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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 IN RELATION TO CERTAIN NON-WHOLLY OWNED SUBSIDIARIES IN THE PRC

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Chiho Environmental Group Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

As at the date of this announcement, the Company, through its wholly owned subsidiary Jinlian International Group Limited (a company incorporated in Hong Kong) (the “**HK Holdco**”), holds 60% of equity interest in 綠鑫誠清潔能源有限公司 (Luxincheng Clean Energy Co., Ltd.\*) (“**Luxincheng**”). 40% of the equity interest of Luxincheng is held by 山東大磁場環保工程有限公司 (Shandong Big Magnet Field Environmental Protection Engineering Co., Ltd.\*), which was ultimately controlled by an individual whose name is 李玉虎 (“**Mr. Li**”). Luxincheng has three wholly-owned subsidiaries, namely, (i) 煙台立衡環保科技有限公司 (Yantai Liheng Environmental Protection Technology Co., Ltd.\*) (“**Yantai Liheng**”); (ii) 煙台齊盛石油化工有限公司 (Yantai Qisheng Petrochemical Co., Ltd.\*) (“**Yantai Qisheng**”) and (iii) 重慶鑄金環保科技有限公司 (Chongqing Zhujin Environmental Protection Technology Co., Ltd.\*) (the “**Subject Group Companies**”). The Subject Group Companies are principally engaged in the processing and sales of lubricating oil whose business has substantially been carried out by Yantai Liheng under the management of Mr. Li.

For the three years ended 31 December 2023 and the six months ended 30 June 2024, the Subject Group Companies were loss-making, the revenue during such periods and the total assets of the Subject Group Companies as at 31 December 2023 and 30 June 2024 constituted less than 5% of that of the Group. The Subject Group Companies’ operation has been largely financed by intra-group loans advanced by other members of the Group (the “**Intra-group Lenders**”) to Yantai Liheng (the “**Intra-group Loans**”). Some of the Intra-group Loans were guaranteed by Mr. Li. As at the date of this announcement, the outstanding principal and interest under the Intra-group Loans amounted to approximately RMB66.7 million.

Since the Intra-group Loans had been overdue, in late November 2024, the Intra-group Lenders issued demand letters requesting Yantai Liheng to repay the Intra-group Loans in December 2024. Despite the demands, Yantai Liheng did not make any repayment. In order to understand the reason of non-repayment, management of the Company then requested Yantai Liheng to deliver its books and records to its headquarters in the PRC but such request was not met. As such, the management of the Company commanded legal advisers and financial advisers to conduct an on-site investigation on Yantai Liheng. Based on the preliminary findings of the professional advisers recently reported to the management, it was revealed that (the “**Irregularities**”):

- (1) Between June and July 2024, Yantai Liheng and Yantai Qisheng have advanced loans (the “**Suspicious Loans**”) from two banks (the “**Banks**”) in the total sum of RMB30 million for purported procurement of raw materials. Upon preliminary investigation, it was revealed that the Suspicious Loans were paid to a supplier and a third party, who were believed to be related to or affiliated with Mr. Li and another former employee of the Group, without any proper reason. Under the internal control menu of the Group, any external financing (e.g. bank borrowings) made by a subsidiary of the Group, regardless of the amount, require approval from the financial controller of the Group. However, Yantai Liheng and Yantai Qisheng have failed to report and obtain such approval. Hence, it appeared that the Banks have not conducted proper procedures in approving the Suspicious Loans;
- (2) Upon investigation with the relevant government authorities, it was revealed that Luxincheng convened a shareholders’ meeting on 24 September 2024 to approve the change of directors and business scope. The minutes filed with the relevant government authorities (the “**False Filing**”) bore the chop appears to be that of HK Holdco and the signature of Mr. Tu Jianhua. However, neither the HK Holdco had attended that meeting nor affixed its chop, nor Mr. Tu Jianhua had seen or signed such document. Therefore, such shareholders’ meeting minutes were forged (the “**Forged Document**”);
- (3) During the second half of 2024, Yantai Liheng and its wholly-owned subsidiary incurred abnormal huge loss of approximately RMB34.8 million in aggregate (the actual figure is subject to further verification and/or adjustment due to reasons stipulated in paragraph 4 below), which was more than 2 times of its loss recorded for the year ended 31 December 2023. Yantai Liheng and Mr. Li alleged that such loss was caused by decrease in gross profit margin during the relevant period; and
- (4) During the Group’s investigation process, Mr. Li alleged that the computers in which the financial information of Yantai Liheng was stored and the financial books and records of Yantai Liheng were confiscated by the tax authority for the purpose of tax audit. Yantai Liheng and Mr. Li failed to provide the Group the notice of tax audit issued by the relevant tax authority or a list of properties confiscated by the tax authority to support the authenticity of the alleged tax audit. Mr. Li refused to meet the legal advisers and the financial advisers of the Group or provide update as to the tax audit. It appears that the huge loss recorded by the Subject Group Companies was caused by the breach of relevant accounting and tax laws of the People’s Republic of China by Mr. Li and/or his affiliated companies.

Upon discovery of the above Irregularities, the Group has taken and will take the following actions:

- (a) Initiated formal proceedings against Yantai Liheng and Mr. Li to demand the repayment of the Intra-group Loans;

- (b) Reported to the relevant PRC government authorities of the Forged Document and requested for cancellation of the False Filing;
- (c) Filed a complaint with the relevant financial regulatory bodies against the Banks for not conducting proper procedures in approving the Suspicious Loans;
- (d) Reported to the relevant tax bureaus of possible breach of tax regulations by Mr. Li and/or his affiliated companies;
- (e) The management is in the course of preparing the relevant materials and will make criminal complaints to the Public Security Bureau of the PRC and the Hong Kong Police Force about the forgery of company chop of HK Holdco and signature of Mr. Tu Jianhua as appeared on the Forged Document; and
- (f) Pursue all acts to hold other relevant persons accountable for their wrongdoings.

The Group emphasizes that it will take strenuous actions to recover the Intra-group Loans and will pursue all possible claims against the person(s) involved in the Irregularities. Further announcement(s) will be made by the Company as and when appropriate.

**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**  
**Yao Jietian**  
*Executive Director*

Hong Kong, 13 January 2025

*\* For identification purpose only*

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. Liu Yongxin

*Independent Non-Executive Directors:*

- Prof. Li Zhiguo
- Mr. Szeto Yuk Ting
- Ms. Leung Pui Yee