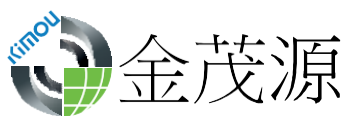


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## **Kimou Environmental Holding Limited**

### **金茂源環保控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6805)**

## **CONNECTED TRANSACTIONS LEASE AGREEMENT AND RENOVATION AGREEMENT**

### **THE LEASE AGREEMENT**

The Board announces that on 24 April 2023 after trading hours of the Stock Exchange, Tianjin Bingang as the tenant, entered into the Lease Agreement with Tianjin Jinshang as the landlord, pursuant to which, Tianjin Bingang agreed to lease Premises A and Tianjin Jinshang agreed to grant the right of use of Premises A to Tianjin Bingang. Premises A will be used as staff quarters and subleased to other tenants of Tianjin Bingang Park.

### **THE RENOVATION AGREEMENT**

The Board further announces that on 24 April 2023 after trading hours of the Stock Exchange, Tianjin Bingang entered into the Renovation Agreement with Tianjin Jinshang, pursuant to which, Tianjin Bingang agreed to engage Tianjin Jinshang to provide renovation works for Premises B and the supply and installation of home appliances and furniture for Premises A, and Tianjin Jinshang agreed to undertake the renovation works for Premises B and the supply and installation of home appliances and furniture for Premises A.

### **LISTING RULES IMPLICATIONS**

In accordance with HKFRS 16 “Leases”, the Group will recognise the value of the right-of-use assets and related lease liability in its consolidated statements of the financial position in connection with the lease of Premises A under the Lease Agreement. Accordingly, the entering into of the Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group under Chapter 14A of the Listing Rules.

As Tianjin Jinshang is owned as to 80% by Mr. Zhang (an executive Director, chairman of the Board and the controlling shareholder of the Company) as at the date of this announcement, hence Tianjin Jinshang is a connected person of the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, Tianjin Bingang is an indirect non-wholly owned subsidiary of the Company. Accordingly, the transactions contemplated under the Lease Agreement and the Renovation Agreement will respectively constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

As both the Lease Agreement and the Renovation Agreement are entered into by Tianjin Bingang with the same party concerning the Premises A within a 12-month period, the Stock Exchange may

aggregate the transactions contemplated under the Lease Agreement and the Renovation Agreement pursuant to the Listing Rules. Since the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Lease Agreement and the Renovation Agreement in aggregate or on standalone basis exceeds 0.1% but is less than 5%, the transactions contemplated under the Lease Agreement and the Renovation Agreement are subject to the announcement, reporting and annual review requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE LEASE AGREEMENT

The Board announces that on 24 April 2023 after trading hours of the Stock Exchange, Tianjin Bingang as the tenant entered into the Lease Agreement with Tianjin Jinshang as the landlord, pursuant to which, Tianjin Jinshang agreed to grant the right of use of Premises A to Tianjin Bingang. The principal terms of the Lease Agreement are set out below:

- Date : 24 April 2023
- Parties : (i) Tianjin Bingang, as the tenant  
(ii) Tianjin Jinshang, as the landlord
- Subject matter : Pursuant to the Lease Agreement, Tianjin Jinshang agreed to grant the right of use of Premises A to Tianjin Bingang
- Premises A : Building No. 2, Building No. 3, Building No. 4 and Building No. 5, GangWan Jiayuan, East side of Caizhong Road and South side of Yinchuan Road, Bingang High-Tech Casting Industrial Zone, Jinghai District, Tianjin, the PRC.
- Usage : As staff quarters of Tianjin Bingang and/or be subleased to other tenants of Tianjin Bingang Park.
- Term : For a fixed term of eight (8) calendar years commencing from 24 April 2023 to 23 April 2031 (the “**Term**”)
- Rentals : Monthly rent of RMB232,000 (value-added tax inclusive) shall be payable by Tianjin Bingang on a quarterly basis and in advance at least 10 days before the commencement of each quarter in accordance with the Lease Agreement.
- Total rent payable over the Term will be RMB22,272,000.
- Security deposit : A security deposit of RMB696,000 shall be payable by Tianjin Bingang to Tianjin Jinshang and will be refunded after the expiry of the Term.
- Pricing policy : Tianjin Bingang and Tianjin Jinshang have agreed that the monthly rent shall be determined after arm's length negotiation with reference to (a) prevailing market rentals for agreements of a similar nature on normal commercial terms; and (b) the Group's needs for additional residential areas as staff quarters and subleasing to tenants of Tianjin Bingang Park. The rental payments will be funded by the internal resources of the Group and/or bank loans.

## RIGHT-OF-USE ASSETS

In accordance with HKFRS 16 “Leases”, the Group is required to recognise the value of the right-of-use asset and related lease liability in its consolidated statements of financial position in connection with the rental payments under the Lease Agreement. The aggregate value of the right-of-use asset to be recognised by the Group under the Lease Agreement is expected to be approximately RMB17,378,000, which is the present value of the rental payments based on a discount rate of 4.30% per annum in accordance with HKFRS 16 “Leases”. It should be noted that the above figure is unaudited and may be subject to adjustment in the future.

## THE RENOVATION AGREEMENT

The Board further announces that on 24 April 2023 after trading hours of the Stock Exchange, Tianjin Bingang entered into the Renovation Agreement with Tianjin Jinshang, pursuant to which, Tianjin Bingang agreed to engage Tianjin Jinshang to provide and Tianjin Jinshang agreed to undertake the renovation works for Premises B, and the supply and installation of home appliances and furniture for Premises A. The principal terms of the Renovation Agreement are set out below:

Date	:	24 April 2023
Parties	:	(i) Tianjin Bingang (ii) Tianjin Jinshang
Subject matter	:	Pursuant to the Renovation Agreement, Tianjin Bingang agreed to engage Tianjin Jinshang to provide and Tianjin Jinshang agreed to undertake the renovation works for Premises B (including but not limited to interior decorations, ground works, installation of walls tiles, painting works for ceilings, installation of doors and windows, and renovation works for water supply and electricity systems), and supply and installation of home appliances and furniture for Premises A.
Premises	:	Building No. 3 and Building No. 5, GangWan Jiayuan, East side of Caizhong Road and South side of Yinchuan Road, Bingang High-Tech Casting Industrial Zone, Jinghai District, Tianjin, the PRC (“ <b>Premises B</b> ”).  Building No. 2, Building No. 3, Building No. 4 and Building No. 5, GangWan Jiayuan, East side of Caizhong Road and South side of Yinchuan Road, Bingang High-Tech Casting Industrial Zone, Jinghai District, Tianjin, the PRC (“ <b>Premises A</b> ”).
Term	:	All renovation works shall be commenced on 25 April 2023 and be completed on 31 July 2023.
Consideration	:	The total consideration for the renovation works is RMB25,790,000 (the “ <b>Consideration</b> ”). The Consideration consisted of the consideration for renovation works on Premises B in the amount of RMB17,670,000 (“ <b>Consideration A</b> ”) and supply and installation of home appliances and furniture for Premises A in the amount of RMB8,120,000 (“ <b>Consideration B</b> ”), respectively.

- Payment terms : Payment of Consideration shall be made in the following manners:
- (1) **Renovation works of Premises B**
- (i) 30% of the Consideration A shall be paid within 10 business days after the entering into of the Renovation Agreement;
  - (ii) 30% of the Consideration A shall be paid within 10 business days after the completion and acceptance of ground works and installation of wall tiles for each of Building No. 3 and Building No. 5 of Premises B;
  - (iii) 25% of the Consideration A shall be paid within 10 business days after the completion and acceptance of painting works for ceilings and installation of doors and windows for each of Building No. 3 and Building No. 5 of Premises B;
  - (iv) Up to 95% of the Consideration A shall be paid after the completion of the inspection and acceptance of the renovation works for each of Building No. 3 and Building No. 5 of Premises B; and
  - (v) 5% of the Consideration A as a warranty deposit shall be paid one year after the last date of the completion of the inspection and acceptance of the renovation works for each of Building No. 3 and Building No. 5 of Premises B, whichever is the latter.
- (2) **Supply and installation of home appliances and furniture of Premises A**
- (i) 30% of the Consideration B shall be paid as an advance payment within 10 business days after the entering into of the Renovation Agreement; and
  - (ii) Balance payment of the Consideration B shall be paid within 10 business days after the completion of inspection and acceptance of the home appliances and furniture for each of the room of Premises A.
- Pricing policy : The Consideration under the Renovation Agreement was determined after arm's length negotiation and with reference to (a) the scope and complexity, the estimated material and labour costs to be incurred by the proposed renovation works; and (b) the prevailing similar renovation market and public tender price of similar projects. The Consideration will be funded by the internal resources of the Group and/or bank loans.

## **INFORMATION OF THE PARTIES TO THE LEASE AGREEMENT AND THE RENOVATION AGREEMENT**

### **The Group**

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 parks.

### **Tianjin Bingang**

Tianjin Bingang is a limited liability company established under the law of the PRC and is an indirect non-wholly owned subsidiary of the Company. Tianjin Bingang is principally engaged in the operation of Tianjin Bingang Park, our surface treatment recycling eco-industrial park located in Tianjin, the PRC.

### **Tianjin Jinshang**

Tianjin Jinshang is a company established under the law of the PRC with limited liability and is principally engaged in property development and property management in the PRC. As at the date of this announcement, Tianjin Jinshang is owned by Mr. Zhang as to 80% and Mr. An Shiqi (安士啟先生) as to 20%. As Mr. Zhang is an executive Director, the chairman of the Board and the controlling shareholder of the Company who indirectly holds approximately 44.32% of the Shares of the Company as at the date of this announcement, therefore Mr. Zhang and Tianjin Jinshang are connected persons of the Company under the Listing Rules. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. An Shiqi is an Independent Third Party of the Company.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT AND THE RENOVATION AGREEMENT**

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 parks. Tianjin Bingang Park is one of the Group's surface treatment recycling eco-industrial parks located in Tianjin, the PRC.

The entering into of the Lease Agreement and the Renovation Agreement to lease and renovate Premises A which is situated near our Tianjin Bingang Park, will provide additional residential areas as staff quarters and to be subleased to other tenants to meet the accommodation needs and for the safety management of Tianjin Bingang Park which is located in a remote area of Tianjin. With better living facilities, Tianjin Bingang Park will be much more convenient for retaining its existing tenants and attracting potential tenants which in turn will increase the occupancy rate and rental income of Tianjin Bingang Park to facilitate its future growth and development.

The terms of the Lease Agreement and the Renovation Agreement were arrived at after an arm's length negotiation between the Group and Tianjin Jinshang with reference to the prevailing market rentals, and public tender price of similar nature on normal commercial terms. The Board (including all independent non-executive Directors, but excluding Mr. Zhang who abstained from voting on the Board resolutions) considers that the transactions contemplated under the Lease Agreement and the Renovation Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the terms of the Lease

Agreement and the Renovation Agreement are on normal commercial terms and fair and reasonable so far as the independent Shareholders are concerned.

## **LISTING RULES IMPLICATIONS**

In accordance with HKFRS 16 “Leases”, the Group will recognise the value of the right-of-use assets and related lease liability in its consolidated statements of the financial position in connection with the lease of Premises A under the Lease Agreement. Accordingly, the entering into of the Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group under Chapter 14A of the Listing Rules.

As Tianjin Jinshang is owned by Mr. Zhang (an executive Director, chairman of the Board and the controlling shareholder of the Company) as to 80% as at the date of this announcement, Tianjin Jinshang is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Lease Agreement and the Renovation Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

On a standalone basis, each of the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions under the Lease Agreement and the Renovation Agreement exceeds 0.1% but is less than 5%, the Lease Agreement and the Renovation Agreement contemplated thereunder are subject to the announcement, reporting and annual review requirements but exempt from the circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As both the Lease Agreement and the Renovation Agreement are entered into by Tianjin Bingang with the same party concerning the Premises A within a 12-month period, the Lease Agreement and the Renovation Agreement may be aggregated by the Stock Exchange pursuant to the Listing Rules. As the highest applicable percentage ratio (on an aggregate basis) in respect of the transactions contemplated under the Lease Agreement and the Renovation Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Lease Agreement and the Renovation Agreement are therefore subject to the announcement, reporting and annual review requirements but exempt from the circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Directors confirmed that, save for Mr. Zhang, none of them have a material interest in the Lease Agreement, the Renovation Agreement and the transactions contemplated thereunder. As such, Mr. Zhang had not participated in the discussions of the relevant resolution in the relevant Board meeting and abstained from voting on the Board resolution approving the Lease Agreement, the Renovation Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

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

“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 with limited liability, the shares of which are listed on Main Board of the Stock Exchange

“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Lease Agreement”	the lease agreement dated 24 April 2023 entered into between Tianjin Jinshang and Tianjin Bingang in relation to the lease of Premises A
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Lianhong, an executive Director, the chairman of the Board and the controlling shareholder of the Company
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Administrative Region of the People’s Republic of China and Taiwan, China
“Premises A”	Building No. 2, Building No. 3, Building No. 4 and Building No. 5, GangWan Jiayuan, East side of Caizhong Road and South side of Yinchuan Road, Bingang High-Tech Casting Industrial Zone, Jinghai District, Tianjin, the PRC
“Premises B”	Building No. 3 and Building No. 5, GangWan Jiayuan, East side of Caizhong Road and South side of Yinchuan Road, Bingang High-Tech Casting Industrial Zone, Jinghai District, Tianjin, the PRC
“Renovation Agreement”	the renovation agreement dated 24 April 2023 entered into between Tianjin Jinshang and Tianjin Bingang in relation to the renovation works for Premises B and supply and installation of home appliances and furniture for Premises A

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of nominal value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Bingang”	Tianjin Bingang Electroplating Enterprises Management Co., Ltd.*(天津濱港電鍍企業管理有限公司), a limited liability company established in the PRC on 31 March 2014, which is an indirect subsidiary held by the Company as to 89.72% as at the date of this announcement
“Tianjin Bingang Park”	the surface treatment recycling eco-industrial park operated by the Group in Tianjin
“Tianjin Jinshang”	Tianjin Jinshang Real Estate Development Company Limited * (天津金尚房地產開發有限公司), a company established in the PRC with limited liability and is owned by Mr. Zhang as to 80% and Mr. An Shiqi (安士啟先生) as to 20% as at the date of this announcement
“%”	per cent.

\* *English names of the PRC established companies in this announcement are only translations of their official Chinese names solely for identification purpose. In case of inconsistency, the Chinese names shall prevail.*

By order of the Board  
**Kimou Environmental Holding Limited**  
**Zhang Lianghong**  
*Chairman*

Hong Kong, 24 April 2023

*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. Kan Chung Nin, Tony SBS, JP and Mr. Liu Da as independent non-executive Directors.*