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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)

INSIDE INFORMATION LAND RESUMPTION

This announcement is made pursuant to Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

On 28 September 2020, Guangzhou Lvyou, a wholly-owned subsidiary of the Company, entered into the Resumption Agreement with the Land Development Centre and the Land Resumption and Compensation Office pursuant to which Guangzhou Lvyou agrees to, among others, surrender the Property to the Land Development Centre in return of the Compensation Amount of RMB1,237,883,558 (equivalent to approximately HK\$1,405,647,599).

After consideration of all aspects of the Land Resumption, the Directors are of the view that the Land Resumption does not constitute a “transaction” under Chapter 14 of the Listing Rules as (i) the Land Development Centre and the Land Resumption and Compensation Office are governmental departments of the Nansha District Government in charge of the resumption of land in the local area within which the Property is located; (ii) Guangzhou Lvyou is obliged to follow the administrative order made by the Land Development Centre and the Land Resumption and Compensation Office to relocate its existing operation to the New Site; and (iii) it has no discretion to act in any opposite manner.

This announcement is made pursuant to Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

THE LAND RESUMPTION

The Board announces that Guangzhou Lvyou, a wholly-owned subsidiary of the Company, entered into the Resumption Agreement with the Land Development Centre and the Land Resumption and Compensation Office relating to the Land Resumption on 28 September 2020.

THE RESUMPTION AGREEMENT

Date

28 September 2020

Parties to the Resumption Agreement:

1. Guangzhou Lvyou, a wholly-owned subsidiary of the Company;
2. Land Development Centre, a local authority of the Nansha District Government, Guangdong Province; and
3. Land Resumption and Compensation Office, a local authority of the Nansha District Government, Guangdong Province.

The Property

The Property is a piece of land zoned for industrial use with an area of approximately 150,946 square meters situated at Changsha Village, Hengli Town, Nansha District, Guangzhou, Guangdong Province, the PRC. The Property is owned by Guangzhou Lvyou, together with buildings, attachments, assets and machinery located thereon.

The Property has been used by Guangzhou Lvyou for the purpose of the provision of hazardous waste treatment services since 2002. Based on the unaudited management accounts of Guangzhou Lvyou as of 31 December 2019, the cost and net book value of the property, plant and equipment in relation to its treatment plant were approximately RMB406,508,000 and approximately RMB147,450,000 respectively while the cost and net book value of the land parcel were approximately RMB93,107,000 and approximately RMB75,574,000 respectively.

Nature of the Land Resumption

Pursuant to the Resumption Agreement, Guangzhou Lvyou has agreed to surrender the Property to the Land Development Centre and to relocate its existing operations to the New Site and the Land Development Centre has agreed to pay the Compensation Amount to Guangzhou Lvyou in accordance with the terms and conditions set out in the Resumption Agreement. Pursuant to the Resumption Agreement, Guangzhou Lvyou shall handover the Property in its entirety to the Land Development Centre by 30 September 2022.

The Compensation Amount

Pursuant to the Resumption Agreement, the Compensation Amount of RMB1,237,883,558 (equivalent to approximately HK\$1,405,647,599), comprising (1) in respect of the buildings erected on the land with 33,334 square meters, RMB46,176,928 (equivalent to approximately HK\$52,435,051), while the corresponding land has been designated for the exchange of another land parcel of the same size (i.e. 33,334 square meters) at the New Site without cash compensation; (2) in respect of the land and the buildings erected on the remaining land with 117,612 square meters, RMB1,191,706,630 (equivalent to approximately HK\$1,353,212,548), and is payable by the Land Development Centre to Guangzhou Lvyou by the following stage payments:

1. RMB247,576,712 (equivalent to approximately HK\$281,129,520), being 20% of the Compensation Amount, shall be payable within 30 working days from the signing date of the Resumption Agreement (the “**First Payment**”);
2. RMB618,941,779 (equivalent to approximately HK\$702,823,799), being 50% of the Compensation Amount, shall be payable, subject to Guangzhou Lvyou completing the foundation works of the production facilities at the New Site and the foundation works of the medical incineration project thereon by 30 June 2021 (the “**Second Payment**”);
3. RMB123,788,356 (equivalent to approximately HK\$140,564,760), being 10% of the Compensation Amount, shall be payable, subject to (1) completion of the demolition and removal of the buildings, structures and attachments located on the Property by Guangzhou Lvyou; and (2) completion of the all construction works at the New Site by Guangzhou Lvyou (the “**Third Payment**”); and

4. RMB247,576,712 (equivalent to approximately HK\$281,129,520), being 20% of the Compensation Amount, shall be payable within three (3) month after Guangzhou Lvyou has completed soil restoration of the Property with satisfactory inspection result and handing over the Property (the “**Fourth Payment**”).

The Group intends to use the proceeds from the First Payment to discharge encumbrances over the Property and for general working capital purpose. The balance of the Compensation Amount is expected to be applied for the relocation of the operations to the New Site, construction of facilities at the New Site, reduction of the Group’s indebtedness and for the Group’s general working capital requirements.

The Compensation Amount was determined after arm’s length negotiations between Guangzhou Lvyou and the Land Development Centre taking into consideration: 1) recent market conditions in the Nansha District in relation to commercial use land; and 2) calculation formula contained in the Old Area Renovation Policy of Guangzhou City (廣州市舊區改造政策).

INFORMATION ON THE NEW SITE

Management Committee of Guangzhou Nansha Economic and Technological Development Zone (廣州南沙經濟技術開發區管理委員會), a governmental department of the Nansha District Government, has requested Guangzhou Lvyou to relocate the operations at the Property to the New Site. The New Site is located at Dagang Town, Nansha District, Guangzhou, Guangdong Province, the PRC, with an area of 108 mu (畝) zoned for industrial use, among which 50 mu would be granted as exchange for certain land parcel at the Property and the remaining 58 mu is to be acquired by Guangzhou Lvyou.

The operations currently carried on at the Property will be relocated to the New Site in phases as per progress of the construction at the New Site. The operations of the New Site to be undertaken by Guangzhou Lvyou are expected to encompass treatment of medical waste by incineration in the initial phase. Incineration of hazardous waste, treatment of industrial waste water, packaging material waste and organic solution waste will also be undertaken on the New Site, all of which are classified as hazardous waste in the PRC. Guangzhou Lvyou will utilize a combination of financing options to complete the construction and operations at the New Site, including but not limited to: (1) utilizing part of the Compensation Amount; (2) raising financing from financial institutions; and (3) investments by strategic investors.

INFORMATION ON THE GROUP, THE LAND DEVELOPMENT CENTRE AND THE LAND RESUMPTION AND COMPENSATION OFFICE

The Company was incorporated in Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. It 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 treatment, urban and domestic waste detoxification, and environmental inspection.

Guangzhou Lvyou is a limited liability company incorporated in the PRC. It is an indirect wholly-owned subsidiary of the Company and is mainly engaged in the provision of hazardous waste treatment services.

To the best of the Directors' knowledge, information and belief, the Land Development Centre and the Land Resumption and Compensation Office have been authorised by the Nansha District Government to undertake the land resumption activities in the Nansha District of Guangzhou within which the Property is located.

REASONS FOR AND BENEFITS OF THE LAND RESUMPTION

In accordance with the development planning of the Nansha District Government, the Property has been included in the master planning of the Nansha District Government and as a result, Guangzhou Lvyou has been directed to relocate its production plants to the New Site and surrender the Property to the Land Development Centre. The Directors consider that Guangzhou Lvyou has no option to act in any opposite manner.

In view that (i) the Compensation Amount will be a good opportunity to reduce the current level of debt in the short term thereby strengthening the cash position and capital structure of the Group; and (ii) the Compensation Amount will also be able to partly address stakeholders' concerns on the cashflow position of the Group, the Directors consider the Compensation Amount and the terms of the Resumption Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

After consideration of all aspects of the Land Resumption, in view that (i) the Land Development Centre and the Land Resumption and Compensation Office are governmental departments of the Nansha District Government in charge of the resumption of land in the local area within which the Property is located; (ii) Guangzhou Lvyou is obliged to follow the administrative order made by the Land Development Centre and the Land Resumption and Compensation Office to relocate its existing operation to the New Site; and (iii) it has no discretion to act in any opposite manner, the Directors are of the view that the Land Resumption does not constitute a “transaction” under Chapter 14 of the Listing Rules.

CONTINUED SUSPENSION 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 1 April 2019. Trading in the Shares will remain suspended until further notice.

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

DEFINITIONS

Unless the context requires otherwise, the use of the capitalised terms in this announcement shall have the following meanings:

“Board”	The board of Directors;
“Company”	CT Environmental Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange;
“Compensation Amount”	The total compensation payable by the Land Development Centre to Guangzhou Lvyou pursuant to the Resumption Agreement;
“Directors”	director(s) of the Company;
“Group”	The Company and its subsidiaries;
“Guangzhou Lvyou”	廣州中滔綠由環保科技有限公司, a wholly-owned and indirect subsidiary of the Company;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Land Development Centre”	廣州南沙開發區土地開發中心;
“Land Resumption”	The resumption of the Property by the Land Development Centre and the Land Resumption and Compensation Office pursuant to their administrative order in accordance with the terms and conditions of the Resumption Agreement;
“Land Resumption and Compensation Office”	廣州市南沙區橫瀝鎮土地征收與補償工作辦公室;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Nansha District Government”	the government of Nansha District, Guangzhou, Guangdong Province, the PRC;
“New Site”	the proposed relocation site situated at Dagang Town, Nansha district, Guangzhou, Guangdong Province, PRC;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“Property”	Industrial use land of an aggregate area of approximately 150,946 square meters situated at Changsha Village, Hengli Town, Nansha District, Guangzhou, Guangdong Province, the PRC which are owned by Guangzhou Lvyou with land use right certificates numbered G20-000086 and the buildings located thereon with property ownership certificate numbered 粵(2019)廣州市不動產權第11204610、11204612、11204613、11204614、11204617、11204618、11204619、11204620、11204621、11204622、11204623、11204624、11204625、11204626、11204627、11204628、11204629、11204630、11204631、11204632、11204633、11204634、11204635、11204636、11204637、11204638、11204639、11204640、11204641、11204642、11204643、11204651号;
“Resumption Agreement”	the land resumption and compensation Resumption Agreement dated 28 September 2020 entered into between Guangzhou Lvyou, the Land Development Centre and the Land Resumption and Compensation Office relating to the Land Resumption;
“SFO”	the Securities and Futures Ordinance, chapter 571 of the laws of Hong Kong;

“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of HK0.025 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“RMB”	Chinese Yuan, the lawful currency of the PRC; and
“%”	per cent.

By order of the Board
CT Environmental Group Limited
Huang Qing
Chairman and Executive Director

Hong Kong, 30 September 2020

As at the date of this announcement, the executive directors of the Company are Ms. Huang Qing, Mr. Cheung Siu Fai, Mr. Li Yang and Mr. Wu Changbiao, and the independent non-executive directors of the Company are Mr. He Jingyong, Mr. Fong Wai Ho and Ms. Lai Pik Chi Peggy.