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GREEN ENERGY GROUP LIMITED

綠色能源科技集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 979)

**CONNECTED TRANSACTION:
SETTLEMENT AGREEMENT**

On 15 September 2022 (after trading hours), the JV Company, a 51% subsidiary of the Company, and Chuang Tieh, entered into the Settlement Agreement, pursuant to which the JV Company shall transfer the Machine to Chuang Tieh to fully settle the Remaining Consideration.

As at the date of this announcement, the JV Company is a 51% subsidiary of the Company, whereas Chuang Tieh is a company wholly-owned by Chou Pin Yen, who is a family member of Chou Pin Juo, a director of the JV Company holding approximately 84.55% of the interest in Blue Sky, a company which holds 34% of the interest in the JV Company. Accordingly, Chuang Tieh is an associate of Chou Pin Juo, and thus a connected person of the Company at the subsidiary level pursuant to the Listing Rules, and the Settlement Arrangement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios in respect of the Settlement Arrangement are more than 0.1% but less than 5%, the Settlement Arrangement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to (i) the announcement of the Company dated 22 August 2019 in relation to the formation of the JV Company (“**JV Announcement**”); and (ii) the announcements of the Company dated 28 August 2019 and 3 September 2019 in relation to the acquisition of two sets of high moisture rate admissible plastic pelletizing extruders by the JV Company (“**Acquisition Announcements**”, together with the JV Announcement, the “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcements.

On 15 September 2022 (after trading hours), the JV Company, a 51% subsidiary of the Company, and Chuang Tieh, entered into the Settlement Agreement, pursuant to which the JV Company shall transfer the Machine to Chuang Tieh to fully settle the Remaining Consideration.

THE SETTLEMENT AGREEMENT

Date

15 September 2022

Parties

- (a) Blue Sky Recycling Technology (Japan) Company Limited (formerly known as Recycled Plastics Pellets Manufacturing (Kobe) Company Limited), a company incorporated in Hong Kong with limited liability and a 51% subsidiary of the Company
- (b) Chuang Tieh Plastic Technology Equipment Limited (川鐵高新技術有限公司), a company incorporated in Taiwan with limited liability

Settlement Arrangement

Pursuant to the SPA, the JV Company has acquired two sets of high moisture rate admissible plastic pelletizing extruders (one of them being the Machine) from Chuang Tieh at the Consideration of US\$1,000,000 (equivalent to HK\$7,800,000), to facilitate the Group’s plastic waste recycling and processing operation in Japan in relation to its plastic recycling/metal scrap business segment. As at the date of this announcement, US\$450,000 (equivalent to HK\$3,510,000) of the Consideration (i.e. the Remaining Consideration), being a portion of the consideration of the Machine, remains outstanding. Taking into consideration that (i) the Board has decided to cease the operation of the Group’s plastic waste processing plant in Japan and dispose of the related operating assets (including the Machine) due to the continuous underperformance of the Group’s plastic waste recycling and processing business in Japan since the commencement of its operation in 2020; and (ii) the Machine has been barely used after the Acquisition as a result of the under-capacity of the processing plant in Japan and is therefore in good condition, the JV Company and Chuang Tieh agreed that the JV Company shall transfer the Machine to Chuang Tieh in accordance with the terms and conditions of the Settlement Agreement to fully settle the Remaining Consideration.

Pursuant to the Settlement Agreement, (i) the Remaining Consideration shall be fully settled by the JV Company's transfer of the Machine to Chuang Tieh on as-is basis (as the Machine was seen as at the date of the Settlement Agreement) on the Transfer Date; and (ii) on the Transfer Date, Chuang Tieh shall be responsible for collecting the Machine from the warehouse ("**Warehouse**") located in Osato-gun, Saitama Prefecture, Japan, in which the Machine is kept.

The Settlement Arrangement (including the amount of the Remaining Consideration to be settled by the Transfer) was determined at arm's length negotiation between the JV Company and Chuang Tieh with reference to (i) the amount of the Remaining Consideration; (ii) the carrying value of the Machine of approximately HK\$2,925,000 based on the unaudited financial statements of the JV Company as at 31 August 2022; and (iii) the current condition of the Machine.

Completion

Once the Machine has been delivered to and collected by Chuang Tieh from the Warehouse, completion of the Transfer by the JV Company is deemed to have taken place, upon which (i) Chuang Tieh shall irrevocably waive its rights against the JV Company in relation to the Remaining Consideration; (ii) the JV Company shall be discharged and released from all of its obligations under the SPA; and (iii) the JV Company shall not be indebted to Chuang Tieh of any sum.

INFORMATION ON THE MACHINE

The Machine is a set of high moisture rate admissible plastic pelletizing extruder located in the Warehouse as at the date of this announcement, which had been used by the Group in the operation of its plastic waste recycling and processing business in Japan, for the processing of high-grade plastic scraps into reusable raw materials.

INFORMATION ON THE PARTIES

The Group is principally engaged in (i) renewable energy business; (ii) waste construction materials and processing service; (iii) plastic recycling/metal scrap business; (iv) money lending business; and (v) healthcare business.

The JV Company is a company incorporated in Hong Kong with limited liability, which is principally engaged in the business of trading of plastics recycling materials and plastics processing provision. The JV Company is held as to 51% by the Company, 34% by Blue Sky and 15% by CLO (Hong Kong) Limited. Blue Sky is owned as to approximately 84.55% by Chou Pin Juo, a director of the JV Company. CLO (Hong Kong) Limited is held equally by Zhang Guohua, Bai To and Cheung Ling, Linda.

Chuang Tieh is a company incorporated in Taiwan with limited liability, which is principally engaged in the business of the manufacturing and designing of plastic extrusion equipment. Chuang Tieh is wholly owned by Chou Pin Yen, who is a family member of Chou Pin Juo, a director of the JV Company holding approximately 84.55% of the interest in Blue Sky, a company which holds 34% of the interest in the JV Company.

REASONS FOR AND BENEFITS OF THE SETTLEMENT ARRANGEMENT

While the Group has operations in both Germany and Japan under its plastic recycling/metal scrap business, there was a substantial drop of approximately 43% in the revenue generated by the Group from this business segment from approximately HK\$3.7 million for the six months ended 31 December 2020 to approximately HK\$2.1 million for the six months ended 31 December 2021. In particular, the Coronavirus Disease 2019 (“**COVID-19**”) pandemic has seriously hit the plastic processing plant of the Group in Japan since the commencement of the Group’s Japanese plastic waste recycling and processing operation in 2020. The successive declarations of the state of emergency in Japan in face of the ongoing COVID-19 surge had dragged the economy down. Moreover, the inappropriate disposal of plastic during the challenging times under the pandemic due to the lack of labour and the lockdown measures also affected the plastic recycling market drastically. The persistent shortage in the feedstock supply of reclaimed plastic under the pandemic had led to several halts in the Group’s Japanese plastic processing operation, resulting in the processing plant running below 50% of its full capacity, thus contributing a very minimal revenue to the Group since its start-up.

Taking into consideration the continuous underperformance of the Group's plastic waste recycling and processing business in Japan, the Board has made a revaluation of the viability of this business under the prolonged pandemic and decided to shut down the operation of the processing plant in Japan and dispose of the related operating assets (including the Machine), so that the resources of the Group can be redirected to more commercially viable areas which will be more likely to generate positive returns for the Group. The Settlement Arrangement which requires the JV Company to transfer the Machine to Chuang Tieh as full settlement of the Remaining Consideration, is not only in line with the Board's decision to cease the operation of the Group's processing plant in Japan, but will also allow the JV Company to fully settle the Remaining Consideration without any cash outflow, other than the incidental expenses in connection with the Settlement Agreement.

The Group expects to recognise an unaudited accounting gain of approximately HK\$585,000 from the Settlement Arrangement, being the difference between (i) the Remaining Consideration; and (ii) the aggregate of the estimated unaudited carrying value of the Machine as recorded in the Group's accounts at the completion of the transfer of the Machine by the JV Company to Chuang Tieh and the estimated expenses to be incurred by the JV Company for the Transfer. The actual gain or loss as a result of the Settlement Arrangement to be recorded by the Group is subject to final audit to be performed by the Company's auditor.

The Board (including the independent non-executive Directors) is of the view that the terms of the Settlement Agreement are fair and reasonable, and the transaction contemplated thereunder (including the Settlement Arrangement) is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. None of the Directors has any material interest in the Settlement Agreement, which required any of them to abstain from voting on the Board resolutions in relation to the Settlement Agreement and the transaction contemplated thereunder (including the Settlement Arrangement).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the JV Company is a 51% subsidiary of the Company, whereas Chuang Tieh is a company wholly-owned by Chou Pin Yen, who is a family member of Chou Pin Juo, a director of the JV Company holding approximately 84.55% of the interest in Blue Sky, a company which holds 34% of the interest in the JV Company. Accordingly, Chuang Tieh is an associate of Chou Pin Juo, and thus a connected person of the Company at the subsidiary level pursuant to the Listing Rules, and the Settlement Arrangement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios in respect of the Settlement Arrangement are more than 0.1% but less than 5%, the Settlement Arrangement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the two sets of high moisture rate admissible plastic pelletizing extruders by the JV Company from Chuang Tieh pursuant to the SPA
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Blue Sky”	Blue Sky Global Holdings Limited, a company incorporated in Hong Kong with limited liability
“Board”	the board of Directors of the Company
“Chuang Tieh”	Chuang Tieh Plastic Technology Equipment Limited (川鐵高新技術有限公司), a company incorporated in Taiwan with limited liability
“Company”	Green Energy Group Limited, a company incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of the two sets of high moisture rate admissible plastic pelletizing extruders acquired by the JV Company from Chuang Tieh under the SPA, in the amount of US\$1,000,000 (equivalent to HK\$7,800,000)
“Director(s)”	the director(s) of the Company
“family member”	has the meaning ascribed to it under the Listing Rules
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	Blue Sky Recycling Technology (Japan) Company Limited (formerly known as Recycled Plastics Pellets Manufacturing (Kobe) Company Limited), a company incorporated in Hong Kong with limited liability and a 51% subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machine”	the set of high moisture rate admissible plastic pelletizing extruder to be transferred by the JV Company to Chuang Tieh under the Settlement Arrangement
“PRC”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Remaining Consideration”	US\$450,000 (equivalent to HK\$3,510,000), the balance of the Consideration, being the portion of the consideration of the Machine which remains outstanding as at the date of this announcement
“Settlement Agreement”	the settlement agreement entered into between the JV Company and Chuang Tieh on 15 September 2022 in relation to the Settlement Arrangement
“Settlement Arrangement”	the arrangement under the Settlement Agreement to settle the Remaining Consideration in full by means of the Transfer
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“SPA”	the sale and purchase agreement dated 28 August 2019 and entered into between the JV Company and Chuang Tieh in relation to the Acquisition, further details of which are set out in the announcements of the Company dated 28 August 2019 and 3 September 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules

“Transfer”	the transfer of the Machine by the JV Company to Chuang Tieh under the Settlement Arrangement pursuant to the Settlement Agreement
“Transfer Date”	21 September 2022 or such other date mutually agreed by the parties to the Settlement Agreement in writing
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

In this announcement, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1.00 to HK\$7.80. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Green Energy Group Limited
Wong Sai Hung
Chairman

Hong Kong, 15 September 2022

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Wong Sai Hung (Chairman), Mr. Luo Xian Ping and Mr. Ho Wai Hung; and (ii) three independent non-executive Directors, namely Mr. Tam Chun Wa, Mr. Sze Cheung Pang and Mr. Lau Ka Wing.

* *For identification purpose only*