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中滔環保

CT ENVIRONMENTAL GROUP LIMITED
中滔環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1363)

**POSSIBLE VERY SUBSTANTIAL DISPOSAL
AND
RESUMPTION OF TRADING**

THE DISPOSAL

On 18 September 2018, the Company entered into the Agreement with Agile Eco pursuant to which the Company conditionally agreed to sell and Agile Eco conditionally agreed to purchase the Sale Equity Interest, subject to the terms and conditions of the Agreement. Completion shall be conditional upon, among other things, the approval of the Agreement and the transactions contemplated thereunder by the Shareholders at the EGM.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are 75% or more, the Disposal, if materialised, would constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and be therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal.

GENERAL

A circular containing, among other things, details of the Agreement, the financial information of the Group and the Target Companies, the notice convening the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable.

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed “The Agreement – Conditions precedent” in this announcement, including the approval of the Agreement and the transactions contemplated thereunder by Shareholders at the EGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 17 September 2018 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 24 September 2018.

INTRODUCTION

On 18 September 2018, the Company entered into the Agreement with Agile Eco pursuant to which the Company conditionally agreed to sell and Agile Eco conditionally agreed to purchase the Sale Equity Interest, subject to the terms and conditions of the Agreement.

The principal terms of the Agreement are as follows:

THE AGREEMENT

Date: 18 September 2018

Parties:

- (a) The Company
- (b) Agile Eco

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, each of Agile Eco and Agile Group is independent of the Company and connected persons (as defined in Chapter 14A of the Listing Rules) of the Company as at the date of this announcement.

Assets to be disposed of

The assets to be disposed of by the Company are the Sale Equity Interest, being 50% equity interest in each of the six Target Companies.

As at the date of this announcement, each of the Target Companies is a wholly-owned subsidiary of the Company. Immediately upon Completion, the Company will hold 50% equity interest in each of the Target Companies and subject to the applicable accounting principles, each of the Target Companies may or may not remain to be a subsidiary of the Company.

Consideration

The consideration to be paid by Agile Eco for the Sale Equity Interest will be determined after completion of the due diligence by Agile Eco. It will be determined after taking into account several factors including the net asset value of the Target Companies and the prospects of the Target Companies.

The amount of consideration payable for the Sale Equity Interest and the manner in which it should be paid will be set out in a supplemental agreement to be signed between the parties. It is currently expected that the supplemental agreement will be entered into prior to the despatch of the circular in relation to the Disposal.

Payment of Earnest Money

Subject to the due diligence results being satisfactory to Agile Eco, within three business days after completion of the registration procedures in relation to the pledge of the Sale Equity Interest in favour of Agile Eco, Agile Eco shall pay the Earnest Money.

The Earnest Money has been determined with reference to the aggregate net asset of the Target Companies as at 30 June 2018 in the amount of approximately RMB1.26 billion.

Security and guarantee in relation to the Earnest Money

The Company agreed to procure a pledge over the Sale Equity Interest in favour of Agile Eco before the payment of the Earnest Money can be made by Agile Eco to the Company and until Completion.

The Company also agreed to provide guarantee in respect of the return of the Earnest Money by the Company to Agile Eco in case the Disposal does not proceed.

Conditions precedent

Completion will be conditional, among other things:

- (a) the approval of the Agreement and the transactions contemplated thereunder by the Shareholders at the EGM; and
- (b) the results of the due diligence on the Target Companies being satisfactory to Agile Eco.

Term of the Agreement

The Agreement is valid for six months from the date of the Agreement. The Agreement will cease to have effect if any of the following happens:

- (a) the parties enter into an agreement which supersedes the Agreement;
- (b) Agile Eco gives the Company a written notice that it will not proceed with the acquisition of the Sale Equity Interest; or
- (c) the parties agree to terminate the Agreement.

If the Agreement is terminated, unless otherwise agreed, the Company shall return the Earnest Money to Agile Eco within three days of the termination together with accrued interest.

Exclusivity

The Company has undertaken to Agile Eco that during the term of the Agreement, the Company shall not discuss with any person or enter into any agreement or otherwise cooperate with any person with respect to the disposal of the Sale Equity Interest.

INFORMATION ON THE PARTIES

The Company is an investment holding company. The Group is a professional environmental plan and solution provider which offers one-stop centralized and customized environmental protection services. The Group is engaged in services in the whole chain, inclusive of industrial wastewater treatment, industrial water supply, general and industrial solid waste treatment and hazardous waste disposal and treatment, urban and domestic waste detoxification, and environmental inspection.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Agile Eco is principally engaged in solid waste treatment, environmental remediation and water, including hazardous waste treatment, domestic waste treatment, kitchen waste treatment, sludge treatment, soil environment remediation, water environment remediation, sewage treatment, water supply etc. and is a wholly-owned subsidiary of Agile Group, a company listed on the main board of the Stock Exchange with stock code 3383.

INFORMATION ON THE TARGET COMPANIES

The Target Companies are wholly-owned subsidiaries of the Company as at the date of this announcement. The principal business or assets of each of the Target Companies are set out below:

Target Company	Principal business/assets
Target Company A	water supply, wastewater treatment, land levelling, heating service and electricity generation
Target Company B	water supply, wastewater treatment, land levelling, heating service and electricity generation
Target Company C	water supply, wastewater treatment
Target Company D	water supply, wastewater treatment, land levelling, heating service and electricity generation
Target Company E	solid waste treatment
Target Company F	hazardous waste treatment

Target Company A

Set out below is a summary of certain audited consolidated financial information of Target Company A for the two years ended 31 December 2017:

	For the year ended 31 December 2017 RMB	For the year ended 31 December 2016 RMB
Net profits before taxation and extraordinary items	117,520,722	26,229,803
Net profits after taxation and extraordinary items	94,684,299	19,369,096

The unaudited consolidated total asset value and net asset value of Target Company A as at 30 June 2018 were approximately RMB1,426,692,069 and RMB405,402,606 respectively.

Target Company B

Set out below is a summary of certain audited consolidated financial information of Target Company B for the two years ended 31 December 2017:

	For the period from 8 August 2017 to 31 December 2017 RMB	For the year ended 31 December 2016 RMB
Net losses before taxation and extraordinary items	70,398	N/A
Net losses after taxation and extraordinary items	70,398	N/A

The unaudited consolidated total asset value and net asset value of Target Company B as at 30 June 2018 were approximately RMB107,195,481 and RMB22,050,631 respectively.

Target Company B was established on 8 August 2017.

Target Company C

Set out below is a summary of certain audited consolidated financial information of Target Company C for the two years ended 31 December 2017:

	For the period from 14 March 2017 to 31 December 2017 RMB	For the year ended 31 December 2016 RMB
Net profits before taxation and extraordinary items	–	N/A
Net profits after taxation and extraordinary items	–	N/A

The unaudited consolidated total asset value and net asset value of Target Company C as at 30 June 2018 were approximately RMB73,638,983 and RMB4,621,634 respectively.

Target Company C was established on 14 March 2017.

Target Company D

Target Company D was established on 6 August 2018 and hence does not have any financial information as of the date of this announcement.

Target Company E

Set out below is a summary of certain audited consolidated financial information of Target Company E for the two years ended 31 December 2017:

	For the year ended 31 December 2017 RMB	For the year ended 31 December 2016 RMB
Net profits before taxation and extraordinary items	47,240,660	100,245,205
Net profits after taxation and extraordinary items	42,465,571	100,245,205

The unaudited consolidated total asset value and net asset value of Target Company E as at 30 June 2018 were approximately RMB1,048,134,510 and RMB331,505,396 respectively.

Target Company F

Set out below is a summary of certain audited consolidated financial information of Target Company F for the two years ended 31 December 2017:

	For the year ended 31 December 2017 RMB	For the year ended 31 December 2016 RMB
Net profits before taxation and extraordinary items	173,176,564	164,562,483
Net profits after taxation and extraordinary items	142,022,805	139,925,238

The unaudited consolidated total asset value and net asset value of Target Company F as at 30 June 2018 were approximately RMB1,038,075,225 and RMB498,696,877 respectively.

The actual amount of gain or loss as a result of the Disposal will be subject to the final determination of the amount of consideration payable for the Sale Equity Interest.

REASONS FOR AND BENEFIT OF THE DISPOSAL

The Directors consider that the Disposal is a good opportunity to realise a considerable gain and generate cash inflow for the Group thereby strengthening the cash position of the Group in view of the net current liabilities position as of 30 June 2018 as disclosed in the Company's recent interim results announcement. Improvement of the cash position of the Group will enable the Group to capture business growth which may arise in the long run. As at the date of this announcement, the Company intends to use the net proceeds from the Disposal for repayment of bank loans and for the general working capital of the Group.

Upon completion of the Disposal, the Group would continue to be principally engaged in the provision of one-stop centralized and customized environmental protection services.

Other than the six Target Companies, the Company has 22 operating subsidiaries as at the date of this announcement. The financial information of such subsidiaries is as follows:

	For the six months ended 30 June 2018 (unaudited) <i>RMB</i>
Revenue	231,768,809
Net profit before taxation and extraordinary items	49,094,396
Net profit after taxation and extraordinary items	40,874,626

The unaudited total assets and net assets of such subsidiaries as at 30 June 2018 amounted to RMB3,480,486,514 and RMB1,070,886,777 respectively.

The Directors (including the independent non-executive Directors) confirm that completion of the Disposal would not have any adverse impact on the business activities of the Group.

As at the date of this announcement, other than the Disposal, the Company has not started any formal negotiation or entered into any agreement or arrangement to downsize, cease or dispose of any of the Company's existing businesses, and/or to acquire other businesses. The Company is open to explore new business opportunities should suitable business opportunities arise.

In light of the reasons above, the Directors (including the independent non-executive Directors) confirm that the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are 75% or more, the Disposal, if materialised, would constitute a very substantial disposal for the Company and be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereafter.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Agreement and the Disposal contemplated thereunder and no Shareholder will be required to abstain from voting on the resolution(s) to be proposed at the EGM.

A circular containing, amongst other things, details of the Agreement, the financial information of the Group and the Target Companies, the notice convening the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable.

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed "The Agreement – Conditions precedent" in this announcement, including the approval of the Agreement and the transactions contemplated thereunder by Shareholders at the EGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

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DEFINITIONS

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as set forth below:

“Agile Eco”	Agile Eco Technology (Hong Kong) Limited, a company incorporated in Hong Kong
“Agile Group”	Agile Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 3383)
“Agreement”	the cooperation framework agreement dated 18 September 2018 entered into by the Company and Agile Eco in relation to the Disposal
“Board”	the board of Directors
“Company”	CT Environmental Group Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 1363)
“Completion”	completion of the sale and purchase of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Equity Interest pursuant to the terms and conditions of the Agreement
“Earnest Money”	the earnest money to the Company in the amount of RMB200,000,000 payable by Agile Eco to the Company pursuant to the terms of the Agreement

“EGM”	the extraordinary general meeting of the Company to be convened and held to approve, among other matters, the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity Interest”	collectively, 50% equity interest in Target Company A, 50% equity interest in Target Company B, 50% equity interest in Target Company C, 50% equity interest in Target Company D, 50% equity interest in Target Company E and 50% equity interest in Target Company F
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, Target Company A, Target Company B, Target Company C, Target Company D, Target Company E and Target Company F, which are wholly-owned subsidiaries of the Company as at the date of this announcement
“Target Company A”	Yulin Xintao Environmental Protection Technology Company Limited* (玉林市新滔環保科技有限公司), a company established in the PRC and a wholly-owned subsidiary as at the date of this announcement

“Target Company B”	Guangxi Bobai County Yantao Environmental Protection Technology Company Limited* (廣西博白縣研滔環保科技有限公司), a company established in the PRC and a wholly-owned subsidiary as at the date of this announcement
“Target Company C”	Yulin City Yutao Environmental Protection Technology Company Limited* (玉林市玉滔環保科技有限公司), a company established in the PRC and a wholly-owned subsidiary as at the date of this announcement
“Target Company D”	Guangxi Xiangzhou Yantao Environmental Protection Technology Company Limited* (廣西象州研滔環保科技有限公司), a company established in the PRC and a wholly-owned subsidiary as at the date of this announcement
“Target Company E”	Qingyuan Lvyou Environmental Protection Technology Company Limited* (清遠緣由環保科技有限公司), a company established in the PRC and a wholly-owned subsidiary as at the date of this announcement
“Target Company F”	Guangzhou CT Lvyou Environmental Protection Technology Company Limited* (廣州中滔緣由環保科技有限公司), a company established in the PRC and a wholly-owned subsidiary as at the date of this announcement
“%”	per cent.

By order of the Board
CT Environmental Group Limited
Tsui Cham To
Executive Director

Hong Kong, 21 September 2018

As at the date of this announcement, the executive Directors are Mr. Tsui Cham To, Mr. Xu Zhencheng, Mr. Xu Shubiao, Mr. Xu Juwen, the non-executive Director is Mr. Yang Chunlin and the independent non-executive Directors are Mr. Suen To Wai, Mr. Zhang Lu Fu and Mr. Liu Yung Chau.

* For identification purpose only