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HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01689)

DISCLOSEABLE TRANSACTION INVOLVING FORMATION OF A JOINT VENTURE COMPANY IN RELATION TO THE RESTORATION OF ECOLOGICAL ENVIRONMENT OF THE SICHUAN GIANT PANDAS GREEN CORRIDOR

The Board is pleased to announce that on 7 March 2022, Hongdong Treatment and SCLQ entered into the Joint Venture Agreement in relation to the formation of the JV Company in Sichuan, the PRC, subject to the fulfilment of conditions precedent.

Pursuant to the terms of the Joint Venture Agreement, the JV Company shall have a registered share capital of RMB20,000,000 (equivalent to approximately HK\$25,000,000) and shall be owned as to 51% by SCLQ and as to 49% by Hongdong Treatment. The JV Company will be engaged principally in the restoration of ecological environment of the Sichuan giant pandas green corridor, which includes cleaning, processing and sale of Tailing Materials.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Joint Venture Agreement exceed 5% but less than 25%, the entering into of the Joint Venture Agreement constitutes a discloseable transaction on the part of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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Set out below are the principal terms of the Joint Venture Agreement.

THE JOINT VENTURE AGREEMENT

- Date : 7 March 2022
- Parties : (a) Hongdong Treatment; and
(b) SCLQ
- Business scope of the JV Company : The JV Company shall be principally engaged in the restoration of the ecological environment of the Sichuan giant pandas green corridor, which includes cleaning, processing and sale of Tailing Materials. The Tailing Materials will be processed to become construction materials and the target annual production is 3,000,000 tons, subject to approval from the government authority.
- Registered capital of the JV Company : The total registered capital of the JV Company shall be RMB20,000,000 (equivalent to approximately HK\$25,000,000) to be contributed as follows:
- (a) RMB10,200,000 (equivalent to approximately HK\$12,750,000) by SCLQ, which shall represent 51% equity interest of the JV Company; and
 - (b) RMB9,800,000 (equivalent to approximately HK\$12,250,000) by Hongdong Treatment, which shall represent 49% equity interest of the JV Company.
- The amount of capital contribution was arrived at after arm's length negotiation between SCLQ and Hongdong Treatment and are on normal commercial terms, with reference to, among others, the capital requirements of the business of the JV Company.
- The JV Company will not become a subsidiary of the Company upon its formation, and its financial results would not be consolidated into the financial statements of the Company.
- Board composition : The board of directors of the JV Company shall consist of three directors, two of whom shall be appointed by SCLQ and one shall be appointed by Hongdong Treatment.
- The chairman of the board of directors of the JV Company shall be appointed by SCLQ, and the vice chairman shall be appointed by Hongdong Treatment.

- Conditions precedent : The formation of the JV company shall be conditional upon and subject to the following conditions:
- (a) all necessary consents, licenses and approvals required to be obtained on the part of each of SCLQ and Hongdong Treatment in respect of the Joint Venture Agreement and the transactions contemplated thereby having been obtained, including but not limited to the necessary board and shareholders' consent and approval (if necessary);
 - (b) all necessary consents and approvals required to be obtained from regulatory bodies (including the Stock Exchange) in respect of the Joint Venture Agreement and the transaction contemplated thereby having been obtained (if necessary); and
 - (c) SCLQ having obtained from the Yingjing Government the composite right to develop and use the Tailing Materials (the "**Right**").

Pursuant to the Joint Venture Agreement, if the conditions precedent cannot be satisfied within 90 days from the date of the Joint Venture Agreement (or such other date as the parties may agree in writing), the Joint Venture Agreement shall cease and terminate.

- Financial obligation of Hongdong Treatment : SCLQ in obtaining the Right shall enter into with the Yingjing Government a Co-operation Agreement in relation to the use of Tailing Materials, which shall require the payment of RMB30,000,000 (equivalent to approximately HK\$37,500,000) by SCLQ to the Yingjing Government as earnest money (the "**Earnest Money**").

Hongdong Treatment shall finance the payment of the Earnest Money by paying SCLQ (the "**Advancement**") in the following manners:

- (a) RMB5,000,000 (equivalent to approximately HK\$6,250,000) within 7 working days from the signing of the Joint Venture Agreement; and
- (b) RMB25,000,000 (equivalent to approximately HK\$31,250,000) upon receipt of a written notice from SCLQ before its signing of the Co-operation Agreement.

If SCLQ is unable to obtain the Right, the Yingjing Government will return the Earnest Money to SCLQ and SCLQ shall within 5 days thereafter return the Advancement (without interest) to Hongdong Treatment.

In the event that SCLQ is unable to obtain the Right within 90 days from the signing of the Joint Venture Agreement, SCLQ shall within 5 days from the said 90 days return the Advancement (without interest) to Hongdong Treatment.

Upon the establishment of the JV Company, the Advancement shall become a loan owing by the JV Company to Hongdong Treatment in the amount of RMB30,000,000 (equivalent to approximately HK\$37,500,000) which carries an interest of 4% per annum.

In addition, Hongdong Treatment shall be responsible for procuring financing upon request of the JV Company for its normal business operation need at an interest rate of 4% per annum payable by the JV Company (the “**Rate**”). The financing can be provided by Hongdong Treatment or its associates or any third party as procured by Hongdong Treatment. If the financing procured by Hongdong Treatment is at a cost higher than the Rate, Hongdong Treatment shall be responsible for that part of the cost which is above the Rate.

In the event Hongdong Treatment fails to procure the necessary financing:

- (a) the parties may find a new investor to take the place of Hongdong Treatment in the JV Company whereby the new investor shall return the Advancement to Hongdong Treatment. Also, Hongdong Treatment shall indemnify the loss of SCLQ and the JV Company, the amount of which shall be capped at RMB10,000,000 (equivalent to approximately HK\$12,500,000); or
- (b) the parties may wind up the JV Company if no new investor is found and the parties agree not to continue with the JV Company.

Other rights and obligations of SCLQ and Hongdong Treatment

: SCLQ and Hongdong Treatment shall after the signing of the Joint Venture Agreement engage professional parties to evaluate and conduct feasibility study on the joint venture.

After the establishment of the JV Company, Hongdong Treatment shall be responsible for the sale of the processed Tailing Materials at a price to be agreed by the parties which shall not be materially lower than the then prevailing market price. If Hongdong Treatment fails to procure the sale of 60% of the annual production of the Tailing Materials in 2 consecutive years, the JV Company shall be entitled to assign another party to be responsible for the sales.

If the JV Company has environmental projects or works to be carried out in the Area (including but not limited to, among others, rehabilitation of the Area), the designated company of Hongdong Treatment shall have the first right of priority to take up the said environmental projects on the same terms as offered by third parties.

INFORMATION OF SCLQ

SCLQ is a limited liability company established in 2008 in Sichuan, the PRC and is principally engaged in environmental management, construction works, municipal works and earthworks businesses. SCLQ is a subsidiary of Sichuan Road & Bridge Company Limited*(四川路橋建設集團股份有限公司), a state-owned company listed on the Shanghai Stock Exchange (stock code: 600039 S.H.). Sichuan Road & Bridge Company Limited is principally engaged in the construction of infrastructure, e.g. roads, bridges and tunnels etc. and has also been operating certain similar materials projects supplying raw materials for its construction projects.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both SCLQ and its ultimate beneficial owner (i) are third parties independent of the Company and its connected persons; and (ii) do not have any past or present relationships with the Company and its connected persons.

INFORMATION OF THE GROUP

The Group is principally engaged in (i) producing and distributing cigarette-related packing materials; and (ii) environmental protection business.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JOINT VENTURE AGREEMENT

Sichuan Province is the home of giant pandas in the PRC. Over the years, there were large-scale mining activities in Sichuan Province which destructed the habitat of the giant pandas. The Yingjing Government has been actively carrying out works to restore the destructed habit and ecological environment which include clearing the tailings that are left behind after extraction of mines.

The business of the JV Company is to process and sell Tailing Materials, which will essentially be clearing up the Tailing Materials left in the Area to restore the ecological environment of the giant pandas green corridor. The Group believes that the formation of the JV Company provides a prospective opportunity for the Group obtain environmental projects in Sichuan so to strengthen its business portfolio in environmental protection.

The Advancement and the registered capital of the JV Company payable by Hongdong Treatment shall be financed by the internal resources of the Group. The future loans to the JV Company for its business operation will be financed by the Group's internal resources, debt and/or equity financing.

In light of the above, the Directors consider that the Joint Venture Agreement is on normal commercial terms entered into after arm's length negotiations among the parties and that the terms of the Joint Venture Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Joint Venture Agreement exceed 5% but less than 25%, the entering into of the Joint Venture Agreement constitutes a discloseable transaction on the part of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Area”	Shilongmen Mine Area of Niubeishan Town, Yingjing County* (榮經縣牛背山鎮石籠門礦區) located in Sichuan, the PRC
“Board”	the board of Directors
“Company”	Huaxi Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 01689)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hongdong Treatment”	Shantou Hongdong Environmental Treatment Company* (汕頭市弘東環境治理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	the framework co-operation agreement dated 7 March 2022 entered into between Hongdong Treatment and SCLQ in relation to the establishment of the JV Company
“JV Company”	the joint venture company to be established in the PRC under the Joint Venture Agreement subject to the fulfilment of the conditions precedent

“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SCLQ”	Sichuan Luqiao Urban and Rural Construction Investment Company Limited* (四川路橋城鄉建設投資有限公司), a company established in Sichuan, the PRC, with limited liability
“Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tailing Materials”	the tailing materials to be obtained from the Area which are of diameter below 150 centimeters
“Yingjing Government”	the government of Yingjing county, Sichuan, the PRC
“%”	per cent

For the purpose of this announcement, the following exchange rate is used: RMB1.00 = HK\$1.25.

By Order of the Board
Huaxi Holdings Company Limited
Zheng Andy Yi Sheng
Chairman and Executive Director

Hong Kong, 7 March 2022

As at the date of this announcement, the Board comprises Mr. Zheng Andy Yi Sheng and Mr. Zheng Minsheng as executive Directors; Mr. Hao Jiming as non-executive Director and Mr. Lau Kwok Hung, Mr. Fok Po Tin and Mr. Cai Xiaowen as independent non-executive Directors.

* *For identification purpose only*