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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 PROVISION OF GUARANTEE

GUARANTEE AGREEMENT

The Board hereby announces that, on 25 September 2020 (after trading hours), the Company and Guangxi Rongkai, as the guarantors, entered into the Guarantee Agreement with BOC, pursuant to which the Company and Guangxi Rongkai agreed to jointly provide the Guarantee in favour of BOC as security for the repayment obligations of the Project Company in respect of the Relevant Agreements (including, but not limited to, the Loan Agreement).

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Guarantee exceed 5% but all are less than 25%, the Guarantee Agreement and the transaction thereunder constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

On 25 September 2020, the Project Company (a Sino-foreign joint venture company incorporated in the PRC with limited liability, of which the Company indirectly owns 65% equity interest and Guangxi Rongkai directly owns 35% equity interest) entered into the Loan Agreement with BOC, pursuant to which BOC has agreed to provide the Project Company with the Loan in the amount of RMB120,000,000 (approximately HK\$135,600,000) for a term of 60 months bearing interest at the LPR plus 10 basis points per annum, for the purpose of construction of the Liuzhou Project.

On 25 September 2020, the Project Company also entered into a maximum amount pledge agreement (最高額抵押合同) in favour of BOC for a maximum secured amount of RMB16,530,505 (approximately HK\$18,679,000), pursuant to which the Project Company pledged to BOC the land use rights in respect of land owned by the Project Company located in Liuzhou, Guangxi, whose carrying amount was approximately RMB10,825,000 (approximately HK\$12,232,000) as at 31 August 2020, as security to guarantee its repayment obligations under the Relevant Agreements (including, but not limited to, the Loan Agreement).

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

Date: 25 September 2020

Parties: (1) the Company (as one of the guarantors);
(2) Guangxi Rongkai (as one of the guarantors); and
(3) BOC (as the creditor).

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

Term of Guarantee: Commencing from 1 September 2020 to 31 December 2027 (both days inclusive).

Scope of the Guarantee: The Guarantee shall cover the repayment obligations in respect of the Relevant Agreements and any interest, liquidated damages, enforcement costs, losses incurred by BOC due to the breach of any Relevant Agreement by the Project Company and all other expenses payable arising therefrom.

Method of the Joint liability.
Guarantee:

The aggregate amount of the repayment obligations under the Guarantee Agreement shall not exceed RMB120,000,000 (approximately HK\$135,600,000).

In the event the guarantors are required to fulfil their repayment obligations (the “**Repayment Obligations**”) under the Guarantee Agreement, if the actual amount paid by a guarantor (the “**Paying Guarantor**”) under the Repayment Obligations exceeds an amount proportionate to the Paying Guarantor’s direct/indirect equity interest in the Project Company (i.e. 65% for the Company and 35% for Guangxi Rongkai) in relation to the Repayment Obligation, the Paying Guarantor shall have the right to claim from the other guarantor for the excess amount paid.

REASONS FOR AND BENEFITS OF PROVIDING THE GUARANTEE

Reference is made to the announcement of the Company dated 17 November 2017 in relation to, among others, the formation of the joint venture in Liuzhou, Guangxi where the Board stated that the Liuzhou Project was in line with the corporate strategy of the Group, which includes expansion of the environmental operations in the areas beyond Jiangsu Province, the PRC.

As mentioned in the interim report of the Company for the six months ended 30 June 2020, the Group continues to support the development of the Liuzhou Project located in Liuzhou, Guangxi and the fundamental construction works for the integrated hazardous waste treatment facilities are expected to be completed by the end of 2020. The Directors will continue to seek for the right opportunities for business restructuring and industrial upgrade to improve the overall sustainable profitability of the Group. Notwithstanding the unforeseeable risks from the global and local economies and continuous uncertainties from the coronavirus pandemic, the Group is expected to deliver reasonable results in the current year.

It is expected that the provision of the Guarantee to support the Loan granted to the Project Company will enable the smooth development and construction of the Project Company's incineration and landfill facilities in Liuzhou and will enable the Group to expand its environmental project engineering services and environmental waste treatment operations in Guangxi. As such, the Directors are of the opinion that the provision of the Guarantee is in line with the corporate strategy of the Group, which includes enabling the development plan of the Project Company would be smoothly implemented and the Project Company would be put into operation in due course, and provides an opportunity for the Company to further broaden its business scope into environmental operations in the areas beyond Jiangsu Province, the PRC.

Accordingly, the Directors are of the view that the Guarantee Agreement was entered into on normal commercial terms and the terms and conditions of the Guarantee are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY, GUANGXI RONGKAI, BOC AND THE PROJECT COMPANY

The Company

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; and (iii) investments in plastic materials dyeing operations.

Guangxi Rongkai

Guangxi Rongkai is a company incorporated in the PRC with limited liability and is principally engaged in investment in electroplating industrial park, sales and leasing of plants and development and operation of real estate properties. Guangxi Rongkai directly owns 35% equity interest in the Project Company.

BOC

BOC is a joint stock commercial bank incorporated under the laws of the PRC.

The Project Company

The Project Company was established on 26 December 2017 in Liuzhou, Guangxi with an operating period of 50 years. The Project Company has a registered capital of RMB70,000,000, which has been fully paid up by both parties to the joint venture. The Company indirectly owns 65% equity interest and Guangxi Rongkai directly owns 35% equity interest in the Project Company. The Project Company is involved in establishing the Liuzhou Project which involves the construction of integrated hazardous waste incineration facilities and hazardous waste landfill site at Liuzhou, Guangxi.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Guarantee exceed 5% but all are less than 25%, the Guarantee Agreement and the transaction thereunder constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Board”	board of Directors
“BOC”	Bank of China Limited, Liuzhou Branch
“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 and one of the guarantors to the Guarantee Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangxi”	the Guangxi Zhuang Autonomous Region, the PRC
“Guangxi Rongkai”	廣西榮凱華源電鍍工業園投資有限公司 (Guangxi Rongkai Huayuan Electroplating Industrial Park Investment Company Limited*), a company established in the PRC with limited liability and one of the guarantors to the Guarantee Agreement
“Guarantee”	the guarantee jointly provided by the Company and Guangxi Rongkai to BOC pursuant to the Guarantee Agreement

“Guarantee Agreement”	the maximum amount guarantee agreement (最高額保證合同) dated 25 September 2020 entered into between Company and Guangxi Rongkai, as the guarantors, and BOC, pursuant to which, the Company and Guangxi Rongkai agreed to jointly provide the Guarantee in favour of BOC as security for the repayment obligations of the Project Company in respect of the Relevant Agreements (including, but not limited to, the Loan Agreement)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Liuzhou Project”	a project for integrated treatment and disposal of hazardous solid waste in the Guangxi Liuzhou Automobile City Jiangkou Industrial Park (廣西柳州汽車城江口工業園) in Liuzhou, Guangxi
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the amount of RMB120,000,000 (approximately HK\$135,600,000) granted to the Project Company by BOC on the terms and subject to the conditions set out in the Loan Agreement
“Loan Agreement”	the loan agreement dated 25 September 2020 entered into between the Project Company, as borrower, and BOC, as lender, pursuant to which BOC has agreed to provide the Loan to the Project Company for the purpose of construction of the Liuzhou Project
“LPR”	the loan prime rate (貸款市場報價利率) for a loan with a term of five years or above as promulgated by the National Interbank Funding Center (全國銀行間同業拆借中心) in the PRC from time to time
“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC

“Project Company”	柳州新宇榮凱固體廢物處置有限公司(Liuzhou Xinyu Rongkai Solid Waste Disposal Company Limited*), a Sino-foreign joint venture company incorporated in PRC with limited liability, of which the Company indirectly owns 65% equity interest and Guangxi Rongkai directly owns 35% equity interest
“Relevant Agreement(s)”	any contract in relation to loans, trade finance, letters of guarantee, treasury and other credit business, and amendments or supplements thereof entered into between BOC and the Project Company during the period from 1 September 2020 to 31 December 2025 (both days inclusive)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board
New Universe Environmental Group Limited
XI Yu
Chairman and Chief Executive Officer

Hong Kong, 25 September 2020

As at the date of this announcement, the Board comprises six executive Directors: Mr. XI Yu (Chairman and Chief Executive Officer), Mr. SONG Yu Qing, Ms. CHEUNG Siu Ling, Ms. ZHANG Shuo, 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.

The exchange translation between RMB and HK\$ in this announcement were made at the rate of RMB1.00 to HK\$1.13. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on the date hereof or any other date.

* For identification purpose only