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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 DISPOSAL OF A SUBSIDIARY TO A NON-WHOLLY OWNED SUBSIDIARY

THE TRANSFER

On 28 June 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser (an indirect non-wholly owned subsidiary of the Company), pursuant to which the Vendor agreed to sell and transfer, and the Purchaser agreed to acquire the entire equity interest in the Target Company at the Consideration of RMB42,000,000.

LISTING RULES IMPLICATIONS

As the equity interest indirectly held by the Group in the Target Company will be reduced from 100% to 90% upon Completion of the equity transfer, the transactions contemplated under the Equity Transfer Agreement constitute disposal of equity interest in the Target Company.

As one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Disposal, exceeds 5% but are all less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules. The applicable percentage ratios were calculated taking into account the net effect that the Disposal has on the consolidated financial statements of the Group in accordance with Listing Decision HKEx-LD62-2 (issued in November 2008 and updated in October 2019).

BACKGROUND

On 28 June 2024 (after trading hours), the Vendor entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and transfer, and the Purchaser agreed to acquire the entire equity interest in the Target Company at the Consideration of RMB42,000,000.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

Date

28 June 2024

Parties

- (i) Vendor (a wholly-owned subsidiary of the Company); and
- (ii) Purchaser (an indirect non-wholly owned subsidiary of the Company).

Disposal

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell and transfer, and the Purchaser agreed to acquire the entire equity interest in Target Company.

Consideration and valuation

Pursuant to the Equity Transfer Agreement, the Consideration payable by the Purchaser is RMB42,000,000, which shall be settled in cash prior to 31 December 2025.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, with reference to the valuation report based on asset-based approach on the appraised value of the entire shareholders' equity interest in the Target Company of approximately RMB42,973,000, as at the valuation benchmark date on 30 June 2023 prepared by Yu Wei International Asset Appraisal (Shenzhen) Co., Ltd.* (宇威國際資產評估(深圳)有限公司), an independent valuer engaged by the Group. The asset-based approach is a valuation approach for appraising the value of on-balance sheet and identifiable off-balance sheet assets and liabilities based on the balance sheet as at the benchmark date of the valuation target. The asset-based approach was selected because the valuation target is a going concern and all assets and liabilities on-and-off balance sheet are identifiable and can be independently appraised according to an appropriate valuation method respectively. The valuation was supported by customary valuation assumptions, such as open market assumption and enterprise going-concern assumption.

In order to optimize the Group's internal structure, streamline business layout and internal capital flows so as to improve operational efficiency, the Group engaged an independent professional corporate consulting agency and an independent valuation agency in the second half of 2023 to carry out consultation and evaluation of the Group's current status at that time. After the project was officially launched, the consulting agency and the valuation agency discussed and agreed that the latest practicable benchmark date for their consultation and valuation at that time was 30 June 2023. In February 2024, both agencies issued their respective consultation proposal report and valuation report on the value of the entire shareholders' equity interest of the Target Company respectively.

Immediately after the valuation report was issued and the appraised value was determined, the Purchaser and the Vendor continued to discuss and negotiate the transaction procedures and the terms of the transaction, and began to prepare for the preliminary work of the Transfer until the Purchaser and the Vendor reached the status of formal commencement of the transaction in early June 2024. Given that updating the valuation report as at the updated benchmark date may take several months, it would be impractical and unduly burdensome to go through the whole process again based on an updated valuation report. Moreover, the Purchaser, the Vendor and the Target Company have always been under the unified management of the Group, and there has not been any material adverse change in the business and operation of the Target Company from the benchmark date of the valuation report to the date of this announcement. In view of the fact that this equity transfer is an intra-group transaction, the Board considers that it is acceptable for the valuation report referred to above to be one of the bases for determining the Consideration for the Transfer.

The Directors consider that the Consideration is determined after arm's length negotiations and is fair and reasonable and on normal commercial terms, and therefore the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Completion

Completion of the Transfer shall take place upon completion of the relevant industrial and commercial registration of changes.

As at the date of this announcement, the Target Company is wholly owned by the Vendor. As the Purchaser is a company indirectly owned as to 90% by the Company and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement, the Target Company will be wholly owned by the Purchaser and the Group's equity interest in the Target Company will be reduced from 100% to 90% immediately after the Completion.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability, and is principally engaged in the provision of project management services for solid waste disposal.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the combined consolidated financial information of the Target Company for the two years ended 31 December 2023 and 2022 according to the financial statements of the Target Company prepared in accordance with the PRC GAAP:

	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Revenue	140,589	81,108
Loss before tax	(10,163)	(75,706)
Loss for the year	(11,499)	(77,127)
	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)
Total assets	523,520	373,491
Net assets	6,863	(17,486)

As at 31 December 2023, according to the audited combined financial statements of the Target Company, the consolidated net assets amounted to approximately RMB6.863 million. The main reasons for the difference between the consolidated net assets of the Target Company as at 31 December 2023 and the appraised value of the entire shareholders' equity interest of the Target Company as at the valuation benchmark date as mentioned above include: (i) the valuations by the independent valuer of the projects under operation and certain profitable projects were higher than their book values; (ii) for certain inventory of the Target Company previously sold by the Vendor to the Target Company, the independent valuer has assessed and confirmed the value is the same as the original value due to the return clauses provided in the relevant purchase contract (which has been recognized by the Purchaser and the Vendor).

REASONS FOR AND BENEFITS OF THE TRANSFER

The Purchaser is principally engaged in the provision of solid waste solutions, while the Target Company is currently principally engaged in the provision of project management services for solid waste disposal, and the existing solid waste disposal projects under the Target Company are constructed and commissioned by the Purchaser as the general contractor. The purpose of the Transfer is to optimize the internal structure of the Group, strengthen the ability to integrate resources, enhance the collaboration of business and personnel, and further improve its operational efficiency by integrating the investment, construction and operation of projects involving similar technologies under the same platform. The Board considers that the Transfer is in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) have reviewed the Transfer and are of the view that the Transfer is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE TRANSFER

Immediately after the Completion, the equity interest indirectly held by the Group in the Target Company will be reduced from 100% to 90%. The Target Company will remain as a subsidiary of the Company, and the assets and liabilities and results of the Target Company will continue to be consolidated into the consolidated financial statements of the Group.

Immediately after the Completion, no gain or loss is expected to be recorded on a consolidated basis by the Company due to the intra-group nature of the transaction, and there is no receipt of proceeds from the Transfer from outside the Group.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC with limited liability. As at the date of this announcement, it is indirectly owned as to 90% by the Company and is therefore an indirect non-wholly owned subsidiary of the Company. The Purchaser is principally engaged in the business of provision of solid waste solutions.

As at the date of this announcement, the remaining 10% interest of the Purchaser is owned by Orient Landscape Group Environmental Protection Co., Ltd.* (東方園林集團環保有限公司). To the best of the Directors' knowledge, Orient Landscape Group Environmental Protection Co., Ltd.* (東方園林集團環保有限公司) is owned as to approximately 64.3% by Beijing Orient Landscape Environment Investment Co., Ltd.* (北京東方園林環境投資有限公司) and as to approximately 35.7% by ABC Financial Asset Investment Company Limited* (農銀金融資產投資有限公司). The former is wholly-owned by Beijing Orient Landscape & Environment Co., Ltd.* (北京東方園林環境股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange. The latter is wholly-owned by Agricultural Bank of China Limited, the shares of which are listed on the Shanghai Stock Exchange. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons, except for Orient Landscape Group Environmental Protection Co., Ltd., which is a connected person at the level of a subsidiary of the Company by virtue of its 10% interest in the Purchaser.

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.

The Vendor is a company established in Hong Kong with limited liability. As at the date of this announcement, it is a wholly-owned subsidiary of the Company and is principally engaged in investment in environmental projects.

LISTING RULES IMPLICATIONS

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As one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Disposal, exceeds 5% but are all less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules. The applicable percentage ratios were calculated taking into account the net effect that the Disposal has on the consolidated financial statements of the Group in accordance with Listing Decision HKEx-LD62-2 (issued in November 2008 and updated in October 2019).

DEFINITIONS

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

“Board”	the board of Directors of the Company
“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 Transfer in accordance with the terms and conditions of the Equity Transfer Agreement
“Consideration”	the consideration for the Transfer payable by the Purchaser to the Vendor under the Equity Transfer Agreement
“Disposal”	the disposal of the Group’s interest of 10% in the Target Company upon Completion of the Equity Transfer Agreement
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Vendor and the Purchaser on 28 June 2024 in relation to the equity transfer of the Target Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“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
“Purchaser”	Guangzhou Weigang Environmental Protection Technology Limited, a limited company established in PRC, is a company indirectly owned as to approximately 90% by the Company and hence an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Debo Environment (Guangzhou) Co., Ltd.* (德博環境(廣州)有限公司), a limited company established in PRC, is an indirect wholly-owned subsidiary of the Company as at the date of this announcement, details of which are set out in the section headed “Information of the Target Company” in this announcement
“Transfer”	the transfer of the equity interests of Target Company pursuant to the Equity Transfer Agreement

“Vendor”

Weigang Development (Hong Kong) Limited, a limited company established in Hong Kong, is an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“%”

per cent.

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

Guangdong Province, the PRC
28 June 2024

As of the date of this announcement, the Board comprises Mr. Cai Zhuhua, 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*