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Weigang Environmental Technology Holding Group Limited

维港环保科技控股集团有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1845)

CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

THE AGREEMENT

On 21 June 2021, the Seller, an indirect subsidiary of the Company, the Buyer and Mr. Tian entered into the Agreement in relation to the Disposal, pursuant to which the Seller has agreed to sell, and the Buyer has agreed to purchase, 51% equity interest in the Target Company for a Consideration of RMB5.1 million, subject to the terms and conditions of the Agreement.

As the date of this announcement, there are certain amounts due from Mr. Tian to the Buyer. Pursuant to the Agreement, Mr. Tian agreed to pay the Consideration on behalf of the Buyer in order to settle his indebtedness owed to the Buyer. Among which, RMB1.5 million shall be paid by Mr. Tian in cash within seven business days after the satisfactory of the conditions precedent of the Disposal, and the Remaining Consideration of RMB3.6 million shall be settled by Mr. Tian within seven business days after the first anniversary of the date of the Completion.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Company is owned as to 51% by the Seller and as to 49% by the Buyer. Based on the financial statements of the Target Company of the latest financial year ended 31 December 2020, as the total assets, profits and revenue of the Target Company compared to that of the Group are less than 5% under the percentage ratios for the latest financial year, the Target Company will therefore be regarded as an insignificant subsidiary pursuant to Rule 14A.09 of the Listing Rules. As such, notwithstanding that the Buyer is a substantial shareholder and a director of the Target Company, it is not a connected person of the Company. The Disposal does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are less than 5%; and (ii) the Consideration does not include securities for which listing will be sought, the Disposal does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Xinjiang Tiansheng is owned as to 60% by the Group and as to 40% by Chengfeng Technology, which is in turn owned as to 95% by Mr. Tian. Mr. Tian is a substantial shareholder and a director of Xinjiang Tiansheng and therefore, a connected person of the Company. The payment arrangement of the Consideration under the Agreement would constitute financial assistance provided by the Group to Mr. Tian and thus a connected transaction of the Company. As all applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are less than 5%, the payment arrangement of the Consideration constitutes a de minimis transaction of the Company under Rule 14A.76 of the Listing Rules, therefore subject to the reporting and announcement requirements, but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 21 June 2021, the Seller, an indirect subsidiary of the Company, the Buyer and Mr. Tian entered into the Agreement with the Buyer in relation to the Disposal, pursuant to which the Seller has agreed to sell, and the Buyer has agreed to purchase, 51% equity interest in the Target Company for a Consideration of RMB5.1 million, subject to the terms and conditions of the Agreement.

THE AGREEMENT

The major terms of the Agreement are as follows:

Date : 21 June 2021

Parties : (i) Seller;
(ii) Buyer; and
(iii) Mr. Tian

Subject of the Disposal

Pursuant to the Agreement, the Seller has agreed to sell, and the Buyer has agreed to purchase, 51% of the equity interests in the Target Company

Consideration

The Consideration payable for the Disposal shall be RMB5.1 million, which was determined after arm's length negotiations between the parties with reference to the owners' equity of the Target Company as at 30 April 2021, which amounted to approximately RMB12.8 million according to the management accounts of the Target Company after deducting the profits of RMB1.43 million to be distributed by the Target Company to the Seller. The Consideration is considered by the Board as fair and reasonable and in the interests of the Group and of the Shareholders as a whole.

As the date of this announcement, there are certain amounts due from Mr. Tian to the Buyer. Pursuant to the Agreement, Mr. Tian agreed to pay the Consideration on behalf of the Buyer in order to settle his indebtedness owed to the Buyer. Among which, RMB1.5 million shall be paid by Mr. Tian in cash within seven business days after the satisfactory of the conditions precedent of the Disposal and the Remaining Consideration of RMB3.6 million shall be settled by Mr. Tian within seven business days after the first anniversary of the date of the Completion.

To secure the obligations of Mr. Tian to pay the Remaining Consideration in accordance with the Agreement, Mr. Tian agreed to procure Chengfeng Technology to pledge 30% of the equity interests in Xinjiang Tiansheng in favor of the Seller.

Conditions precedent of the Disposal

The Completion is conditional upon the Company having passed its internal resolutions and published the relevant announcement in relation to the Disposal and the transactions contemplated thereunder in accordance with the Listing Rules.

Completion

Within seven business days after the satisfactory of the conditions precedent of the Disposal, Mr. Tian shall procure Chengfeng Technology to pledge 30% of the equity interests in Xinjiang Tiansheng in favor of the Seller and complete the registration procedures with respect to such share pledge. Within seven business days following the completion of the registration procedures of such share pledge, the Seller and the Buyer shall complete the relevant filing procedures with relevant State Administration for Industry and Commerce in the PRC in respect of the Disposal.

Upon Completion, the Target Company will cease to be a subsidiary of the Company.

INFORMATION OF THE GROUP AND THE SELLER

The Group is a leading comprehensive hazardous waste incineration turnkey solution provider in the PRC focusing on the research, design, integration and commissioning of solid waste treatment systems, particularly for hazardous waste incineration.

The Seller is a sino-foreign equity joint venture established in the PRC and is primarily engaged in the business of providing solutions for solid waste treatment.

INFORMATION OF THE BUYER

As at the date of this announcement, the Buyer is interested in options granted under the Pre-IPO Share Option Scheme to subscribe for 1,173,335 Shares, representing approximately 0.088% of the issued share capital of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, other than the Buyer's 49% equity interest in the Target Company and his interest in the aforesaid options granted under the Pre-IPO Share Option Scheme, the Buyer is a third party independent of the Company and its connected persons.

INFORMATION OF MR. TIAN

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as that Mr. Tian is a director of Xinjiang Tiansheng and he indirectly hold 40% equity interest in Xinjiang Tiansheng through Chengfeng Technology, Mr. Tian is a third party independent of the Company and its connected persons.

INFORMATION OF THE TARGET COMPANY

The Target Company is a sino-foreign equity joint venture established in the PRC and is principally engaged in the business of providing research and development of environmental protection technologies and facilities.

The original acquisition cost of 51% of the equity interest in the Target Company paid by the Seller was RMB5.1 million. A summary of the unaudited financial information of the Target Company for the two years ended 31 December 2020 prepared in accordance with PRC GAAP is set out below:

	For the year ended	
	31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	23,538	9,400
Profit before taxation	5,120	319
Profit for the year	5,120	319
	As at 31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	15,490	15,298
Net assets	12,566	12,885

FINANCIAL EFFECTS OF THE DISPOSAL

The Directors do not expect to record any gain or loss from the Disposal, after taking into account the Consideration and the net asset of the Target Company. Shareholders shall note that the actual amount of gain or loss on the Disposal to be recorded by the Company (if any) will be subject to review by auditors of the Company.

The Group currently intends to use the net proceeds from the Disposal for the general working capital of the Group. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated with the results of the Group thereafter.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group acquired Xinjiang Tiansheng in March 2020. Xinjiang Tiansheng is principally engaged in the provision of environmental protection services for oil service providers in Karamay, Xinjiang, the PRC, while the Target Company is principally engaged in the business of providing research and development of environmental protection technologies and facilities in Xinjiang, the PRC. As both companies are located in the same areas with similar business natures, the Board considers that the positioning of Xinjiang Tiansheng and the Target Company within the Group may duplicate. Accordingly, the Group plans to dispose its interests in the Target Company and reallocate its resources to Xinjiang Tiansheng. Going forward, the Group plans to use Xinjiang Tiansheng as a platform to develop oilfield auxiliary services business in Xinjiang.

The Directors (including the independent non-executive Directors) consider that the Disposal, the payment arrangement of the Consideration and other terms and conditions of the Agreement have been made on normal commercial terms and are fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Company is owned as to 51% by the Seller and as to 49% by the Buyer. Based on the financial statements of the Target Company of the latest financial year ended 31 December 2020, as the total assets, profits and revenue of the Target Company compared to that of the Group are less than 5% under the percentage ratios for the latest financial year, the Target Company will therefore be regarded as an insignificant subsidiary pursuant to Rule 14A.09 of the Listing Rules. As such, notwithstanding that the Buyer is a substantial shareholder and a director of the Target Company, it is not a connected person of the Company. The Disposal does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are less than 5%; and (ii) the Consideration does not include securities for which listing will be sought, the Disposal does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Xinjiang Tiansheng is owned as to 60% by the Group and as to 40% by Chengfeng Technology, which is in turn owned as to 95% by Mr. Tian. Mr. Tian is a substantial shareholder and a director of Xinjiang Tiansheng and therefore, a connected person of the Company. The payment arrangement of the Consideration under the Agreement would constitute financial assistance provided by the Group to Mr. Tian and thus a connected transaction of the Company. As all applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are less than 5%, the payment arrangement of the Consideration constitutes a de minimis transaction of the Company under Rule 14A.76 of the Listing Rules, therefore subject to the reporting and announcement requirements, but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Agreement”	the transaction document dated 21 June 2021 entered into by the Seller, the Buyer and Mr. Tian
“Board”	the board of Directors
“Buyer”	Zhu Xinwei (朱新位), an individual who holds 49% equity interest of the Target Company as at the date of this announcement
“Chengfeng Technology”	Karamay Chengfeng Technology Company Limited* (克拉瑪依市誠豐科技有限公司), a company owned as to 95% by Mr. Tian
“Company”	Weigang Environmental Technology Holding Group Limited 维港环保科技控股集团有限公司 (stock code: 1845), a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning set forth in the Listing Rules
“Consideration”	the consideration payable by the Buyer to the Seller for the Disposal in the amount of RMB5.1 million
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of 51% equity interest in the Target Company from the Seller to the Buyer pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tian”	Mr. Tian Yixin (田宜新), an individual who holds 95% equity interest in Chengfeng Technology
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan

“PRC GAAP”	the PRC Generally Accepted Accounting Practices
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of the Company as approved by the Board on 10 December 2018 with effective immediately prior to the listing
“Remaining Consideration”	RMB3.6 million, which shall be settled by Mr. Tian on behalf of the Buyer in accordance with the Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Guangzhou Weigang Environmental Protection Technology Limited* (廣州維港環保科技有限公司), a sino-foreign equity joint venture established in the PRC on 15 July 2009 and an indirect subsidiary of the Company
“Share(s)”	ordinary share(s) of par value of HK\$0.05 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Xinjiang Wosen Environmental Protection Technology Limited* (新疆沃森環保科技有限責任公司), a sino-foreign equity joint venture established in the PRC on 17 November 2011 and an indirect subsidiary of the Company which, as at the date of this announcement, is held as to 51% by the Seller and as to 49% by the Buyer
“Xinjiang Tiansheng”	Xinjiang Tiansheng Xinhong Environmental Protection Co., Ltd.* (新疆天聖新宏環保科技有限公司), a limited liability company established in the PRC on 26 December 2016 and an indirect subsidiary of the Company
“%”	per cent.

By order of the Board

Weigang Environmental Technology Holding Group Limited

Cai Zhuhua

Chairman

Hong Kong, 21 June 2021

As of the date of this announcement, the Board comprises Mr. Cai Zhuhua, Mr. Dong Honghui Mr. Deng Zhaoshan and Mr. Gu Chunbin as executive Directors and Mr. Yang Zhifeng, Mr. Feng Tao and Mr. Jiang Guoliang as independent non-executive Directors.

* *For identification purpose only*