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**HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED**

**鴻承環保科技有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2265)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF TARGET ASSETS LOCATED IN  
LAIZHOU CITY, SHANDONG PROVINCE, THE PRC**

**ACQUISITION OF TARGET ASSETS**

The Board is pleased to announce that on 6 January 2022, the Purchaser, a wholly owned subsidiary of the Company, has made a successful bid from a public auction in respect of the acquisition of the Target Assets which comprised (i) land use rights of three parcels of industrial lands located in Yin Hai Chemical Industrial Park, Laizhou city, Shandong province, the PRC, with an aggregate gross site area of approximately 533,300 sq.m, (ii) properties including premises and warehouses with building area of approximately 89,273 sq.m, and (iii) other infrastructures and machines, at the Consideration of approximately RMB79.5 million. The Consideration was determined after taking into account the base price for the bid, the prevailing market prices of properties in the Yin Hai Chemical Industrial Park, the development potential of the Target Assets and the valuation of the Target Assets in a valuation report dated 9 December 2021 as referred to an auction report of the Administrator. The aggregate costs relating to the Transaction, which mainly represented related tax and administration costs, are expected to be approximately RMB6.5 million and RMB0.3 million, respectively. Accordingly, the total contribution by the Group is expected to be approximately RMB86.3 million. The Group will finance the Transaction with the net proceeds from the Global Offering and its internal resources.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) calculated in respect of the Transaction under Rule 14.07 of the Listing Rules exceed(s) 5% but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a disclosable transaction of the Company and is subject to the notification and announcement requirements but exempt from shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

Reference is made to the Prospectus dated 29 October 2021. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Prospectus.

## **INTRODUCTION**

The Board is pleased to announce that on 6 January 2022, the Purchaser, a wholly owned subsidiary of the Company, has made a successful bid from a public auction in respect of the acquisition of the Target Assets. Set out below are the details of the Transaction.

## **THE TARGET ASSETS**

The Target Assets comprised (i) land use rights of three parcels of industrial lands located in Yin Hai Chemical Industrial Park, Laizhou city, Shandong province, the PRC, with an aggregate gross site area of approximately 533,300 sq.m with the expiry dates of April 2056 and November 2059, (ii) properties including premises and warehouses with building area of approximately 89,273 sq.m, and (iii) other infrastructures and machines.

## **CONSIDERATION**

The Consideration is approximately RMB79.5 million which was determined after taking into account (i) the base price for the bid, (ii) the prevailing market prices of properties in the Yin Hai Chemical Industrial Park, (iii) the development potential of the Target Assets, and (iv) the valuation of the Target Assets in a valuation report dated 9 December 2021 as referred to in an auction report of the Administrator. The aggregate costs relating to the Transaction, which mainly represented related tax and administration costs, are expected to be approximately RMB6.5 million and RMB0.3 million, respectively. Accordingly, the total contribution by the Group is expected to be approximately RMB86.3 million, which will be funded by (i) the net proceeds from the Global Offering earmarked for establishment of the New Production Facility; and (ii) the internal resource of the Group. For further details as to the use of net proceeds, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

## **PAYMENT TERMS**

It is expected that the Purchaser will pay the amounts of Consideration of approximately RMB79.5 million and administration costs of approximately RMB0.3 million on or around 9 January 2022 and the related tax of approximately RMB6.5 million at the date of transfer of legal title of the Target Assets.

It is expected that the sales and purchase agreement(s) of the Transaction will be signed between the Purchaser and the Administrator on or around 9 January 2022. The procedures of transfer of legal title including obtaining the land use right certificates and real estate title certificates are expected to be completed within 30 working days subsequent to signing of the sales and purchase agreement(s).

## **INFORMATION OF THE PARTIES**

The Company is an investment holding company. The Group is principally engaged in gold mine hazardous waste treatment in Shandong province, the PRC, focusing on (i) gold mine hazardous waste treatment, and (ii) recycling and extracting therefrom resources with economic value for sale.

The Purchaser is a limited liability company incorporated in the PRC and is an indirect wholly owned subsidiary of the Company with the business scope of manufacturing of special equipment for environmental protection, manufacturing of special instruments for environmental monitoring, sales of special equipment for environmental protection, technical services, technology development, technical consultation, technical exchanges, technology transfer, technology promotion.

The Administrator is the bankruptcy administrator of Fangtai appointed by the People's Court of Laizhou city, Shandong province (山東省萊州市人民法院).

Fangtai is a limited liability company established in the PRC with principal business in manufacturing of sulfuric acid, importing and exporting of goods and technologies, and sales of metals extracted from complex low-grade gold concentrates and difficult-to-treat copper concentrates. Fangtai was declared bankrupt by the People's Court of Laizhou city, Shandong province since August 2020.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Administrator and the Fangtai and their respective ultimate beneficial owners are third parties who are independent of, and not connected with, the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

As disclosed in the section headed “Business — Business Strategies” in the Prospectus, the Company will establish the New Production Facility, comprising two production compartments, where we are qualified for obtaining a new Hazardous Waste Business Licence with a permitted annual treatment capacity of 600,000 tonnes, and we will diversify our product offerings in our sale of recycled products business. The Target Assets will be used for the construction of the New Production Facility and the future development of the Group.

As the target parcel of land located in Yinhai Chemical Industrial Park as disclosed in the Prospectus (with a site area of approximately 166,500 sq.m) to be acquired for the construction of the New Production Facility (“**Previous Target Land**”) has not yet commenced its tendering process as expected, the Company has continuously been looking for suitable land and wanted to devise the most efficient and suitable plan to construct the New Production Facility. Having considered (i) the Target Assets are also located in the Yinhai Chemical Industrial Park which the Group would be able to enjoy the geographical advantages, (ii) the average price per sq.m of land for the Target Assets is more favourable than that of the Previous Target Land, (iii) the availability of infrastructure including a reliable electricity and water supply and sewage system on the land, and (iv) the progress of the development of the New Production Facility can be accelerated by implementing renovation, repairs and reconstructions on the existing buildings on the land and the cost-effectiveness of the construction can also be enhanced, the Company considered the Target Assets are suitable for the construction of New Production Facility and the future development of the Company.

The Directors are of the view that the terms of the Transaction, including the Consideration, are fair and reasonable, on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) calculated in respect of the Transaction under Rule 14.07 of the Listing Rules exceed(s) 5% but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a disclosable transaction of the Company and is subject to the notification and announcement requirements but exempt from shareholders’ approval requirement pursuant to Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

“Administrator”	the administrator of Fangtai appointed by the People’s Court of Laizhou city, Shandong province, namely Yantai Huaxin Bankruptcy and Liquidation Firm Co., Ltd. (煙台華信破產清算事務所有限公司), a limited liability company established under the laws of the PRC
“Board”	the board of Directors
“Company”	HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED (鴻承環保科技有限公司), 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 (stock code: 2265)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	RMB79.5 million, being the amount to be paid by the Company for the successful bid in respect of the acquisition of the Target Assets
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Production Facility”	has the meaning ascribed to it in the Prospectus
“Fangtai”	Fangtai Cycle Metal Co., Ltd. (山東方泰循環金業股份有限公司), a limited liability company established under the laws of the PRC on 29 June 2006 which was declared bankrupt by the People’s Court of Laizhou city, Shandong province
“Hazardous Waste Business License”	the permit for operation of hazardous wastes within the territory of the PRC under the Measures for the Administration of Permit for Operation of Hazardous Wastes (《危險廢物經營許可證管理辦法》)
“PRC”	the People’s Republic of China

“Prospectus”	the prospectus of the Company dated 29 October 2021
“Purchaser” or “Shandong Jinjia”	Shandong Jinjia Environment Co., Ltd (山東金嘉環保有限公司), a limited liability company established under the laws of the PRC on 8 June 2020 and an indirect wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	the land use rights of three parcels of lands located in Yin Hai Chemical Industrial Park with an aggregate gross site area of approximately 533,300 sq.m, properties including premises and warehouses with building area of approximately 89,273 sq.m, and other infrastructures and machines
“Transaction”	the acquisition of the Target Assets through an auction held by the Administrator and supervised by the People’s Court of Laizhou city, Shandong province
“Yin Hai Chemical Industrial Park”	an industrial park of the Yin Hai Chemical Industrial Park (銀海化工產業園) project, a property development project in Laizhou city, Shandong province, the PRC, which was the Laizhou government’s plan in integrating various companies engaging in chemical manufacturing, new energy and other related industrial businesses
“sq.m”	square metre(s)
“%”	per cent

By order of the Board  
**HONGCHENG ENVIRONMENTAL TECHNOLOGY  
COMPANY LIMITED**  
**Liu Zeming**  
*Chairman and Executive Director*

Hong Kong, 6 January 2022

*As at the date of this announcement, the Board comprises Mr. Liu Zeming, Mr. Zhan Yirong and Mr. Sheng Haiyan as the executive Directors; and Mr. Zhang Shijun, Ms. Liu Ye and Mr. Lau Chung Wai as the independent non-executive Directors.*