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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 IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

THE DISPOSAL AND THE AGREEMENT

The Board announces that on 2 March 2022 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser, the Target Company and the Receipt Agent entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Equity, representing 100% of the equity interests in the registered paid-up capital of the Target Company, at a Consideration of RMB42,100,000 (approximately HK\$51,362,000).

Upon completion of the Disposal, (i) the Group will no longer have any interest in the Target Company; (ii) the Target Company will cease to be recognised as 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.

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THE DISPOSAL AND THE AGREEMENT

The principal terms of the Agreement are as follows:

Date: 2 March 2022 (after trading hours)

- Parties:
1. the Vendor (an indirect wholly-owned subsidiary of the Company);
 2. the Purchaser;
 3. the Target Company (an indirect wholly-owned subsidiary of the Company); and
 4. the Receipt Agent (an indirect wholly-owned subsidiary of the Company), the authorised receipt agent for the settlement of the Consideration.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be Disposed

The assets to be disposed 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 interests in the registered paid-up capital of the Target Company.

Consideration

The Consideration, in the amount of RMB42,100,000 (approximately HK\$51,362,000), shall be payable by the Purchaser in the following manner:

- (A) within ten (10) business days from the date of the Agreement, the Purchaser shall (i) pay to the Receipt Agent a sum of RMB12,630,000 (approximately HK\$15,409,000), which is equivalent to 30% of the Consideration; and (ii) grant in favour of the Receipt Agent a renewable demand bank guarantee letter (the “**Bank Guarantee**”) for the amount of RMB27,670,000 (approximately HK\$33,757,000), which after taking into account of the estimated withholding tax payable in the PRC (the “**Disposal Tax**”) by the Vendor in relation to the Disposal of approximately RMB1,800,000 (approximately HK\$2,196,000) withheld by the Purchaser, is equivalent to 70% of the Consideration; and
- (B) within five (5) business days after the Purchaser has received notice of approval of the change in business registration with the business administration authority of the PRC (the “**Change in Business Registration**”), the Purchaser shall pay to (i) the tax authority of the PRC the actual Disposal Tax payable based on the tax payment certificate, representing a part of the Consideration; and (ii) the Receipt Agent the remainder of the Consideration after taking into account the actual Disposal Tax paid by the Purchaser.

The Consideration of RMB42,100,000 (approximately HK\$51,362,000) has been determined after arm’s length negotiations between the Vendor and the Purchaser. Having considered (i) the existing financial position and historical financial performance of the Target Company which has been loss-making for the immediately preceding two financial years; (ii) the audited net asset value of the Target Company which amounted to approximately RMB13.0 million (approximately HK\$15.9 million) as at 31 December 2021; and (iii) the prevailing market price of comparable industrial land transactions as indicated on 泰興市國有建設用地使用權網上交易系統 (State-owned Construction Land Use Right Online Trading Platform of Taixing City*), the Directors consider the Consideration to be fair and reasonable in the interests of the Company and its Shareholders as a whole.

Conditions precedent

The Disposal is not subject to any conditions precedent.

Completion

Completion of the Disposal shall take place within five (5) business days (i) after the Purchaser has paid the Consideration (excluding the Disposal Tax) and the Disposal Tax; and (ii) after the Receipt Agent has received the final payment of the Consideration (excluding the Disposal Tax).

The Agreement is valid until the date (the “**Long Stop Date**”) falling four (4) months from the date of the Agreement or such later date as may be agreed between the Vendor and the Purchaser.

During the period from the date of the Agreement and up to the Long Stop Date, if the Change in Business Registration has not been approved or has been rejected by the relevant authorities and the Agreement is terminated in accordance with the terms and conditions of the Agreement, the Agreement shall be terminated immediately and neither party shall have any obligations and liabilities towards each other save for any antecedent breach. All parties shall thereafter use their best efforts to restore each party to the positions they would have been in if the Agreement had not been entered into.

INFORMATION OF THE PARTIES

The Vendor and the Receipt Agent

The Vendor is a company incorporated in Hong Kong with limited liability and is principally engaged in pure equity investment holding. The Receipt Agent is a limited liability company established in the PRC and is principally engaged in the provision of environmental technology development consultancy and project management services, which also directly wholly owns the Group's engineering subsidiary in the PRC that is engaged in environmental equipment construction and installation services. Both the Vendor and the Receipt Agent are indirect wholly-owned subsidiaries of the Company.

The Purchaser

The Purchaser is a company incorporated under the laws of the PRC with limited liability in Taixing of Jiangsu Province and is principally engaged in the business of non-ferrous metal calendaring and manufacturing of electronic specialized materials. The Purchaser is beneficially owned as to 100% by GEM Co., Ltd, a domestic A-share company listed on the Shenzhen Stock Exchange in the PRC.

INFORMATION OF THE TARGET COMPANY

The Target Company is a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company. The Target Company holds a plot of land for industrial use that located at No.9 Shugang Road, Yinshi Village, Binjiang Town, Taixing, Jiangsu Province with a land area of 33,323 sq.m. and factory buildings with gross floor area of 3,360 sq.m. The land and buildings were originally intended to reserve for further development of the Group's operations in industrial hazardous waste recycling and waste disposal services in Jiangsu Province. As at the date of this announcement, project development at the land has not yet commenced and the Target Company did not derive revenue for two financial years ended 31 December 2021.

A summary of the audited financial information of the Target Company for the two years ended 31 December 2021 prepared in accordance with the generally accepted accounting principles of the PRC is set out below:

	Year ended 31 December	
	2020	2021
	Audited	Audited
	<i>RMB ('000)</i>	<i>RMB ('000)</i>
Revenue	–	–
Net (loss) before and after taxation	(1,435)	(1,188)

The audited net asset value of the Target Company was approximately RMB13.0 million (approximately HK\$15.9 million) as at 31 December 2021.

Based on the unaudited management accounts of the Target Company for the financial year ended 31 December 2021, it is estimated that the Group will record a net gain of approximately HK\$20 million upon completion of the Disposal and an increase in the net assets of the Group by approximately HK\$20 million, being the difference between the Consideration and the total costs on initial acquisition and for disposal of the Target Company. The actual gain or loss from the completion of the Disposal shall be subject to relevant recognition under applicable accounting standards and shall be subject to audit to be performed by the Company's independent auditors.

Upon completion of the Disposal, (i) the Group will no longer have any interest in the Target Company; (ii) the Target Company will cease to be recognised as 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.

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.

Based on the unaudited management accounts of the Target Company for the financial year ended 31 December 2021, the Directors estimate that a net gain of approximately HK\$20 million (subject to audit and after deduction of associated costs and other expenses) will arise on the Disposal. Taking into account the reasonable gain on the Disposal and the existing financial position and historical financial performance of the Target Company which has been loss-making for the immediately preceding two financial years, the Directors considers that the Disposal represents a good opportunity for the Company to realise the investment in the Target Company at a gain. The net proceeds (after deducting other expenses in relation thereto) arising from the Disposal of approximately HK\$47 million will be applied for further expansion of the hazardous waste handling capacity of the Group.

Based on the above reasons, the Directors consider that the Disposal and the terms of the Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

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

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Agreement”	the sale and purchase agreement dated 2 March 2022 entered into among the Vendor, the Purchaser, the Target Company and the Receipt Agent in relation to the sale and purchase of the Sale Equity
“Board”	the board of Directors
“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 People’s Republic of China
“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
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administration Region and Taiwan
“Purchaser”	格林美(江蘇)鈷業股份有限公司 (Grammy (Jiangsu) Guye Co., Ltd*), a limited liability company established in the PRC and is the wholly-owned subsidiary of 格林美股份有限公司 (GEM Co., Ltd), a domestic A-share company listed on Shenzhen Stock Exchange in the PRC (Stock Code: 002340)
“Receipt Agent”	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 and the authorised receipt agent for the settlement of the Consideration
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	100% of the equity interests in the registered paid-up capital of the Target Company
“Target Company”	泰興新新資源再生利用有限公司 (Taixing Xin Xin Resources Recycling Company Limited*), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company

“Vendor” Fair International Investment Enterprise Limited (信榮國際投資企業有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent.

For illustration purpose, amounts in RMB in this checklist have been translated into HK\$ at the rate of RMB1= HK\$1.22.

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

Hong Kong, 2 March 2022

As at the date of this announcement, the Board comprises six executive Directors: Mr. XI Yu (Chairman and Chief Executive Officer), Ms. CHEUNG Siu Ling, Ms. XI Man Shan Erica, Mr. ZHENG Zhen, Ms. LIU Yu Jie, and Mr. HON Wa Fai; and three independent non-executive Directors: Dr. CHAN Yan Cheong, Mr. YUEN Kim Hung, Michael and Mr. HO Yau Hong, Alfred.

* For identification purposes only