA) is a Delaware corporation incorporated in the USA, each of which is a member of AIM Group. AIM Group is a Canadian family business founded in 1936 in Montreal, Quebec, Canada, specialising in the recovery and recycling of scrap metal by-products. AIM Group was founded by Peter Black and has been owned and managed by the Black family since founding. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the ultimate beneficial owners of the AIM Group are Herbert Black and Ronald Black.

AIM (USA) and AIM (Canada) are not the shareholders of the Company.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the Disposals are required to be aggregated since (i) AIM (USA) is an affiliate of AIM (Canada) and (ii) both Disposal Agreement I and Disposal Agreement II have been entered into on the same date and the Disposal I is expected to be completed within a 12-month period of the Completion Date II. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals, on an aggregate basis, is more than 5% but less than 25%, the Disposals constitute discloseable transactions for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the Shareholders' approval requirement.

The Company should have complied with the relevant notification and announcement requirements under Rule 14.34 of the Listing Rules in respect of the Disposals, as and when the Disposal Agreements were entered into between the Seller and the Purchasers. Regrettably, the notification and announcement in respect of the Disposals as required under Chapter 14 of the Listing Rules had been delayed due to its inadvertent oversight. The Seller generally reported directly to Scholz Group whose management is based in Germany. The recently changed senior management of Scholz Group was not familiarised with the Listing Rules requirements and has delayed to report the signing of the Disposal Agreements to the Company. Hence, the Company was not aware that the Disposal Agreements have been signed by the Seller on 10 August 2022, only until recently the Board was informed by the management of the Joint Ventures that the Antitrust Approval (being one of the conditions precedent of the completion of Disposal I) has been granted by the Antitrust Authority in Mexico in December 2022. As soon as the Company discovered this inadvertent oversight, the Company has taken immediate remedial measures to coordinate with the management of the Seller and prepare this announcement as soon as practicable.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with the Listing Rules but the Company would like to stress that the non-compliance was inadvertent and unintentional, and the Company has no intention to withhold any information relating to the Disposals from the disclosure to the public. To prevent similar non-compliance from occurring in the future, the Company will take the following remedial actions to strengthen the reporting system and internal control procedures of the Group including:

1. The Company shall remind its management and the respective person-in charge of the business units of the Group, including its overseas subsidiaries, to report those transactions which may constitute potential notifiable transactions to the office of the Board for approval and assessment of the disclosure obligations prior to the entering into of any of those transactions;
2. The Company will arrange ongoing training on regulatory compliance matters relating to notifiable transactions provided by external legal advisers to the Directors, senior management and the responsible staff on a regular basis to reinforce their understanding of and importance of compliance with the Listing Rules;
3. The Company will provide a detailed reporting guideline relating to notifiable and connected transactions under the Listing Rules for all the Directors as well as its management team in order to strengthen and reinforce their knowledge relating to notifiable and connected transactions, as well as their ability to identify potential issues at early stage and awareness on follow-up actions in case they are in doubt when evaluating such transactions;
4. The Company will work more closely with the internal audit and legal department on regulatory compliance issues, and shall, as and when appropriate and necessary, consult external legal advisers and other professional advisers before entering into possible notifiable transactions; and
5. the Company will publish further announcements as appropriate to update the Shareholders of the progress of the Disposals.

TAKEOVERS CODE IMPLICATIONS

References are made to the announcements of the Company dated 31 October 2022, 18 November 2022 and 23 November 2022 in relation to, inter alia, updates on the restructuring of the controlling shareholders of the Company (the “**Restructuring**”) and announcement pursuant to Rule 3.7 of the Takeovers Code.

The Company is currently in the offer period (as defined in the Takeovers Code) with respect to the Restructuring. Pursuant to the Takeovers Code, the Estimated Loss Statement, the KIM Unaudited Results and the KNM Unaudited Results (collective, the “**Required Financial Information**”) are considered to constitute profit forecast under Rule 10 of the Takeovers Code and should therefore be reported on by the Company’s auditors or accountants and financial advisers in accordance with Rule 10.4 of the Takeovers Code. Since this announcement is required to be made pursuant to Rule 14.34(2) of the Listing Rules, which requires the Company to publish an announcement as soon as possible after the terms of any discloseable transaction have been finalised and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code.

Pursuant to Practice Note 2 of the Takeovers Code, the Executive is prepared to permit publication of the Required Financial Information in this announcement without full compliance with Rule 10 of the Takeovers Code and the reports from the Company’s auditors or accountants and financial advisers on the Required Financial Information are required to be included in the next document in connection with the Restructuring to be despatched to the shareholders of the Company (the “**Shareholders’ Document**”). If the 2022 Final Results Announcement will be published prior to the despatch of the next Shareholders’ Document, the requirement under Rule 10 of the Takeovers Code to report on the Estimated Loss Statement will be superseded by the publication of the 2022 Final Results Announcement, and the KIM Unaudited Results and KNM Unaudited Results will still have to be reported on in accordance with Rule 10 of the Takeovers Code and the relevant reports will be included in the next Shareholders’ Document. Otherwise, the Required Financial Information shall be reported on in accordance with Rule 10 of the Takeovers Code and the relevant reports will be included in the next Shareholders’ Document. If no mandatory general offer obligation for the shares of the Company will be triggered as a result of the Restructuring under the Takeovers Code, the requirement under Rule 10 of the Takeovers Code to report on the Required Financial Information will cease to apply.

Shareholders and potential investors of the Company should note that the Required Financial Information do not meet the standard required by Rule 10 of the Takeovers Code and have not been reported on in accordance with the Takeovers Code. Shareholders and potential investors of the Company are advised to exercise caution in placing reliance on the Required Financial Information in assessing the merits and demerits of the Restructuring and when dealing in the securities of the Company.

DEFINITIONS

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

“2022 Final Results Announcement”	the announcement to be issued by the Company for the consolidated results of the Group for the financial year of 2022
“AIM (Canada)”	American Iron & Metal Company Inc., a corporation organized under the laws of Canada
“AIM Group”	American Iron & Metal Recycling Group, a corporation organized under the laws of Canada
“AIM (USA)”	American Iron & Metal (U.S.A.) Inc., a Delaware corporation incorporated in the USA
“Amendment Agreement”	the amendment agreement to the Disposal Agreement I dated 20 December 2022 and entered into between the Seller and AIM (Canada) in relation to, amongst others, the extension of the completion date of the Disposal I
“Antitrust Approval”	the approvals required to be obtained under any applicable antitrust or competition Laws in connection with the consummation of the transaction contemplated by the Disposal Agreement I in Mexico
“Antitrust Authority”	any governmental entity having jurisdiction over enforcement of any applicable antitrust or competition Laws in Mexico
“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)

“Conditions Precedent I”	the conditions precedent of the completion of the Disposal I as stated in the section headed “Conditions Precedent I” in this announcement
“Conditions Precedent II”	the conditions precedent of the completion of the Disposal II as stated in the section headed “Conditions Precedent II” in this announcement
“Consideration I”	US\$16,500,000 (equivalent to approximately HK\$129,360,000)
“Consideration II”	US\$3,500,000 (equivalent to approximately HK\$27,440,000)
“Directors”	the directors of the Company
“Discloseable Transaction Approval”	the authorisation issued by the Governmental Entity as a result of the notification or announcement of the notifiable transaction in relation to the Disposals under the Listing Rules
“Disposal I”	the sale and purchase of Sale Interests I held by the Seller pursuant to the terms of the Disposal Agreement I
“Disposal II”	the sale and purchase of Sale Interests II and Sale Interests III held by the Seller pursuant to the terms of the Disposal Agreement II
“Disposals”	Disposal I and Disposal II
“Disposal Agreement I”	the membership interest purchase agreement dated 10 August 2022 entered into between the Seller and AIM (Canada) in relation to the Disposal I
“Disposal Agreement II”	the membership interest purchase agreement dated 10 August 2022 entered into between the Seller and AIM (USA) in relation to the Disposal II
“Disposal Agreements”	Disposal Agreement I and Disposal Agreement II
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates

“Group”	the Company and its subsidiaries
“Governmental Entity”	any domestic or foreign court, arbitral tribunal, administrative agency or commission or other governmental or regulatory agency or authority or any securities exchange
“Holding Asesoria”	Holding Asesoria Empresarial, S.A. De C.V, a corporation established under the laws of Mexico
“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
“Joint Ventures”	Kalischatarra, KIM and KNM
“Kalischatarra”	Kalischatarra S. de R.L. de C.V., a corporation established in Mexico, which is owned as to 50% by the Seller and 50% by Holding Asesoria Empresarial, S.A. De C.V as at the date of this announcement
“Kalisch Investment Group”	Kalisch Investment Group Corp., a Texas limited liability company incorporated in the USA
“KIM”	Kalischatarra Iron & Metal LLC, a Texas limited liability company incorporated in the USA
“KNM”	Kalischatarra Iron and Metal NM LLC, a New Mexico limited liability company incorporated in the USA
“Law”	any statute, law, ordinance, rule or regulation of any Governmental Entity
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Material Adverse Effect”	any change or effect that has a material adverse effect on the results of operations or financial condition of Kalischatarra pursuant to the terms of the Disposal Agreement I
“Mexico”	the United Mexican States
“MXN”	the Mexican Peso, the lawful currency of the Mexico

“PRC”	The People’s Republic of China, for the purpose of this announcement, excludes Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchasers”	AIM (Canada) and AIM (USA)
“Sale Interests I”	50% of the issued and outstanding membership interests in Kalischatarra
“Sale Interests II”	50% of the issued and outstanding membership interests in KIM
“Sale Interests III”	50% of the issued and outstanding membership interests in KNM
“Seller”	Liberty Iron & Metal, Inc., a company incorporated in the USA with limited liability and an indirectly wholly owned subsidiary of the Company
“Scholz”	Scholz Recycling GmbH, a wholly-owned subsidiary of the Company which is incorporated in Germany and the holding company of the Seller
“Scholz Group”	a major operating subsidiary group of the Company, comprising members including, among others, Scholz and the Seller, and the headquarter of Scholz Group is principally based in Germany
“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
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“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\$ and MXN are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in US\$ and MXN were or may have been converted into HK\$ at such rate or any other exchange rates or at all: US\$1 = HK\$7.84 and MXN = HK\$0.39.

By Order of the Board
Chiho Environmental Group Limited
Li Linhui
Chairman

Hong Kong, 23 December 2022

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

Executive Directors:

Mr. Tu Jianhua
Mr. Li Linhui (*Chairman*)
Mr. Miao Yu
Mr. Yao Jietian
Mr. Wang Li

Independent Non-Executive Directors:

Prof. Li Zhiguo
Prof. Yan Guowan
Mr. Szeto Yuk Ting

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.