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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)

INSIDE INFORMATION UPDATES ON THE RESTRUCTURING OF THE CONTROLLING SHAREHOLDERS

This announcement is made by Chiho Environmental Group Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 30 December 2021, 7 February 2022, 21 March 2022, 22 April 2022, 22 July 2022, 31 October 2022 (the “**31 Oct Announcement**”), 18 November 2022, 23 November 2022, 23 December 2022, 19 January 2023, 17 February 2023, 6 March 2023, 22 November 2023 and 22 May 2024, in relation to, inter alia, the potential restructuring of the Controlling Shareholders. Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the 31 Oct Announcement.

The board of directors (the “**Board**”) of the Company wishes to update shareholders of the Company and potential investors that on 28 July 2024, the Company received a notification (the “**Notification**”) from Mr. Tu Jianhua, a director of USUM Investment Group Limited (the “**USUM Group**”), Mr. Tu Jianhua said that the Administrators altered the Restructuring Plan, which was originally approved by the creditors' meeting and sanctioned by the Fifth Intermediate People's Court of Chongqing City, by unauthorized subdivision and sale. This significant modification to the Restructuring Plan, made without the consent of the creditors' meeting, gravely undermined the interests of both the creditors and the Company. The Administrator asserted authorization from the creditor committee to exercise shareholder rights for the Loncin Restructuring Companies. However, the creditor committee serves as a supervisory body and lacks the authority to empower the Administrator to manage property disposal. The Administrator violated the mandatory provisions of the Bankruptcy Law on the disposal of property by the Loncin Restructuring Companies by using the official seals of the Loncin Restructuring Companies under its custody without obtaining legal authorization and without the resolution of the board of directors of the Loncin Restructuring Companies, which violated the mandatory provisions of the Bankruptcy Law on the disposal of property by the Administrator, and the Restructuring Investment Agreement should be invalid. The transfer price of the Company's shares was RMB1.15 per share, which was significantly lower than the compensatory price of RMB31.98 per share stipulated in the Restructuring Plan, which seriously damaged the interests of creditors and the Company.

In order to protect the rights and interests of the minority shareholders of USUM Group, the original Restructuring Plan stipulated that "the restructuring investors shall establish New Loncin Holdings

Limited to undertake the corresponding retained assets specified in the Restructuring Plan, and the restructuring investors shall voluntarily grant 5% of the equity of New Loncin Holdings Limited to the investors", and the retained assets include the relevant shares of Loncin Motor Co., Ltd., the Company, the assets of the restructuring-related entities and the monetary funds held.

The Administrator decided to split and sell the assets of the Loncin Restructuring Companies without authorization, and disclosed the part of the Restructuring Investment Agreement had completed the disposal of the main high-quality assets among the retained assets, and did not mention the donation of 5% of the equity of the founders, including the minority shareholders of USUM Group, so the aforesaid granting shares was no longer possible, which seriously damaged the rights and interests of the minority shareholders of USUM Group.

On 16 July 2024, Mr. Tu Jianhua filed a lawsuit with the Fifth Intermediate People's Court of Chongqing City to confirm the invalidity of the agreement signed by the Administrator and 宗申公司 (Zongshen Company). Mr. Tu Jianhua will also file an invalidation lawsuit against the Restructuring Investment Agreement for the Company's portion.

The Board would like to emphasize that there is uncertainty as to the progress and outcome of the Restructuring. If the Restructuring is not successfully implemented, there is a risk that the Controlling Shareholders will be declared bankrupt. Considering that the Company is not one of the Loncin Restructuring Companies and is independent from the Controlling Shareholders in respect of business, personnel, assets and finance, the Board is of the view that the Restructuring has no material adverse impact on the operation and the financial status of the Company. As at the date of this announcement, the operation and management of the Company are stable and normal.

The Company will continue to closely monitor the subsequent development and effect of the Restructuring. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and/or other applicable codes, laws and regulations.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Chiho Environmental Group Limited
Qin Yongming
Chairman

Hong Kong, 29 July 2024

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

Executive Directors:

Mr. Tu Jianhua
Mr. Qin Yongming (*Chairman*)
Mr. Miao Yu
Mr. Yao Jietian
Mr. Wang Li
Mr. Liu Yongxin

Independent Non-Executive Directors:

Prof. Li Zhiguo
Mr. Szeto Yuk Ting