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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)

DISCLOSABLE TRANSACTION IN RELATION TO DISPOSAL OF TARGET ASSET

THE AGREEMENT

On 25 February 2021, Guangzhou Yinglong, a subsidiary of the Company, entered into the Agreement for the transfer of the Target Asset held by it to Xintang Government for a cash consideration of RMB259,846,200 (equivalent to approximately HK\$312.3 million). The Target Asset is the wastewater treatment plant known as Yinglong Wastewater Treatment Plant of Xintang Town, Zengcheng District, Guangzhou (廣州市增城區新塘鎮盈隆污水處理廠) which includes, among others, (i) the buildings, structures and ancillary facilities erected on the Land within which the Plant is located; (ii) the inventory, machinery, transportation equipment, raw material, spare parts and office supplies of the Plant; and (iii) the approval and licensing documents associated with the operation of the Plant (including but not limited to the blueprints, technical information, filed documents and wastewater treatment license).

LISTING RULES IMPLICATIONS

As the relevant percentage ratio applicable to the Company exceeds 5% but is less than 25%, the Transfer constitutes a disclosable transaction for the Company under the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Board announces that on 25 February 2021, Guangzhou Yinglong, a subsidiary of the Company, entered into the Agreement for the transfer of the Target Asset held by it to Xintang Government for a cash consideration of RMB259,846,200 (equivalent to approximately HK\$312.3 million). The principal terms of the Agreement are set out below:

THE AGREEMENT

Date: 25 February 2021

Parties: (1) Xintang Government as the purchaser which, to the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, is a third party independent of the Company and its connected persons; and

(2) Guangzhou Yinglong as the vendor.

Asset to be disposed of

Pursuant to the Agreement, Xintang Government has agreed to acquire, and Guangzhou Yinglong has agreed to sell, the Target Asset on the terms and conditions set out in the Agreement.

The Target Asset is the wastewater treatment plant known as Yinglong Wastewater Treatment Plant of Xintang Town, Zengcheng District, Guangzhou (廣州市增城區新塘鎮盈隆污水處理廠) which includes, among others, (i) the buildings, structures and ancillary facilities erected on the Land within which the Plant is located; (ii) the inventory, machinery, transportation equipment, raw material, spare parts and office supplies of the Plant; and (iii) the approval and licensing documents in connection with the operation of the Plant (including but not limited to the blueprints, technical information, filed documents, and wastewater treatment license). An itemised list containing the details of the asset to be transferred by Guangzhou Yinglong to Xintang Government was annexed to the Agreement.

The Land is held by Shuinan Economic Cooperation Union, and Guangzhou Yinglong obtained the land use right through lease arrangement. As such, the Land will not form part of the Target Asset to be transferred to the Xintang Government under the Agreement. Upon signing of the Agreement and at the request of Xintang Government, Guangzhou Yinglong will continue to pay rent to Shuinan Economic Cooperation Union pursuant to the existing lease arrangement until such new arrangement has been reached between Xintang Government and Shuinan Economic Cooperation Union in regard to the land use right of the Land. Xintang Government has undertaken to reimburse Guangzhou Yinglong for the rent payment advanced by it to Shuinan Economic Cooperation Union.

The unaudited net book value (net of impairment losses) of the Target Asset (prepared in accordance with accounting principles generally accepted in the PRC) was approximately RMB217.0 million as at 31 December 2020.

Pursuant to the Valuation Report issued by 中聯國際評估諮詢有限公司, the Target Asset was valued at approximately RMB259,846,200 as at 29 February 2020.

The Plant, now owned by Guangzhou Yinglong, was mainly established to process industrial and other wastewater produced by local enterprises in Zengcheng District, Guangzhou. Subsequent to the Transfer, Guangzhou Yinglong will cease its wastewater treatment business permanently.

Consideration

Pursuant to the Agreement, the Consideration of RMB259,846,200 is payable by Xintang Government to Guangzhou Yinglong by the following stage payments:

1. the first payment of RMB77,953,860 (equivalent to approximately HK\$93.7 million), being 30% of the Consideration, shall be payable within 30 days from the signing of the Agreement;
2. the second payment of RMB155,907,720 (equivalent to approximately HK\$187.4 million), being 60% of the Consideration, shall be payable within 30 days from the signing of the confirmation of asset and documents transfer; and

3. the third payment of RMB25,984,620 (equivalent to approximately HK\$31.2 million), being 10% of the Consideration, shall be payable within 30 days after (i) Xintang Government enters into agreement with Shuinan Economic Cooperation Union in regard to the land use right of the Land; and (ii) the completion of registration procedures with the relevant local authorities including, but not limited to, water, electricity and environmental protection.

The second and the third payments of the Consideration is subject to adjustment in the event of any shortfall in the asset transferred against the list of the Target Asset as agreed between the parties and itemised in detail in the Agreement. Under such circumstances, the appraisal amount of such Target Asset not so transferred pursuant to the Agreement shall be deducted from the Consideration, and the sums of each of the second payment and the third payment shall be reduced accordingly.

Further, Xintang Government has undertaken to reimburse Guangzhou Yinglong for the rent payment advanced by it to Shuinan Economic Cooperation Union pursuant to the existing lease arrangement following the signing of the Agreement until Xintang Government enters into agreement with Shuinan Economic Cooperation Union in regard to the land use right of the Land.

The Consideration was determined after arm's length negotiation between the parties with reference to the Valuation Report and the meeting memorandum issued by the governmental authority of the Zengcheng District.

INFORMATION ON THE GROUP AND XINTANG GOVERNMENT

The Company was incorporated in the 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 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 Yinglong 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 wastewater treatment services.

Xintang Government is the local governmental authority in Xintang Town, Zengcheng District, Guangzhou City, Guangdong Province of the PRC which, to the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, is a third party independent of the Company and its connected persons.

FINANCIAL EFFECT OF THE TRANSFER

As at 31 December 2020, the unaudited net book value of the Target Asset amounted to approximately HK\$217.0 million (net of impairment losses). Upon Completion, the Group expects to recognise a gain on disposal of assets of approximately HK\$42.9 million (before considering the impact of transaction tax, turnover tax and income tax), the actual gain will be subjected to review by the Company's auditors. The Group expects there is no material change in the overall asset position as a result of the Transfer. However, the relatively illiquid non-current assets will be transformed into liquid cash, which will improve the existing net current liabilities position of the Group.

USE OF PROCEEDS

It is expected that the Consideration will be substantially used for repayment of the existing indebtedness of the Group.

REASONS FOR AND BENEFITS OF THE TRANSFER

In view that (i) the Consideration is commensurate with the market value of the Target Asset after taking into account of the Valuation Report; and (ii) most of the Consideration could be used for repayment of the indebtedness of the Group, offering a good opportunity to reduce the current level of debt in the short term and at the same time strengthening the cash position and capital structure of the Group. Therefore, the Directors consider that the Consideration and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant percentage ratio applicable to the Company exceeds 5% but is less than 25%, the Transfer constitutes a disclosable transaction for the Company under the Listing Rules, and is therefore subject to the reporting and announcement requirements under 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 capitalised terms used in this announcement shall have the following meanings:

“Agreement”	the asset transfer agreement (資產轉讓協議書) dated 25 February 2021 and entered into between Guangzhou Yinglong as the vendor and Xintang Government as the purchaser in connection with the transfer of the Target Asset;
“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;
“Consideration”	the total consideration in the sum of RMB259,846,200 (equivalent to approximately HK\$312.3 million) payable by Xintang Government to Guangzhou Yinglong for the transfer of the Target Asset pursuant to the Agreement;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“Guangzhou Yinglong”	廣州盈隆污水處理有限公司, an indirect wholly-owned subsidiary of the Company;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Land”	the piece of land currently held by Shuinan Economic Cooperation Union within which the Plant is located;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Plant”	廣州市增城區新塘鎮盈隆污水處理廠, Yinglong Wastewater Treatment Plant of Xingtang Town, Zengcheng District, Guangzhou;
“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);
“Shareholders”	holders of the Shares;
“Shares”	the ordinary shares of HK0.025 each in the share capital of the Company;
“Shuinan Economic Cooperation Union”	廣州市增城區新塘鎮水南股份經濟聯合社, Shuinan Economic Cooperation Union of Xingtang Town, Zengcheng District, Guangzhou;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Asset”	the wastewater treatment plant known as 廣州市增城區新塘鎮盈隆污水處理廠 which includes, among others, (i) the buildings, structures and ancillary facilities erected on the Land; (ii) the inventory, machinery, transportation equipment, raw material, spare parts and office supplies of the Plant; and (iii) the approval and licensing documents associated with the operation of the Plant (including but not limited to the blueprints, technical information, filed documents and wastewater treatment license), an itemised list containing the details of which was annexed to the Agreement;

“Transfer”	the transfer of the Target Asset by Guangzhou Yinglong to Xintang Government for the Consideration pursuant to the Agreement;
“Valuation Report”	the valuation report in respect of the Target Asset issued by 中聯國際評估諮詢有限公司;
“Xintang Government”	廣州市增城區新塘鎮人民政府, the governmental authority of Xintang Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC;
“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
Lam Wai Tong
Acting Chairman and Executive Director

Hong Kong, 2 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Lam Wai Tong (Acting Chairman), Mr. Man Wai Lun and Mr. Wu Changbiao, the non-executive director of the Company is Ms. Huang Qing and the independent non-executive directors of the Company are Mr. He Jingyong, Mr. Fong Wai Ho and Ms. Lai Pik Chi Peggy.