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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 THE PLANT CONSTRUCTION AND LEASE CONTRACT

THE PLANT CONSTRUCTION AND LEASE CONTRACT

The Board is pleased to announce that on 30 May 2023 (after trading hours), the Lessor (an indirect wholly-owned subsidiary of the Company), as the lessor, and the Lessee, as the lessee, entered into the Contract, pursuant to which, among other things, (i) the Lessor will, entrust a qualified third party construction unit to construct the Plant at the Land for the Lessee; (ii) the Lessee will, after the Plant Completion, rent the Plant from the Lessor for the duration of the Lease Term; and (iii) the Lessee shall decide whether to purchase the Land and the Plant by submitting a written intent to purchase the Land and the Plant one year before the end of the Lease Term (being the Possible Transfer).

LISTING RULES IMPLICATIONS

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

The Board is pleased to announce that on 30 May 2023 (after trading hours), the Lessor (an indirect wholly-owned subsidiary of the Company), as the lessor, and the Lessee, as the lessee, entered into the Contract, pursuant to which, among other things, (i) the Lessor will, entrust a qualified third party construction unit to construct the Plant at the Land for the Lessee; (ii) the Lessee will, after the Plant Completion, rent the Plant from the Lessor for the duration of the Lease Term; and (iii) the Lessee shall decide whether to purchase the Land and the Plant by submitting a written intent to purchase the Land and the Plant one year before the end of the Lease Term (being the Possible Transfer).

THE PLANT CONSTRUCTION AND LEASE CONTRACT

The principal terms of the Contract are as follows:

- Date: 30 May 2023 (after trading hours)
- Parties:
1. the Lessor (an indirect wholly-owned subsidiary of the Company), as the lessor; and
 2. the Lessee, as the lessee.

The Lessor is principally engaged in the provision of environmental plating sewage treatment services and provision of leasing facilities and related utilities in the eco-plating specialised zone owned by the Group situated at Zhenjiang, Jiangsu Province, the PRC (the “**Zhenjiang Eco-plating Specialised Zone**”).

The Lessee is a limited liability company established in Austria and is principally engaged in surface engineering and coating of metals and plastics that including galvanising, anodising, hot-dip galvanising and organic coating.

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

The Land

The Land is a parcel of industrial use land located at No. 199, Yuehe Street, Zhenjiang New Zone, in Zhenjiang Eco-Plating Specialized Zone with a site area of approximately 15 mu (approximately 9,900 square meters). As at the date of this announcement, the Land is owned by the Lessor and the land use rights for the Land will expire on 20 January 2058. As at the date of this announcement, the Land is currently vacant and reserved for further development for the Lessor. The current government guided price for the Land is approximately RMB450,000 (HK\$500,000) per mu.

The Plant

The Plant will be constructed by a qualified third party construction unit entrusted by the Lessor in accordance with the relevant national, local, industrial and other construction standards, and will meet the general standards confirmed by the Parties in the Contract. The current construction cost for a plant for plating industry is approximately RMB3,000 (HK\$3,330) per square meter.

Lease Arrangements

Upon the completion of the main building construction of the Plant, the Lessee will rent the Plant from the Lessor for the duration of the Lease Term.

Possible Transfer

The Lessee shall decide whether to purchase the Land and the Plant by submitting a written intent to purchase the Land and the Plant one year before the end of the Lease Term.

If the Lessee decides to purchase the Land and the Plant, the purchase price of the Land will be determined by both Parties through negotiation with reference to the market price of industrial land at that time in Zhenjiang New Area, and the maximum price shall not exceed RMB950,000 (approximately HK\$1,054,500) per mu (with a maximum total consideration of RMB14,250,000 (approximately HK\$15,818,000)). The purchase price of the Plant shall be based on the actual cost of the Plant with a maximum price of RMB32,000,000 (approximately HK\$35,520,000).

In addition, in view of the intention of the Lessee to purchase the Land and the Plant, the Lessor will construct the Substation for the Plant's exclusive use with an estimated cost of RMB1,200,000 (approximately HK\$1,332,000). The purchase price of the Substation shall be based on the actual construction cost and shall be transferred together with the Plant when it is transferred.

The aggregate maximum consideration for the Possible Transfer is estimated to be approximately RMB47,450,000 (approximately HK\$52,669,500) being the sum of (i) each of the maximum price of the Land of RMB14,250,000 (approximately HK\$15,818,000), the Plant of RMB32,000,000 (approximately HK\$35,520,000) and (ii) the estimated cost of the Substation of RMB1,200,000 (approximately HK\$1,332,000). The final consideration for the Possible Transfer is subject to the negotiations between the Parties by the end of the Lease Term.

Financial Effects of the Possible Transfer

The gain or loss expected to accrue to the Company in relation to the Possible Transfer and the amount of total net proceeds will depend on, among other things, the applicable tax rates at the relevant time of the Possible Transfer, and can only be determined when the Possible Transfer materialises. The Company currently intends to use the net proceeds (if the Possible Transfer materialises) for general working capital of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT

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.

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 Group has proactively planned and managed its land resources. Instead of leaving the Land idle, cooperation with the Lessee on the development of the Land would strengthen the Group's core business and reduce the Group's costs as it is expected that the Group will enjoy a long-term and stable rental income arising from the Lease.

Taking into account the above reasons and the terms of the Contract, all Directors are of the view that the terms of the Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Possible Transfer under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Possible Transfer 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:

“Board”	the board of Directors
“Assets”	the Land, the Plant and the Substation
“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 Stock Exchange (Stock Code: 436)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Contract”	the plant construction and lease contract dated 30 May 2023 entered into between the Parties in relation to, among other things, the Lease and the Possible Transfer

“Director(s)”	director(s) of the 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 PRC
“Land”	a parcel of industrial land located at No. 199, Yuehe Street, Zhenjiang New Zone, in Zhenjiang Eco-Plating Specialized Zone with a site area of approximately 15 mu (approximately 9,900 square meters)
“Lease”	the lease of the Plant as contemplated under the Contract
“Lease Term”	five (5) years for a term commencing on the Plant Delivery Date and ending on the date falling on the last day of the 5th year from the Plant Delivery Date (both days inclusive)
“Lessee”	Collini GmbH, a limited liability company incorporated in Hohenems, Austria
“Lessor”	鎮江華科生態電鍍科技發展有限公司 (Zhenjiang Sinotech Eco-Electroplating Development Limited*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Plant”	the electroplating factory to be constructed on the Land pursuant to the Contract
“Plant Delivery Date”	date of delivery of the Plant by the Lessor to the Lessee
“Possible Transfer”	the possible transfer of the Assets by the Lessor to the Lessee pursuant to the Contract

“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Parties”	the Lessor and the Lessee
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substation”	the substation to be constructed for the Plant’s exclusive use
“%”	per cent.

For illustration purpose, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1= HK\$1.11. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

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

Hong Kong, 30 May 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*