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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
AND
ANNOUNCEMENT PURSUANT TO RULE 3.7 OF
THE TAKEOVERS CODE
AND
RESUMPTION OF TRADING**

This announcement is made pursuant to the Inside Information Provisions under part XIVA of the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and Rule 3.7 of The Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”).

Reference is made to the announcements of Chiho Environmental Group Limited (the “Company”, together with its subsidiaries, the “Group”) dated 30 December 2021, 7 February 2022, 21 March 2022, 22 April 2022 and 24 July 2022 (the “Announcements”) in relation to, *inter alia*, the potential restructuring of the Controlling Shareholders.

As disclosed in the Announcements, Loncin Group Co., Limited, Loncin Holdings Co., Limited and USUM Investment Group Limited (the “**Controlling Shareholders**”), which are intermediate controlling shareholders of the Company, and ten other companies related to the Controlling Shareholders (together with the Controlling Shareholders, the “**Loncin Restructuring Companies**”) are undergoing a restructuring (the “**Restructuring**”) under the supervision of the Fifth Intermediate People’s Court of Chongqing City (重慶市第五中級人民法院) (the “**Chongqing Intermediate Court**”).

As at the date of this announcement, the Controlling Shareholders indirectly hold approximately 60.95% of the entire issued share capital of the Company through USUM Investment Group Hong Kong Limited.

RESTRUCTURING INVESTMENT AGREEMENT

On 27 October 2022, the Company received a notification from Beijing Long An Law Firm (北京市隆安律師事務所) and Beijing Dacheng Law Offices, LLP (Shanghai) (北京大成(上海)律師事務所), the joint administrators of Loncin Restructuring Companies in relation to the Restructuring (the “**Administrators**”), that Loncin Restructuring Companies have entered into a restructuring investment agreement (the “**Restructuring Investment Agreement**”) with China Partner (Shanghai) Equity Investment Fund Management Co., Ltd.* (中國合夥人(上海)股權投資基金管理有限公司) (“**China Partner (Shanghai) Equity Investment**”) and Chongqing Development Investment Co., Ltd* (重慶發展投資有限公司) (“**Chongqing Development**”, together with China Partner (Shanghai) Equity Investment, the “**Restructuring Investors**”).

The Company was informed by the Administrators that the Restructuring Investment Agreement is a legally binding agreement entered into between the Restructuring Investors and the Loncin Restructuring Companies in relation to the Restructuring, which is conditional upon and subject to, among others, the approval by the creditors of the Loncin Restructuring Companies at a creditors’ meeting and sanction by the Chongqing Intermediate Court.

The Company was also informed by the Administrators that the draft of the Restructuring plan has been submitted to the Chongqing Intermediate Court and the creditors of the Loncin Restructuring Companies, and the creditors’ meeting of the Restructuring will be convened on 14 November 2022 to consider, and if thought fit, approve the Restructuring plan. In case the Restructuring plan being approved by the creditors of the Loncin Restructuring Companies, the Administrators will then submit the Restructuring plan to the Chongqing Intermediate Court for sanction.

As at the date of this announcement, neither the creditors' approval nor the court's sanction has been obtained. There is no assurance that the Restructuring would be approved by the creditors of the Loncin Restructuring Companies and the Chongqing Intermediate Court. 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. In the event that the aforementioned approval and sanction are obtained and the Restructuring is implemented, the ultimate beneficial owner of the Controlling Shareholders may be changed, which in turn may trigger a mandatory general offer under the Takeovers Code.

China Partner (Shanghai) Equity Investment is a limited liability company established in the People's Republic of China (the "PRC"), which is principally engaged in equity investment management and investment management. Its ultimate beneficial owner and actual controller is Mr. Bi Hao (畢浩).

Chongqing Development is a limited liability company established in the PRC and a wholly state-owned enterprise. Its scope of business includes but not limited to the investment and management of funds, equity, debt, etc., the management, development and operation of the state-owned resources, assets and the assets formed by investments entrusted or transferred to it, and the capital operation management.

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.

SECURITIES OF THE COMPANY

As at the date of this announcement, the relevant securities of the Company comprise 1,605,152,291 ordinary shares. Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date hereof.

MONTHLY UPDATE

In accordance with Rule 3.7 of the Takeovers Code, monthly announcement(s) will be made by the Company until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

DEALING DISCLOSURE

For the purposes of the Takeovers Code, the offer period has commenced from the date of this announcement, being 31 October 2022.

In accordance with Rule 3.8 of the Takeovers Code, respective associates of the Company (as defined in the Takeovers Code, including among others, Shareholders having interests of 5% or more in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company) and the Restructuring Investors are hereby reminded to disclose their dealings in the securities of the Company pursuant to the requirements of the Takeovers Code.

RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value in involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 31 October 2022 pending the release of this announcement.

Application has been made by the Company for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 1 November 2022.

Warnings: There is no assurance that the Restructuring will be implemented, or that it will lead to a general offer under Rule 26.1 of Takeovers Code. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

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

Hong Kong, 31 October 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.

* *For identification purpose only*