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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)

DISCLOSEABLE TRANSACTION
ACQUISITION OF 9.27% EQUITY INTEREST
IN THE TARGET COMPANY

ACQUISITION OF 9.27% EQUITY INTEREST IN THE TARGET

The Board is pleased to announce that on 19 June 2023 and subsequently on 4 July 2023, Debo Environment (an indirect wholly owned subsidiary of the Company) and Jisheng Environmental Protection entered into the Equity Transfer Agreement I and the Equity Transfer Agreement II (in accordance with the PRC rules prescribed format for the same purpose and superseded the Equity Transfer Agreement I as further described below). Pursuant to the Equity Transfer Agreement I, Debo Environment agreed to acquire, and Jisheng Environmental Protection agreed to sell, 9.27 % of the equity interest in the Target Company at a total consideration of RMB1, and pursuant to the Equity Transfer Agreement II, Debo Environment agreed to acquire, and Jisheng Environmental Protection agreed to sell, the 9.27 % of the equity interest in the Target Company at nil consideration instead. Based on the advice of our PRC legal advisors, the Equity Transfer Agreement II supersedes the Equity Transfer Agreement I. Upon Completion, the Target Company is held as to 50.27% by Debo Environment, 39.23% by an individual named Zhou Guiying* (周桂英) and 10.5% by Jisheng Environmental Protection, and the Target Company becomes a subsidiary of the Group. The financial statements of the Target Company will be consolidated into the financial statements of the Group upon Completion.

LISTING RULES IMPLICATIONS

As the highest applicable ratio (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company acknowledges that the notification and announcement in respect of the Acquisition as contemplated under the Equity Transfer Agreement I and the Equity Transfer Agreement II as required under Chapter 14 of the Listing Rules had been delayed due to the unintentional oversight by the management of Debo Environment and the Company of the relevant Listing Rule requirements.

ACQUISITION OF 9.27% EQUITY INTEREST IN THE TARGET COMPANY

The Board is pleased to announce that on 19 June 2023 and subsequently on 4 July 2023, Debo Environment (an indirect wholly owned subsidiary of the Company) and Jisheng Environmental Protection entered into the Equity Transfer Agreement I and the Equity Transfer Agreement II (in accordance with the PRC rules prescribed format for the same purpose and superseded the Equity Transfer Agreement I as further described below). Pursuant to the Equity Transfer Agreement I, Debo Environment agreed to acquire, and Jisheng Environmental Protection agreed to sell, 9.27 % of the equity interest in the Target Company at a total consideration of RMB1, and pursuant to the Equity Transfer Agreement II, Debo Environment agreed to acquire, and Jisheng Environmental Protection agreed to sell, the 9.27 % of the equity interest in the Target Company at nil consideration instead. Based on the advice of our PRC legal advisors, the Equity Transfer Agreement II supersedes the Equity Transfer Agreement I. Upon Completion, the Target Company is held as to 50.27% by Debo Environment, 39.23% by an individual named Zhou Guiying* (周桂英) and 10.5% by Jisheng Environmental Protection, and the Target Company becomes a subsidiary of the Group. The financial statements of the Target Company will be consolidated into the financial statements of the Group upon Completion.

EQUITY TRANSFER AGREEMENT I

Date

19 June 2023

Parties

- (i) Debo Environment (as purchaser); and
- (ii) Jisheng Environmental Protection (as vendor).

Jisheng Environmental Protection is a company established in the PRC with limited liability. Jisheng Environmental Protection is principally engaged in investment of solid and hazardous waste projects in the PRC.

Jisheng Environmental Protection is owned as to 70% by Zhongji Hongda (Shenzhen) Environmental Technology Co., Ltd.* (中稷泓達 (深圳) 環境科技有限責任公司), which is a company established in the PRC with limited liability. Zhongji Hongda (Shenzhen) Environmental Technology Co., Ltd. is owned as to (i) 50% by Zhongji (Shenzhen) Industrial Holdings Co., Ltd.* (中稷 (深圳) 實業控股有限公司) and (ii) 50% by Zhongji Hongda (Zhuzhou) Environmental Technology Co., Ltd.* (中稷泓達 (株洲) 環境科技有限責任公司). Zhongji (Shenzhen) Industrial Holdings Co., Ltd. is a company established in the PRC with limited liability and is ultimately owned by two individual shareholders as to (i) 99% by Chen Qiangfeng* (陳強鋒) and (ii) 1% by Tang Zhiqiang* (唐志強). Zhongji Hongda (Zhuzhou) Environmental Technology Co., Ltd. is a company established in the PRC with limited liability and is owned by two individual shareholders as to (i) 70% by Cui Lei* (崔磊) and (ii) 30% by Wang Jun* (王軍).

The remaining 30% shareholding of Jisheng Environmental Protection is owned by Zhongji (Shenzhen) Consulting Management Partnership (Limited Partnership)* (中稷 (深圳) 諮詢管理合夥企業 (有限合夥)), which is a limited partnership established in the PRC and is owned as to (i) approximately 75.2% by Zhongji (Shenzhen) Industrial Holdings Co., Ltd., and three individual shareholders as to (ii) approximately 11.1% by Xia Jiansen* (夏健森), (iii) 10% by Xia Jiawei* (夏嘉蔚) and (iv) approximately 3.7% by Cheng Binyu* (程斌宇).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jisheng Environmental Protection and its ultimate beneficial owners were Independent Third Parties as at the date of the Equity Transfer Agreement I.

Subject Matter

Pursuant to the Equity Transfer Agreement I, Debo Environment agreed to acquire, and Jisheng Environmental Protection agreed to sell, 9.27 % of the equity interest in the Target Company at a total consideration of RMB1.

Consideration

Pursuant to the Equity Transfer Agreement I, the total consideration of RMB1 shall be payable in cash by Debo Environment within 30 working days after the signing of the Equity Transfer Agreement I.

Completion

Completion takes place simultaneously upon the signing of the Equity Transfer Agreement I.

EQUITY TRANSFER AGREEMENT II

Based on the advice of our PRC legal advisors, the Equity Transfer Agreement II supersedes the Equity Transfer Agreement I.

Date

4 July 2023

Parties

- (i) Debo Environment (as purchaser); and
- (ii) Jisheng Environmental Protection (as vendor).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jisheng Environmental Protection and its ultimate beneficial owners were Independent Third Parties as at the date of the Equity Transfer Agreement II.

Subject Matter

Pursuant to the Equity Transfer Agreement II, Debo Environment agreed to acquire, and Jisheng Environmental Protection agreed to sell, the 9.27 % of the equity interest in the Target Company at nil consideration.

Upon Completion, the Target Company is held as to 50.27% by Debo Environment, 39.23% by Zhou Guiying and 10.5% by Jisheng Environmental Protection.

Consideration

Pursuant to the Equity Transfer Agreement II, the total consideration is nil.

The Consideration was determined after arm's length negotiations between the parties with reference to (i) the prospects of the business of the Target Company, (ii) the consolidated net asset value of the Target Company as at 31 May 2023, which amounted to approximately RMB77,496,000 according to the management accounts of the Target Company, and (iii) the responsibility for subscription of capital contribution to the Target Company as stipulated in its articles of association. 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.

Completion

Completion takes place simultaneously upon the signing of the Equity Transfer Agreement II.

Upon Completion, the financial statements of the Target Company will be consolidated into the financial statements of the Group.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. Immediately before 19 June 2023, the Target Company was held as to 41% by Debo Environment, 32% by an individual named Zhou Guiying and 27% by Jisheng Environmental Protection. On 19 June 2023, apart from the Equity Transfer Agreement I, Zhou Guiying and Jisheng Environmental Protection entered into another equity transfer agreement, pursuant to which Zhou Guiying agreed to acquire, and Jisheng Environmental Protection agreed to sell, 7.23% of the equity interest in the Target Company at a total consideration of RMB1. On 4 July 2023, apart from the Equity Transfer Agreement II, Zhou Guiying and Jisheng Environmental Protection entered into another equity transfer agreement, pursuant to which Zhou Guiying agreed to acquire, and Jisheng Environmental Protection agreed to sell, the 7.23% of the equity interest in the Target Company at nil consideration instead.

The Target Company is principally engaged in the provision of project management service for solid and hazardous waste.

Financial Information of the Target Company

Set out below is the consolidated financial information of the Target Company for the two years ended 31 December 2021 and 2022 according to the financial statements of the Target Company prepared in accordance with the PRC GAAP:

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Revenue	0	0
Loss before tax	(942)	(548)
Loss for the year	(942)	(548)
	As at 31 December 2021 (RMB'000)	As at 31 December 2022 (RMB'000)
Total assets	33,162	85,271
Net assets	31,265	78,111

As at 31 May 2023, according to the management accounts of the Target Company, the consolidated net asset value of the Target Company amounted to approximately RMB77,496,000.

INFORMATION OF THE GROUP

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company, a company engaged in provision of project management service for solid and hazardous waste, has well-established reputation and business relationships in the environmental protection industry in the PRC. Based on the equity interest of Debo Environment in the Target Company before the Acquisition, it was an associate of the Company.

Prior to the Acquisition, Jisheng Environmental Protection had only partially fulfilled its obligation of making sufficient capital contribution relating to its 27% equity interest in the Target Company. To facilitate the project management service for solid and hazardous waste being developed by the Target Company and its subsidiary, Debo Environment agreed to acquire the 9.27 % equity interest in the Target Company, which registered capital is unpaid. After the Acquisition, Debo Environment will assume the responsibility of capital contribution relating to the 9.27% equity interest in the Target Company, which amounts to RMB9,270,000.

The Acquisition will enable the Group to further expand and develop its service offerings in the PRC by better leveraging on the Target Company's experience and expertise in environmental protection after the Target Company becomes a subsidiary of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Equity Transfer Agreement I and the Equity Transfer Agreement II are fair and reasonable and on normal commercial terms or better and the Acquisition is in the interests of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable ratio (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company acknowledges that the notification and announcement in respect of the Acquisition as contemplated under the Equity Transfer Agreement I and the Equity Transfer Agreement II as required under Chapter 14 of the Listing Rules had been delayed due to the unintentional oversight by the management of Debo Environment and the Company of the relevant Listing Rule requirements. The Company will implement certain remedial measures for preventing occurrence of any similar non-compliance incidents in the future.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with the Listing Rules but the Company would like to stress that the non-compliance of the Listing Rules was inadvertent and unintentional. To prevent the re-occurrence of similar incidents in the future, the Company has implemented the following remedial measures:

1. the Company shall enhance the training provided to the Directors, the senior management and staff of the business units of the Group, so as to reinforce their understanding of and importance of compliance with the Listing Rules;
2. the Company shall also remind its management and the respective person-in-charge of the Group's business units to report those transactions which may constitute potential notifiable transactions to the office of the Board for approval and assessment of the disclosure obligations prior to the entering into of those transactions; and
3. the Company shall maintain closer cooperation with the accounting department and the professional advisers of the Company in relation to regulatory compliance.

The Company takes this opportunity to emphasize that the Group shall continue to enhance its internal control management and strictly control the audit regarding compliance and risk control matters of its businesses, thereby avoiding the re-occurrence of similar incidents.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of 9.27% equity interest in the Target Company by Debo Environment pursuant to the Equity Transfer Agreement I and the Equity Transfer Agreement II
“Board”	the board of Directors

“Company”	Weigang Environmental Technology Holding Group Limited 維港環保科技控股集團有限公司 (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 Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement I and the Equity Transfer Agreement II
“Consideration”	the consideration for the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Debo Environment”	Debo Environment (Guangzhou) Co., Ltd.* (德博環境 (廣州) 有限公司), a company established under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Equity Transfer Agreement I”	the equity transfer agreement dated 19 June 2023 entered into between the Debo Environment and Jisheng Environmental Protection in respect of the Acquisition
“Equity Transfer Agreement II”	the equity transfer agreement dated 4 July 2023 entered into between the Debo Environment and Jisheng Environmental Protection in respect of the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third parties who are independent of, and not connected with, the Company and its connected persons
“Jisheng Environmental Protection”	Jisheng Environmental Protection (Shenzhen) Co., Ltd.* (稷勝環保 (深圳) 有限公司), a company established under the laws of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan for the purpose of this announcement
“PRC GAAP”	the PRC General Accepted Accounting Practices
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of par value of HK\$0.05 each of the Company
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou Weigang Hongda Environment Co., Ltd.* (廣州維港泓達環境有限公司), a company established under the laws of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Weigang Environmental Technology Holding Group Limited
Cai Zhuhua
Chairman

Guangdong Province, the PRC
11 July 2023

As of the date of this announcement, the Board comprises Mr. Cai Zhuhua, Mr. Zhang Weiyang, Mr. Dong Honghui, Mr. Li Kaiyan and Mr. Gu Chunbin as executive Directors and Mr. Yang Zhifeng, Mr. Xiao Hui and Ms. Xiao Jingui as independent non-executive Directors.

* *for identification purpose only*