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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 AGREEMENT IN
RELATION TO CONSTRUCTION OF
AN ELECTROPLATING WASTEWATER TREATMENT PLANT IN
QINGSHEN ECONOMIC DEVELOPMENT ZONE**

On 30 July 2021, Sichuan Kimou, an indirect wholly-owned subsidiary of the Company, entered into the Plant Construction Agreement with Qingshen Yuxiang and Guangdong Jinjunda for the provision of construction services for an electroplating wastewater treatment plant in Qingshen Economic Development Zone at an aggregate consideration of RMB86.92 million.

The transaction contemplated under the Plant Construction Agreement constitutes a discloseable transaction of the Company under Chapter 14 the Listing Rules. Reference is made to the 2021 June Announcement in respect of, among other things, the entering into of the Qingshen Yuxiang and Jinjunda Construction Agreements among Qingshen Jinyuan, Qingshen Yuxiang and Guangdong Jinjunda for the provision of construction services for factories in Qingshen Economic Development Zone. As the Construction Agreements were entered into within a 12-month period between the Group and Qingshen Yuxiang and Guangdong Jinjunda, 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 under Chapter 14 of the Listing Rules and are subject to notification and announcement requirement under Chapter 14 of the Listing Rules.

THE PLANT CONSTRUCTION AGREEMENT

On 30 July 2021, Sichuan Kimou, an indirect wholly-owned subsidiary of the Company, entered into the Plant Construction Agreement with Qingshen Yuxiang and Guangdong Jinjunda for the provision of construction services for an electroplating wastewater treatment plant in Qingshen Economic Development Zone at an aggregate consideration of RMB86.92 million.

The principal terms of the Plant Construction Agreement is set out below.

- Date** : 30 July 2021
- Parties** : (1) Sichuan Kimou, an indirect wholly-owned subsidiary of the Company; and
(2) Qingshen Yuxiang and Guangdong Jinjunda, as joint contractors.
- Subject matter** : Sichuan Kimou agreed to engage Qingshen Yuxiang and Guangdong Jinjunda as the joint contractors for the provision of, and Qingshen Yuxiang and Guangdong Jinjunda agreed to provide to Sichuan Kimou, construction services including, among other things, civil engineering and installation of public works, for the construction of an electroplating wastewater treatment plant with an aggregate construction area of approximately 32,625 sq. m.
- Construction period** : The construction works are expected to commence on 30 July 2021 for an estimated period of 11 months and expected to complete by not later than 30 June 2022 subject to other terms of the Plant Construction Agreement.
- Consideration** : RMB86,920,000.00 (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 excavation of foundation pit and cap in relation to the construction works;
 - (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 shall be released after the first anniversary of the date of filing of the completion of the construction works.

The consideration of the Plant Construction Agreement 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 Qingshen Yuxiang and Guangdong Jinjunda. Accordingly, the Directors consider that the consideration of the Plant Construction Agreement is fair and reasonable. The Consideration will be funded by the internal resources of the Group.

INFORMATION OF THE PARTIES

Sichuan Kimou, an indirect 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.

Qingshen Yuxiang is principally engaged in building construction and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Qingshen Yuxiang is ultimately owned as to approximately 82.37% by Qingshen County State-owned Assets Management Co., Ltd.* (青神縣國有資產經營有限公司), a PRC government authority, and approximately 17.63% by Agricultural Development Bank of China, and each of Qingshen Yuxiang and its ultimate beneficial owner(s) is an Independent Third Party.

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 approximately 38.0% by Zhang Zhihong and approximately 62.0% by Lai Shuxian, each an individual and each of Guangdong Jinjunda and its ultimate beneficial owner(s) is an Independent Third Party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PLANT CONSTRUCTION AGREEMENT

The Group is principally engaged in the business of providing wastewater treatment and other ancillary services for the development and operation of electroplating industrial parks.

As a long-term strategy, the Group intends to devote more resources on development of new electroplating industrial parks in different regions of the PRC to seize further business opportunities in order to increase the return to the Shareholders. As disclosed in the announcement of the Company dated 17 May 2021 and the 2021 June Announcement, the Group has acquired three adjacent pieces of land situated in Qingshen County, Sichuan Province, the PRC and is in the process of developing an electroplating industrial park and related facilities for the expansion of the Group's principal business. The entering into of the Plant Construction Agreement is part of the development of the aforesaid electroplating industrial park, and will allow the Group to pave the way forward for further growth in the provision of wastewater treatment and other ancillary services.

The Directors are of the view that the transactions contemplated under the Plant Construction Agreement are in the interest of the Company and the terms of the Plant Construction Agreement 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

The transaction contemplated under the Plant Construction Agreement constitutes a discloseable transaction of the Company under Chapter 14 the Listing Rules. Reference is made to the 2021 June Announcement in respect of, among other things, the entering into of the Qingshen Yuxiang and Jinjunda Construction Agreements among Qingshen Jinyuan, Qingshen Yuxiang and Guangdong Jinjunda for the provision of construction services for factories in Qingshen Economic Development Zone. As the Construction Agreements were entered into within a 12-month period between the Group and Qingshen Yuxiang and Guangdong Jinjunda, 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 under Chapter 14 of the Listing Rules and are subject to notification and announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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| “2021 June Announcement” | the announcement of the Company dated 10 June 2021 in respect of, among other things, the entering into of the Qingshen Yuxiang and Jinjunda Construction Agreements |
| “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 |
| “Construction Agreements” | collectively, the Qingshen Yuxiang and Jinjunda Construction Agreements and the Plant Construction Agreement |
| “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 |

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| “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 Agreement” | the construction agreement dated 30 July 2021 entered into between Sichuan Kimou, Qingshen Yuxiang and Guangdong Jinjunda for the construction of an electroplating wastewater treatment plant in Qingshen 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 |
| “Qingshen Economic Development Zone” | Qingshen County Economic Development Zone* (青神縣經濟開發區), Meishan City, Sichuan Province, the PRC |
| “Qingshen Jinyuan” | Qingshen Jinyuan Environmental Technology Co., Ltd.* (青神金源環保科技有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company |
| “Qingshen Yuxiang” | Qingshen Yuxiang Construction Engineering Co., Ltd.* (青神羽翔建築工程有限公司), a limited liability company established in the PRC |
| “Qingshen Yuxiang and Jinjunda Construction Agreements” | collectively, (i) the construction agreement dated 10 June 2021 entered into between Qingshen Jinyuan, Qingshen Yuxiang and Guangdong Jinjunda for the construction of the factories #601 and #602 in Qingshen Economic Development Zone; and (ii) the construction agreement dated 10 June 2021 entered into between Qingshen Jinyuan, Qingshen Yuxiang and Guangdong Jinjunda for the construction of the factories #701 and #702 in Qingshen Economic Development Zone |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “Sichuan Kimou” | Sichuan Kimou Environmental Technology Co., Ltd.* (四川金茂源環保科技有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company |

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| “sq. m.” | square metres |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent. |

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

30 July 2021

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*