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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)

VOLUNTARY ANNOUNCEMENT

(1) TERMINATION OF AN AGREEMENT; AND (2) ENTERING INTO A NEW AGREEMENT REGARDING SURFACE TREATMENT CENTRE IN SICHUAN QINGSHEN

This announcement is made by Kimou Environmental Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

TERMINATION OF THE AGREEMENT

Reference is made to the prospectus of the Company dated 29 June 2019 (the “**Prospectus**”) in relation to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). As disclosed in the paragraph headed “Business — Our Electroplating Industrial Parks — Project in Chengdu” in the Prospectus, the Group has entered into an agreement with the Management Committee of Qingshen Industrial Development Zone (青神縣工業開發區管理委員會), a government authority under the supervision of 青神縣人民政府 (the People’s Government of Qingshen County, Sichuan Province, the People’s Republic of China (the “**PRC**”)* (the “**Qingshen Government**”) and Vertical Beauty Foote Environmental Protection Industry Group Company Limited (成都美富特環保產業集團有限公司) (“**Vertical Beauty**”) on 21 September 2018 (the “**Agreement**”) whereby the parties planned to establish a surface treatment centre in Qingshen County, Chengdu, Sichuan Province, the PRC (“**Qingshen County**”) with a total investment of RMB5.0 billion and a total site area of 730,000 sq.m. (the “**Sichuan Qingshen Project**”). Since the signing of the Agreement and as at the date of this announcement, the Sichuan Qingshen Project has not commenced nor has any of the parties invested any amount in the Sichuan Qingshen Project.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces that the Agreement has been terminated with effect from 7 November 2019 as the Group and Vertical Beauty cannot agree on certain commercial terms with respect to the incorporation of the project company for the Sichuan Qingshen Project.

The Board considers that the termination of the Agreement does not have any material adverse impact on the business operation and financial position of the Company.

ENTERING INTO OF THE NEW AGREEMENT

In order to proceed with the Sichuan Qingshen Project in Qingshen County, the Board is pleased to announce that on 8 November 2019, the Group has entered into a new agreement (the “**New Agreement**”) regarding the Sichuan Qingshen Project with the Qingshen Government.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Qingshen Government and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Pursuant to the New Agreement, the Group and Qingshen Government have agreed to cooperate for the establishment and development of the Sichuan Qingshen Project located in 四川青神工業開發區 (Sichuan Qingshen Industrial Development Zone*) (the “**Industrial Development Zone**”) with a new development plan. The development of this Sichuan Qingshen Project will cover a proposed site area of approximately 1,170 mu (equivalent to approximately 780,000 sq.m.) with a total development cost of approximately RMB2.0 billion and an expected wastewater treatment capacity of approximately 20,000 tonnes per day. According to the New Agreement, the implementation of the Sichuan Qingshen Project will be subject to (i) obtaining environment protection assessment approval; (ii) completion of preparatory works in relation to the Sichuan Qingshen Project; and (iii) the successful acquisition of land use rights of two batches of land (the “**Land**”) located in the Industrial Development Zone by the Group. As of the date of this announcement, we do not have concrete timing for the development of the Sichuan Qingshen Project and we have not incurred significant cost for the Sichuan Qingshen Project.

The New Agreement has set out the respective roles and responsibilities of the Group and Qingshen Government in relation to the Sichuan Qingshen Project. In particular, Qingshen Government shall (i) assist the Group to obtain all the necessary approvals for the Sichuan Qingshen Project (including environment protection assessment approval); (ii) be responsible for completing preparatory works and to connect the Land with road, water, wastewater discharge, natural gas, electricity, telecommunication and cable; and (iii) launch the tender for the transfer of land use rights of the Land in accordance with the applicable laws and rules of the PRC. The Group shall, subject to the successful tender of land use rights of the Land, strictly follow the construction and development requirements and time-frame of the Land under the relevant agreement(s) for the transfer of land use rights and procure the Sichuan Qingshen Project to comply with the relevant laws and regulations, especially the environment protection requirements specified in the environment protection assessment approval to be granted to the Sichuan Qingshen Project.

The Group is of the view that pursuing the Sichuan Qingshen Project will increase the gross floor area available for leasing and wastewater treatment capacity of the Group, strengthen the revenue base, thereby secure market position of the Group. The Board considers that (i) the entering into the transactions contemplated in the New Agreement is within the ordinary and usual course of business of the Group and in line with its business strategy; and (ii) the terms of the New Agreement are negotiated on an arm’s length basis and on normal

commercial terms and are fair and reasonable. In view of the above, the Board believes that the continuation of the Sichuan Qingshen Project is in the interests of the Company and its shareholders as a whole.

The acquisition of the land use rights of the Land, if materialised by successful tendering, may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Furthermore, the transactions contemplated in the New Agreement may or may not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made in this regard in compliance with the Listing Rules as when appropriate.

Since there is no certainty that the Group can make a successful acquisition of the land use right of the Land through tendering, the transactions contemplated under the New Agreement may or may not be materialised. Shareholders and potential investors should therefore exercise caution when dealing in the shares of the Company.

In this announcement, for the purpose of illustration only, amounts quoted in mu have been converted into square meters at the rate of 1 mu to approximately 666.67 square meters.

* *the English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name.*

By Order of the Board
Kimou Environmental Holding Limited
Zhang Lianghong
Chairman

Hong Kong, 8 November 2019

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.