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Kimou Environmental Holding Limited

金茂源環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6805)

**DISCLOSEABLE TRANSACTION
CONSTRUCTION AGREEMENTS IN RELATION TO
CONSTRUCTION OF FACTORIES IN TIANJIN BINGANG PARK**

On 9 December 2022 (after trading hours), Tianjin Sangong, an indirect non-wholly owned subsidiary of the Company, entered into (1) the Construction Agreement A with Tianjin Xinyu for the provision of construction services for five factories in Tianjin Bingang Park at a consideration of approximately RMB83.2 million; and (2) the Construction Agreement B with Tianjin Xinyu for the provision of construction services for four factories in Tianjin Bingang Park at a consideration of approximately RMB66.3 million. The aggregate value of consideration payable under the Construction Agreements is approximately RMB149.5 million.

As the Construction Agreement A and Construction Agreement B were entered into within a 12-month period between the Group and Tianjin Xinyu, the Construction Agreements are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Construction Agreements (on an aggregated basis) exceeds 5% but is less than 25%, the transactions contemplated under the Construction Agreements constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirement under Chapter 14 of the Listing Rules.

CONSTRUCTION AGREEMENTS

On 9 December 2022 (after trading hours), Tianjin Sangong, an indirect non-wholly owned subsidiary of the Company, entered into (1) the Construction Agreement A with Tianjin Xinyu for the provision of construction services for five factories in Tianjin Bingang Park at a consideration of approximately RMB83.2 million; and (2) the Construction Agreement B with Tianjin Xinyu for the provision of construction services for four factories in Tianjin Bingang Park at a consideration of approximately RMB66.3 million. The aggregate value of consideration payable under the Construction Agreements is approximately RMB149.5 million.

Further particulars of the Construction Agreement A and the Construction Agreement B are set out below.

Construction Agreement A

- Date : 9 December 2022
- Parties : (1) Tianjin Sangong, an indirect non-wholly owned subsidiary of the Company; and
(2) Tianjin Xinyu.
- Subject matter : Tianjin Sangong agreed to engage Tianjin Xinyu as the contractor for the provision of, and Tianjin Xinyu agreed to provide Tianjin Sangong, construction services including, among other things, civil engineering and installation of public works, for the construction of five factories in Tianjin Bingang Park (factories No. 301, No. 302, No. 401, No. 402 and No. 403), with an aggregate construction area of approximately 38.4 thousand sq. m.
- Construction Period : The construction works are expected to commence on 15 December 2022 and expected to be completed by not later than 30 December 2023 subject to other terms of the Construction Agreement A.
- Consideration : Approximately RMB83.2 million (inclusive of 9% value-added tax) and shall be settled in the following manners:
- (1) 10% of the consideration shall be paid before the 25th day of the next month following the completion of the arrangement of personnel, materials and machines to the construction site;
 - (2) 15% of the consideration shall be paid before the 25th day of the next month following the completion of all the second floor's roof of the construction works;
 - (3) 15% of the consideration shall be paid before the 25th day of the next month following the completion of all the main structure of the construction works;
 - (4) 10% of the consideration and the tax of the remaining 50% of the consideration shall be paid before the 25th day of the next month following the completion of all the construction works and relevant filing procedures; and

- (5) The remaining 50% of the consideration shall be paid in equal installments without interest in 12 months (before the 10th day of each month) following the completion of the construction works.

Construction Agreement B

- Date : 9 December 2022
- Parties : (1) Tianjin Sangong, an indirect non-wholly owned subsidiary of the Company; and
(2) Tianjin Xinyu.
- Subject matter : Tianjin Sangong agreed to engage Tianjin Xinyu as the contractor for the provision of, and Tianjin Xinyu agreed to provide Tianjin Sangong, construction services including, among other things, civil engineering and installation of public works, for the construction of four factories in Tianjin Bingang Park (factories No. #D, No. #E, No. #H and No. #J), with an aggregate construction area of approximately 30.0 thousand sq. m.
- Construction Period : The construction works are expected to commence on 15 December 2022 and expected to be completed by not later than 30 December 2023 subject to other terms of the Construction Agreement B.
- Consideration : Approximately RMB66.3 million (inclusive of 9% value-added tax) and shall be settled in the same manner as Construction Agreement A.

The consideration of the Construction Agreements was determined based on arm's length negotiation between the parties with reference to the scope and complexity, the estimated material and labour costs to be incurred by, and current market price of construction projects of comparable scale and complexity to the proposed construction works and the relevant experience, qualifications, capacity and background of Tianjin Xinyu. Accordingly, the Directors consider that the consideration and the terms of the Construction Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Consideration will be funded by the internal resources of the Group and bank loans.

INFORMATION ON THE PARTIES

Tianjin Sangong and the Group

Tianjin Sangong, an indirect non-wholly owned subsidiary of the Company, is principally engaged in rental of real property and property management services of industrial complexes and providing wastewater treatment and other ancillary services.

The Group is principally engaged in the business of providing wastewater treatment and other ancillary services for the development and operation of surface treatment recycling eco-industrial park.

Tianjin Xinyu

Tianjin Xinyu is principally engaged in building construction and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Tianjin Xinyu is ultimately owned by Li Jianhua (李建華), Wang Heping (王和平), Li Zhihong (李志洪), Liu Bingling (劉炳嶺) and Chen Yankui (陳艷奎) each as to 13.57%, Tian Hongjing (田洪靜) as to 10.88%, Zhao Bingchang (趙炳常) as to 8.21%, Liu Yi (劉禕) and Li Guohua (李國華) each as to 6.52%. Each of Tianjin Xinyu and its ultimate beneficial owners is an Independent Third Party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENTS

As a long-term strategy, the Group intends to keep steady expansion of business based on continuous analysis of the potential market in different regions of the PRC to seize further business opportunities and increase the returns to the Shareholders. According to the interim report of the Company for the six months ended 30 June 2022 dated 29 August 2022, the occupancy rate of the Tianjin Bingang Park increased from 78.5% as at 30 June 2021 to 91.2% as at 30 June 2022. Therefore, the Company is optimistic about the future development and market demand of Tianjin Bingang park. In order to fully utilise the existing land resources available for increasing the gross floor area available for leasing and to increase the number of tenants that can be accommodated in Tianjin Bingang Park, the Group intends to construct additional factory buildings in Tianjin Bingang Park.

The Directors are of the view that the transactions contemplated under the Construction Agreements are in the interest of the Company and the terms of the Construction Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Construction Agreement A and Construction Agreement B were entered into within a 12-month period between the Group and Tianjin Xinyu, the Construction Agreements are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Construction Agreements (on an aggregated basis) exceeds 5% but is less than 25%, the transactions contemplated under the Construction Agreements constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Kimou Environmental Holding Limited (金茂源環保控股有限公司), a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Construction Agreements”	collectively, the Construction Agreement A and the Construction Agreement B
“Construction Agreement A”	the Construction Agreement dated 9 December 2022 entered into between Tianjin Sangong and Tianjin Xinyu for the construction services for five factories in Tianjin Bingang Park
“Construction Agreement B”	the Construction Agreement dated 9 December 2022 entered into between Tianjin Sangong and Tianjin Xinyu for the construction services for four factories in Tianjin Bingang Park
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party independent of the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Tianjin Bingang Park”	Kimou (Tianjin) Surface Treatment Recycling Eco-industrial Park* (金茂源(天津)表面處理循環經濟產業園), our electroplating industrial park located in Zhongwang Town, Jinghai District, Tianjin, the PRC
“Tianjin Sangong”	Tianjin Sangong Metal Surface Processing Co., Ltd.* (天津三工金屬表面處理有限公司), a company established in the PRC with limited liability on 6 February 2015 and an indirect non-wholly owned subsidiary of the Company

“Tianjin Xinyu”	Tianjin Xinyu Construction Engineering Company Limited* (天津新宇建築工程有限公司), a company established in the PRC with limited liability on 28 August 2003
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* *For identification purposes only*

On behalf of the Board
Kimou Environmental Holding Limited
Zhang Lianghong
Chairman and Executive Director

Hong Kong, 9 December 2022

As at the date of this announcement, the Board comprises Mr. Zhang Lianghong (Chairman), Mr. Zhu Heping (Chief Executive Officer), Mr. Lee Kin Ming and Mr. Huang Shaobo as executive Directors, and Mr. Li Xiaoyan, Mr. Li Yinquan and Mr. Kan Chung Nin, Tony SBS, JP as independent non-executive Directors.