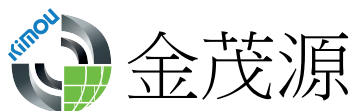


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Kimou Environmental Holding Limited

金茂源環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6805)

**MAJOR TRANSACTION
PLANT CONSTRUCTION AGREEMENTS IN RELATION TO
CONSTRUCTION OF FACTORY BUILDINGS
IN TAIXING ECONOMIC DEVELOPMENT ZONE**

On 18 March 2022, Taizhou Jincheng, an indirect subsidiary of the Company, entered into (i) the Plant Construction Agreement A with Guangdong Jinjunda; and (ii) the Plant Construction Agreement B with Taixing Xinxing, both for the provision of construction services for factory buildings in Taixing Economic Development Zone at a consideration of approximately RMB150.4 million and approximately RMB77.1 million respectively. The aggregate consideration for the Plant Construction Agreements is approximately RMB227.5 million.

As the Plant Construction Agreements were entered into within a 12-month period and both involve the construction work at the same site, the Plant Construction Agreements shall be aggregated as if they were one transaction pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under each of the Plant Construction Agreement A and Plant Construction Agreement B exceeds 5% but is less than 25%, the transactions contemplated under each of the Plant Construction Agreement A and Plant Construction Agreement B, on a standalone basis, constitute a discloseable transaction under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Plant Construction Agreements (on an aggregated basis) exceeds 25% but is less than 100%, the transactions contemplated under the Plant Construction Agreements (on an aggregated basis) constitute a major acquisition of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates (as defined under the Listing Rules) has a material interest in the transactions contemplated under the Plant Construction Agreements, thus no Shareholders is required to abstain from voting on the resolution if the Company were to convene an extraordinary general meeting to approve the Plant Construction Agreements and the transactions contemplated thereunder.

As at the date of this announcement, the Relevant Shareholders, namely Flourish Investment International Limited (a company wholly-owned by Mr. Zhang Lianghong, an executive Director) and Premier Investment Worldwide Company Limited (金尚投資有限公司) (a company wholly-owned by Mr. Lee Yuk Kong, an executive Director) respectively hold 493,270,000 Shares and 239,400,000 Shares, and together hold 732,670,000 Shares representing 65.42% of the issued Shares, have indicated that they would approve the Plant Construction Agreements and the transactions contemplated thereunder by a written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company.

A circular containing, among other things, further particulars of the Plant Construction Agreements and the transactions contemplated thereunder, is expected to be despatched to the Shareholders for information purpose only within 15 business days after the publication of this announcement, i.e. on or before 11 April 2022.

THE PLANT CONSTRUCTION AGREEMENTS

On 18 March 2022, Taizhou Jincheng, an indirect subsidiary of the Company, entered into (i) the Plant Construction Agreement A with Guangdong Jinjunda; and (ii) the Plant Construction Agreement B with Taixing Xinxing, both for the provision of construction services for factories in Taixing Economic Development Zone at a consideration of approximately RMB150.4 million and approximately RMB77.1 million respectively. The aggregate consideration for the Plant Construction Agreements is approximately RMB227.5 million.

The principal terms of the Plant Construction Agreements are set out below.

Plant Construction Agreement A

Date : 18 March 2022

Parties : (1) Taizhou Jincheng, an indirect subsidiary of the Company;
and
(2) Guangdong Jinjunda, as contractor.

- Subject matter** : Taizhou Jincheng agreed to engage Guangdong Jinjunda as the contractor for the provision of, and Guangdong Jinjunda agreed to provide to Taizhou Jincheng, construction services including, among other things, civil engineering and installation of 6 factory buildings (no. 101–104, 201 and 202) in the Taixing Economic Development Zone with an aggregate construction area of approximately 80,000 sq. m.
- Construction period** : The construction works will commence on a date to be specified by Taizhou Jincheng (which is expected to be on or around 1 April 2022) and is expected to complete by 31 March 2023 subject to other terms of the Plant Construction Agreement A.
- Consideration** : Approximately RMB150.4 million (inclusive of 9% value-added tax) and shall be settled in the follow manner:
- (1) 15% of the consideration shall be paid upon the completion of the foundation works and receipt of the foundation acceptance documents;
 - (2) by instalments of part of the consideration shall be paid upon certain milestones of the construction works having been attained such that up to 95% of the consideration will have been paid after filing of the completion of the construction works; and
 - (3) the remaining 5% of the consideration shall be withheld as retention money, and 3% and 2% of the retention money shall be released respectively after the first anniversary and the second anniversary of the date of filing of the completion of the construction works.

The consideration of the Plant Construction Agreement A 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 Guangdong Jinjunda. Accordingly, the Directors consider that the consideration of the Plant Construction Agreement A is fair and reasonable. The consideration will be funded by the internal resources of the Group and/or bank loans.

Plant Construction Agreement B

- Date** : 18 March 2022
- Parties** : (1) Taizhou Jincheng, an indirect subsidiary of the Company;
and
(2) Taixing Xinxing, as contractor.
- Subject matter** : Taizhou Jincheng agreed to engage Taixing Xinxing as the contractor for the provision of, and Taixing Xinxing agreed to provide to Taizhou Jincheng, construction services including, among other things, civil engineering and installation of four factory buildings (no. 105, 106, 203 and 204) in the Taixing Economic Development Zone with an aggregate construction area of approximately 41,000 sq. m.
- Construction period** : The construction works will commence on a date to be specified by Taizhou Jincheng (which is expected to be on or around 1 April 2022) and is expected to complete by 31 March 2023 subject to other terms of the Plant Construction Agreement B.
- Consideration** : Approximately RMB77.1 million (inclusive of 9% value-added tax) and shall be settled in the follow manner:
- (1) 15% of the consideration shall be paid upon the completion of the foundation works and receipt of the foundation acceptance documents;
 - (2) by instalments of part of the consideration shall be paid upon certain milestones of the construction works having been attained such that up to 95% of the consideration will have been paid after filing of the completion of the construction works; and
 - (3) the remaining 5% of the consideration shall be withheld as retention money, and 3% and 2% of the retention money shall be released respectively after the first anniversary and the second anniversary of the date of filing of the completion of the construction works.

The consideration of the Plant Construction Agreement B 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 Taixing Xinxing. Accordingly, the Directors consider that the consideration of the Plant Construction Agreement B is fair and reasonable. The consideration will be funded by the internal resources of the Group and/or bank loans.

INFORMATION OF THE PARTIES

Taizhou Jincheng, an indirect subsidiary of the Company, is principally engaged in rental of real property and property management services of industrial complexes.

Guangdong Jinjunda is principally engaged in building construction and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Guangdong Jinjunda is ultimately owned as to 62% by Lai Shuxian* (賴淑嫻) and 38% by Zhang Zhihong* (張志宏), each an individual and each of Guangdong Jinjunda and its ultimate beneficial owner(s) is an Independent Third Party.

Taixing Xinxing is principally engaged in building construction and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Taixing Xinxing is ultimately owned as to 60% by Zhang Xinsheng* (張新生), 10% by Ding Fengyu* (丁鳳玉), 10% by Zhang Yuanhong* (張元紅), 10% by Zhang Xinhua* (張新華) and 10% by Zhang Zhongliang* (張忠亮), each an individual and each of Taixing Xinxing and its ultimate beneficial owner(s) is an Independent Third Party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PLANT CONSTRUCTION AGREEMENTS

The Group is principally engaged in the business of providing wastewater treatment and other ancillary services for the development and operation of surface treatment circular economy industrial parks (formerly described as Electroplating Industrial Park).

As disclosed in the announcement of the Company dated 17 December 2021, the Group intends to devote more resources on development of new Surface Treatment Circular Economy Industrial Park in different regions of the PRC to seize further business opportunities in order to increase the return to the Shareholders. The Group acquired two parcels of lands situated at Taixing Economic Development Zone for the purpose of developing a surface treatment recycling economy industrial park as a strategic move of the Group to expand and consolidate its business in Jiangsu Province and Yangtze River Delta, the PRC. The Plant Construction Agreements and the transactions contemplated thereunder signify the next step for the development of a new Surface Treatment Circular Economy Industrial Park in Taixing Economic Development Zone.

The Directors are of the view that the transactions contemplated under the Plant Construction Agreements are in the interest of the Company and the terms of the Plant 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 Plant Construction Agreements were entered into within a 12-month period and both involve the construction work at the same site, the Plant Construction Agreements shall be aggregated as if they were one transaction pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under each of the Plant Construction Agreement A and Plant Construction Agreement B exceeds 5% but is less than 25%, the transactions contemplated under each of the Plant Construction Agreement A and Plant Construction Agreement B, on a standalone basis, constitute a discloseable transaction under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Plant Construction Agreements (on an aggregated basis) exceeds 25% but is less than 100%, the transactions contemplated under the Plant Construction Agreements (on an aggregated basis) constitute a major acquisition of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates (as defined under the Listing Rules) has a material interest in the transactions contemplated under the Plant Construction Agreements, thus no Shareholders is required to abstain from voting on the resolution if the Company were to convene an extraordinary general meeting to approve the Plant Construction Agreements and the transactions contemplated thereunder.

As at the date of this announcement, the Relevant Shareholders, namely Flourish Investment International Limited (a company wholly-owned by Mr. Zhang Lianghong, an executive Director) and Premier Investment Worldwide Company Limited (金尚投資有限公司) (a company wholly-owned by Mr. Lee Yuk Kong, an executive Director) respectively hold 493,270,000 Shares and 239,400,000 Shares, and together hold 732,670,000 Shares representing 65.42% of the issued Shares, have indicated that they would approve the Plant Construction Agreements and the transactions contemplated thereunder by a written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company.

A circular containing, among other things, further particulars of the Plant Construction Agreements and the transactions contemplated thereunder, is expected to be despatched to the Shareholders for information purpose only within 15 business days after the publication of this announcement, i.e. on or before 11 April 2022.

DEFINITIONS

“Board”	the board of the Directors
“Company”	Kimou Environmental Holding Limited (金茂源環保控股有限公司), a company incorporated in Cayman Islands with limited liability, the shares of which are listed on Main Board of the Stock Exchange
“connected person”	has the meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Jinjunda”	Guangdong Jinjunda Construction Engineering Co., Ltd.* (廣東金竣達建設工程有限公司), a limited liability company established in the PRC
“Hong Kong”	Hong Kong Administrative Region of the People’s Republic of China
“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
“Plant Construction Agreements”	collectively, the Plant Construction Agreement A and Plant Construction Agreement B
“Plant Construction Agreement A”	the plant construction agreement dated 18 March 2022 entered into between Taizhou Jincheng and Guangdong Jinjunda in respect of the construction of 6 factory buildings in the Taixing Economic Development Zone
“Plant Construction Agreement B”	the plant construction agreement dated 18 March 2022 entered into between Taizhou Jincheng and Taixing Xinxing in respect of the construction of 4 factory buildings in the Taixing Economic Development Zone
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Relevant Shareholders”	collectively, Flourish Investment International Limited and Premier Investment Worldwide Company Limited (金尚投資有限公司), being the two largest Shareholders as at the date of this announcement

“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
“Taixing Economic Development Zone”	Taixing County Economic Development Zone* (泰興經濟開發區), in Taixing City, Jiangsu Province, the PRC
“Taixing Xinxing”	Taixing Xinxing Construction Engineering Co., Ltd* (泰興市新興建築工程有限公司), a limited liability company established in the PRC
“Taizhou Jincheng”	Taizhou Jincheng Environmental Protection Technology Co., Ltd.* (泰州金成環保科技有限公司), a limited liability company established in the PRC and an indirect subsidiary of the Company
“%”	per cent.

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

18 March 2022

As at the date of this announcement, the Board comprises Mr. Zhang Lianghong (Chairman), Mr. Zhu Heping (Chief Executive Officer), Mr. Lee Yuk Kong 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.

* For identification purposes only