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## **New Universe Environmental Group Limited**

**新宇環保集團有限公司**

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

**(Stock Code: 436)**

### **DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO THE DISPOSAL OF A SUBSIDIARY**

#### **THE DISPOSAL**

On 31 July 2023 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Company entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the Sale Equity at a consideration of RMB12,000,000 (approximately HK\$12,960,000).

Upon completion of the Disposal, (i) the Group will cease to hold any interest in the Target Company; (ii) the Target Company will cease to be a subsidiary of the Group; and (iii) the Target Company's financial results will no longer be consolidated into the consolidated financial statements of the Group.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Disposal under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company and the Purchaser is owned as to 97% and 3% by Mr. HE, an executive director and a general manager of the Target Company and Ms. SHI, a vice general manager of the Target Company, respectively. Therefore, Mr. HE is a connected person of the Company at the subsidiary level according to Rule 14A.06(9) of the Listing Rules and the Purchaser is an associate of a connected person of the Company at the subsidiary level according to Rule 14A.12 of the Listing Rules.

Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) Mr. HE is a connected person at the subsidiary level, (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE DISPOSAL**

On 31 July 2023 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Company entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the Sale Equity at a consideration of RMB12,000,000 (approximately HK\$12,960,000).

The principal terms of the Agreement are as follows:

Date: 31 July 2023 (after trading hours)

Parties: 

1. the Vendor (an indirect wholly-owned subsidiary of the Company);
2. the Purchaser; and
3. the Target Company.

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company and the Purchaser is owned as to 97% and 3% by Mr. HE, an executive director and a general manager of the Target Company and Ms. SHI, a vice general manager of the Target Company, respectively. Therefore, Mr. HE is a connected person of the Company at the subsidiary level according to Rule 14A.06(9) of the Listing Rules and the Purchaser is an associate of a connected person of the Company at the subsidiary level according to Rule 14A.12 of the Listing Rules.

### **Assets to be disposed of**

The assets to be disposed of pursuant to the Agreement comprise the Sale Equity, which are to be sold free from any encumbrances. The Sale Equity represents 100% of the equity interest in the Target Company.

### **Consideration**

The Consideration is RMB12,000,000 (approximately HK\$12,960,000) and is subject to adjustment based on the valuation report (the “**Valuation Report**”) on the Target Company to be prepared by an independent valuer to be engaged by the Vendor. The Vendor shall provide a copy of the Valuation Report to the Purchaser within forty-five (45) business days from the date of the Agreement.

If the value (the “**Value**”) of the Target Company as set out in the Valuation Report is more than RMB13,200,000 (approximately HK\$14,256,000), being 110% of the Consideration (the “**110% Consideration**”), the Purchaser will compensate an amount equivalent to the difference of the Value and the 110% Consideration to the Vendor within fifty (50) business days from the date of the Agreement. If the Value is equal to or lower than the 110% Consideration, the Purchaser will not be required to compensate any difference between the Value and the Consideration.

The Consideration of RMB12,000,000 (approximately HK\$12,960,000) shall be satisfied by the Purchaser in cash in the following manner:

- (i) RMB2,300,000 (approximately HK\$2,484,000) shall be paid to the Vendor within 10 business days from the date of the Agreement;
- (ii) RMB1,700,000 (approximately HK\$1,836,000) shall be paid to the Vendor on or before 29 September 2023;
- (iii) RMB1,700,000 (approximately HK\$1,836,000) shall be paid to the Vendor on or before 29 December 2023; and
- (iv) the remaining RMB6,300,000 (approximately HK\$6,804,000) shall be paid to the Vendor on or before 31 December 2024.

The Vendor and the Purchaser will cooperate to apply for the change of business registration in respect of the transfer of the Sale Equity to the Purchaser (the “**Change in Business Registration**”) within twenty (20) business days from the date of the Agreement. The Purchaser will assume the responsibility of paying up the unpaid registered capital of the Target Company.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms having considered a number of factors including (i) the adjusted net asset value of the Target Company as at 30 June 2023 of approximately RMB6,888,000 (approximately HK\$7,439,000); (ii) the historical financial performance of the Target Company which recorded a net loss after tax of approximately RMB10,913,000 (approximately HK\$12,823,000) for the year ended 31 December 2022 and continued to record net loss after tax of approximately RMB6,578,000 (approximately HK\$7,269,000 for the six months ended 30 June 2023; (iii) the expected gain on Disposal of approximately RMB4,806,000 (approximately HK\$5,190,000) (details of which are discussed in the section headed "Reasons for the Disposal and the use of proceeds" of this announcement); and (iv) the Group's business restructuring strategy to improve the overall performance of the Group by disposing of its loss-making business as mentioned in the annual report of the Company for the year ended 31 December 2022.

Accordingly, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent**

The Disposal is not subject to any conditions precedent.

### **Completion**

Completion of the Disposal will take place within ten (10) business days after the entering into of the Agreement and completion of the Change in Business Registration.

### **Termination**

In the event the Vendor or the Purchaser fails to fulfill its obligations and responsibilities pursuant to the Agreement, the other party will have the right to terminate the Agreement and request party in breach to pay an amount equivalent to 10% of the Consideration (i.e. RMB1,200,000 (approximately HK\$1,296,000)) as liquidated damages.

## INFORMATION OF THE PARTIES

### The Vendor

The Vendor is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company and is principally engaged in the provision of environmental technology development consultancy and project management services. The Vendor directly owns 100% of the equity interest in the Target Company.

### The Purchaser

The Purchaser is a company established in the PRC with limited liability and is principally engaged in the business of project construction, construction project design, and construction project supervision. The Purchaser is beneficially owned as to 97% and 3% by Mr. HE, the executive director and a general manager of the Target Company and Ms. SHI, a vice general manager of the Target Company, respectively.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a wholly owned domestic enterprise established in the PRC, a direct wholly-owned subsidiary of the Vendor, and an indirect wholly-owned subsidiary of the Company. The Target Company is principally engaged in environmental equipment construction and installation services.

The summary of the unaudited financial information of the Target Company for each of the two years ended 31 December 2022 and the six months ended 30 June 2023 as extracted from the unaudited management accounts of the Target Company prepared in accordance with the generally accepted accounting principles of Hong Kong is set out below:

	Year ended 31 December		Six months ended
	2021	2022	30 June
	HK\$'000	HK\$'000	2023
			HK\$'000
Revenue	124,496	72,810	543
Net profit/(loss) before taxation	3,158	(13,167)	(7,264)
Net profit/(loss) after taxation	2,698	(12,823)	(7,269)

Based on the unaudited management account of the Target Company for the six months ended 30 June 2023, the unaudited net asset value of the Target Company was approximately RMB6,888,000 (approximately HK\$7,439,000) as at 30 June 2023.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Upon completion of the Disposal, (i) the Group will cease to hold any interest in the Target Company; (ii) the Target Company will cease to be a subsidiary of the Group; and (iii) the Target Company's financial results will no longer be consolidated into the consolidated financial statements of the Group.

Based on the unaudited management accounts of the Target Company for the six months ended 30 June 2023, it is estimated that the Group will record a net gain of approximately RMB4,806,000 (approximately HK\$5,190,000) upon completion of the Disposal, being the difference between the Consideration and the unaudited net assets value of the Target Company as at 30 June 2023 and after deduction of the related expenses.

It should be noted that the aforementioned financial effect is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Disposal. The actual gain or loss from the completion of the Disposal to be recorded by the Company shall be subject to relevant recognition under applicable accounting standards and any changes to the carrying amount of the Target Company at the date of completion of the Disposal to be reviewed and assessed by the auditors of the Company.

## **REASONS FOR THE DISPOSAL AND USE OF PROCEEDS**

The Group is principally engaged in (i) the provision of environmental treatment and disposal services of hazardous industrial and medical wastes; (ii) the provision of environmental plating sewage treatment services and provision of related facilities and utilities in an eco-plating specialised zone; (iii) the provision of environmental equipment construction and installation services; and (iv) investments in plastic materials dyeing operations.

The net proceeds (being the Consideration after deducting expenses in relation thereto) arising from the Disposal will be approximately RMB11,694,000 (approximately HK\$12,630,000) and will be applied for general working capital of the Group.

Taking into account of the expected gain on the Disposal and the existing financial position and historical financial performance of the Target Company which has been loss-making for the preceding financial year and it continued to record net loss in the six months ended 30 June 2023, the Directors considers that the Disposal represents a good opportunity for the Company to dispose of the loss-making operation of the Group and focus its resources in the development of the Group's environmental treatment and disposal services of hazardous industrial and medical wastes businesses and the operations in the Eco-plating Specialised Zone in Jiangsu Province, the PRC. As mentioned in the annual report of the Company for the year ended 31 December 2022, the Company has been conducting a review on its current business operations and financial position with a view to allocate its resources more effectively; to diversify its resources and broaden its income sources; to divest in the business operations which had not performed well as expected; and to accelerate the Group's growth and improve its profitability. The Disposal represents the Group's business restructuring strategy to improve the overall performance of the Group in the forthcoming future.



“business day(s)”	a day(s) (other than a Saturday or Sunday) on which licensed banks in Hong Kong are generally open for normal banking business
“Company”	New Universe Environmental Group Limited (新宇環保集團有限公司), a company incorporated in Cayman Islands with limited liability, and the issued shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 436)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration payable by the Purchaser for the acquisition of the Sale Equity pursuant to the Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the sale of the Sale Equity by the Vendor to the Purchaser pursuant to the Agreement
“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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Mr. HE”	Mr. HE Ling Yun (何凌雲), the owner of 97% of the equity interest in the Purchaser and an executive director and a general manager of the Target Company
“Ms. SHI”	Ms. SHI Zhao Xia (史召霞), the owner of 3% of the equity interest in the Purchaser and a vice general manager of the Target Company
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan



“Purchaser”	南京宇新環保有限公司 (Nanjing Yu Xin Environmental Company Limited*), a limited liability company established in the PRC and is owned as to 97% and 3% by Mr. He and Ms. Shi respectively
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	100% of the equity interest in the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Target Company”	江蘇宇新環保工程管理有限公司 (Jiangsu Yu Xin Environmental Engineering Management Company Limited*), a wholly owned domestic enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Vendor”	江蘇新宇環保科技有限公司 (Jiangsu Xin Yu Environmental Technologies Limited*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

*For illustration purpose, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1 = HK\$1.08.*

By Order of the Board  
**New Universe Environmental Group Limited**  
**XI Yu**  
*Chairman*

Hong Kong, 31 July 2023

*As at the date of this announcement, the Board comprises five executive Directors: Mr. XI Yu (Chairman and Chief Executive Officer), Ms. CHEUNG Siu Ling, Ms. JIANG Qian, Ms. LIU Yu Jie, and Mr. HON Wa Fai; one non-executive Director: Ms. XI Man Shan Erica, and three independent non-executive Directors: Mr. YUEN Kim Hung, Michael, Mr. HO Yau Hong, Alfred and Mr. YANG Harry.*

\* *for identification purpose only*