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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 DECONSOLIDATION OF SUBSIDIARIES
AND
COMMENCEMENT OF INDEPENDENT INVESTIGATION**

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).

DECONSOLIDATION OF SUBSIDIARIES

Reference is made to the announcement (the “**Announcement**”) of the Company dated 13 January 2025 in relation to, among others, the irregularities of certain subsidiaries of the Company. Unless otherwise specified, capitalised terms used in this announcement have the same meanings as defined in the Announcement.

Given that employees of the Group have been restricted from accessing the office of the Subject Group Companies and contacting the staff of the Subject Group Companies since 1 September 2024, the Group has been unable to carry out communication with the Subject Group Companies and also unable to access the books and records of the Subject Group Companies. Despite the Group’s repeated efforts in negotiating with Mr. Li and the management of the Subject Group Companies since 1 September 2024 in hope of reaching a favorable solution, such efforts have proved to be futile. The management of the Subject Group Companies ceased to report to the Group on any business matter, and the Group is unable to obtain all the necessary books and records of the Subject Group Companies to ascertain their operational status and financial situation.

Despite the Group's efforts in taking protective measures over the past few months such as (i) taking legal action against Mr. Li for the recovery of the Intra-group Loans; (ii) filing complaint to the Administration of Market Regulation of the PRC against the False Filing; and (iii) filing complaint to the National Financial Regulatory Administration Yantai Branch against the Banks for not conducting proper procedures when approving the Suspicious Loans; and (iv) filing criminal report to the Hong Kong Police in relation to the Forged Document, the Board is of the view that the Company is currently unable to exercise control to the operating, investing and financing activities of the Subject Group Companies. The Company has discussed the issue with its auditors. After having taken into account the applicable requirements under the International Financial Reporting Standards in relation to the consolidated financial statements of the Group for the year ended 31 December 2024, the Board considers that the Subject Group Companies shall be deconsolidated from the Group with effect from the date of the event that Mr. Li seized the Group's control over the Subject Group Companies (i.e. 1 September 2024) (the "**Deconsolidation**"), on the basis that (i) the Company is unable to exercise control the operating, investing and financing activities of the Subject Group Companies; (ii) the Company is unable to obtain the books and records of the Subject Group Companies since 1 September 2024; (iii) the Company is unable to contact the key management of the Subject Group Companies; and (iv) the Company is unable to direct the future development of the Subject Group Companies. In light of the above circumstances, the Group will exclude the financial position of the Subject Group Companies as at and after 1 September 2024 and the results and cash flows of the Subject Group Companies since 1 September 2024 from the consolidated financial statements of the Group for the financial year ended 31 December 2024. The Board considered that the consolidated financial statements of the Group for the year ended 31 December 2024 be prepared on such basis will present the results and state of affairs of the Group more fairly as a whole in light of the current situation of the Subject Group Companies.

IMPACT OF THE DECONSOLIDATION

The Group is principally engaged in resources recycling, including recycling of mixed metal, end-of-life vehicle, waste electrical and electronic equipment and wasted lubricant oil recycling with geographical presence covering Asia and Europe. The Subject Group Companies are principally engaged in wasted lubricant oil processing and recycling in the PRC.

The revenue of the Subject Group Companies represented approximately 1.0% and 1.0% of the revenue of the Group for the year ended 31 December 2023 and six months ended 30 June 2024 respectively. The assets of the Subject Group Companies represented approximately 3.9% and 3.5% of the assets of the Group for the year ended 31 December 2023 and six months ended 30 June 2024 respectively.

The Deconsolidation will result in a deconsolidation of assets, liabilities and certain reserves in the financial statements of the Subject Group Companies, which will lead to a one-off loss on deconsolidation to the Group. The Board expects that the Deconsolidation will have a significant impact on the consolidated financial statements of the Group for the year ended 31 December 2024. As at the date of this announcement, the annual audit is taking place and the Company is in the course of quantifying the financial impact of the Deconsolidation on the Group.

COMMENCEMENT OF INDEPENDENT INVESTIGATION

The Board hereby announces that, on 25 February 2025, an independent investigation led by the audit committee of the Company (the “**Audit Committee**”), comprising independent non-executive Directors, namely Ms. Leung Pui Yee, Prof. Li Zhiguo and Mr. Szeto Yuk Ting, has commenced, the purpose of which is to identify the related issues and the personnel involved in the Irregularities and the impact of the Irregularities on the Company, financially or otherwise, if any. The Company will make further announcements as and when appropriate to update the Shareholders and potential investors on the latest progress of the independent investigation.

The Group will continue to make all lawful efforts to enforce and protect its shareholders’ rights.

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, 3 March 2025

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

<i>Executive Directors:</i>	Mr. Tu Jianhua Mr. Qin Yongming (<i>Chairman</i>) Mr. Miao Yu Mr. Yao Jietian Mr. Liu Yongxin
<i>Independent Non-Executive Directors:</i>	Prof. Li Zhiguo Mr. Szeto Yuk Ting Ms. Leung Pui Yee