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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**

A letter from the board of directors of Kimou Environmental Holding Limited is set out on pages 4 to 11 of this circular.

The Plant Construction Agreements and the transactions contemplated thereunder have been approved by written shareholders' approval obtained from the Relevant Shareholders pursuant to Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

20 May 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“April 2022 Announcement”	the announcement of the Company dated 8 April 2022 in respect of, among others, the Wastewater Plant Construction Agreement and the transactions contemplated thereunder
“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 the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 6805)
“connected person(s)”	has the meaning as ascribed to it under 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”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party independent of the Company and the connected persons of the Company
“Jiangsu Chengxing”	Jiangsu Jinmao Chengxing Environmental Protection Technology Co., Ltd* (江蘇金茂成興環保科技有限公司), a limited liability company established in the PRC and an indirect non-wholly-owned subsidiary of the Company
“Latest Practicable Date”	17 May 2022, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“March 2022 Announcement”	the announcement of the Company dated 18 March 2022 in respect of, among others, the Plant Construction Agreements and the transaction contemplated thereunder
“Plant Construction Agreements”	collectively, the Plant Construction Agreement A and the Plant Construction Agreement B

DEFINITIONS

“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, but for the purpose of this circular, excluding Hong Kong, the 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 Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“sq.m.”	Square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taixing Economic Development Zone”	Taixing 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

DEFINITIONS

“Tianjin Bingang” Tianjin Bingang Electroplating Enterprises Management Co., Ltd* (天津濱港電鍍企業管理有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

“Wastewater Plant Construction Agreement” the wastewater plant construction agreement dated 8 April 2022 entered into by and among Jiangsu Chengxing and Taixing Xinxing in respect of the construction services for a electroplating wastewater treatment plant in the Taixing Economic Development Zone

“%” per cent.

* *For identification purposes only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Lianghong *(Chairman of the Board)*

Mr. Zhu Heping *(Chief Executive Officer)*

Mr. Lee Yuk Kong

Mr. Huang Shaobo

Registered office:

Campbells Corporate Services Limited

Floor 4, Willow House

Cricket Square, Grand Cayman

KY1-9010, Cayman Islands

Independent Non-Executive Directors:

Mr. Li Xiaoyan

Mr. Li Yinquan

Mr. Kan Chung Nin, Tony *SBS, JP*

*Principal place of business and
head office in the PRC:*

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Boluo County

Huizhou City

Guangdong Province, the PRC

*Principal place of business
in Hong Kong:*

Unit E&F, 5/F.

Hung Cheong Factory Building

3 Kwong Cheung Street

Cheung Sha Wan, Kowloon

Hong Kong

20 May 2022

To the Shareholders

Dear Sir or Madam

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

INTRODUCTION

As disclosed in the March 2022 Announcement, 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

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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 was approximately RMB227.5 million.

This circular is despatched to the Shareholders for their information only and it contains further information in respect of the Plant Construction Agreements and the transactions contemplated thereunder, and other information as required under the Listing Rules. Certain information in relation to the Wastewater Plant Construction Agreement and the transactions contemplated thereunder are also set out herein for information only.

THE PLANT CONSTRUCTION AGREEMENTS

The principal terms of the Plant Construction Agreements are summarised as follows:

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 have commenced on 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;

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- (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 the six potential contractors selected based on the Selection Process (as defined below). The consideration represents a construction cost (inclusive of workmanship, construction materials, construction related insurance and other miscellaneous expenses) of approximately RMB1,900 per sq.m..

The Group has adopted its own set of selection process (“**Selection Process**”) in identifying and engaging contractors for each of its proposed projects. The major factors that would be taken into account by the Group include (1) the standard eligibility assessment criteria including qualities of work, integrity, quality control mechanism, on-site management, emergency responsiveness, maintenance, technical abilities and operational effectiveness, management and service quality of each contractor; (2) the assessment of the project design and internal contract budget by the engineering department, the technical services department and the finance department of the Group (“**Approving Personnel**”); and (3) the assessment of each eligible contractor by the Approving Personnel in the areas of technical design, tender documents, price, estimated project completion date, work quality and past transactions with the potential contractor and the selection of contractor with the best price-to-quality ratio.

The Group approached six potential contractors for the proposed project under the Plant Construction Agreement A, and the construction cost of approximately RMB1,900 per sq.m. was the lowest price among the prices quoted by and among such potential contractors.

Accordingly, the Directors consider that the construction cost of approximately RMB1,900 per sq.m. represents the best price-to-quality ratio among all tenders submitted by the potential contractors having considered the Selection Process adopted by the Group and that the consideration of the Plant Construction Agreement A is fair and reasonable.

The consideration will be funded in the following manner:

- (1) 30% (approximately RMB45.12 million) will be funded by the internal resources of the Group; and

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(2) 70% (approximately RMB105.28 million) will be funded by 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 4 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 have commenced on 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

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construction projects of comparable scale and complexity to the proposed construction works and the relevant experience, qualifications, capacity and background of the six potential contractors selected based on the Selection Process. The consideration represents a construction cost (inclusive of workmanship, construction materials, construction related insurance and other miscellaneous expenses) of approximately RMB1,900 per sq.m.

As disclosed above, the Group has adopted the Selection Process in identifying and engaging contractors for each of its proposed projects.

The Group approached six potential contractors for the proposed project under the Plant Construction Agreement B, and the construction cost of approximately RMB1,900 per sq.m. was the lowest price among the prices quoted by and among such potential contractors.

Accordingly, the Directors consider that the construction cost of approximately RMB1,900 per sq.m. represents the best price-to-quality ratio among all tenders submitted by the potential contractors having considered the Selection Process adopted by the Group and that the consideration of the Plant Construction Agreement B is fair and reasonable.

The consideration will be funded in the following manner:

- (1) 30% (approximately RMB23.13 million) will be funded by the internal resources of the Group; and
- (2) 70% (approximately RMB53.97 million) will be funded by bank loans.

WASTEWATER PLANT CONSTRUCTION AGREEMENTS

As disclosed in the April 2022 Announcement, on 8 April 2022, Jiangsu Chengxing, an indirect non-wholly-owned subsidiary of the Company, entered into the Wastewater Plant Construction Agreement with Taixing Xinxing for the provision of construction services for an electroplating wastewater treatment plant in Taixing Economic Development Zone at a consideration of approximately RMB74.7 million. Such electroplating wastewater treatment plant will be used by the Group to operate its wastewater treatment services.

For further details of the Wastewater Plant Construction Agreement, please refer to the April 2022 Announcement.

Taixing Xinxing is one of the contractors that the Group has engaged under the Plant Construction Agreements. The basis of consideration was mostly the same with those for determining the basis of consideration for Plant Construction Agreement B, taking into account, in particular, the complexity and technicality involved in constructing the wastewater treatment plant and the relevant experience, qualifications, capacity and background of the three potential contractors selected based on the Selection Process. The consideration represents a construction cost (inclusive of workmanship, construction materials, construction related insurance and other miscellaneous expenses) of approximately RMB2,560 per sq.m..

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As disclosed above, the Group has adopted the Selection Process in identifying and engaging contractors for each of its proposed projects.

The Group approached three potential contractors for the proposed project under the Wastewater Plant Construction Agreement, and the construction cost of approximately RMB2,560 per sq.m. was the lowest price among the prices quoted by and among such potential contractors.

Accordingly, the Directors consider that the construction cost of approximately RMB2,560 per sq.m. represents the best price-to-quality ratio among all tenders submitted by the potential contractors having considered the Selection Process adopted by the Group and that the consideration of the Wastewater Plant Construction Agreement is fair and reasonable.

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.

FINANCIAL EFFECT OF THE PLANT CONSTRUCTION AGREEMENTS

Assets and liabilities

As disclosed above, the entire contract sum under the Plant Construction Agreements of approximately RMB227.5 million will be funded by a combination of the Group's internal resources (approximately RMB68.25 million) and the bank loan (approximately RMB159.25 million). After full payment of the consideration and completion of the construction, the cash and cash equivalent of the Group would decrease by approximately RMB68.25 million and the liabilities of the Group will be increased by approximately RMB159.25 million, coupled with a corresponding increase in the Group's non-current assets by approximately RMB227.5 million.

Earnings

The Plant Construction Agreements and the transactions contemplated thereunder signify the next step for the development of a new Surface Treatment Recycling Eco-industrial Park in Taixing Economic Development Zone. The factory buildings, upon completion, would be

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available for leasing to the Group's customers and hence enhance the leasable gross floor area of the Group, thereby increasing the revenue of the Group as a result of an increase in the number of tenants of the Group.

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 recycling eco-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 recycling eco-industrial parks 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 eco-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 recycling eco-industrial park in Taixing Economic Development Zone.

With the rising standard under the environmental protection policies in the PRC, it is anticipated that governmental bodies in the PRC would exercise stringent limits on electroplating wastewater treatment emission quotas. Further, given the national policies calling for centralised management of electroplating enterprises in the PRC, the Group strived to obtain additional electroplating wastewater treatment emission quotas from relevant authorities and develop new surface treatment recycling eco-industrial parks in different regions in the PRC in order to attract enterprises in the electroplating industry to become our customers, which would increase our rental income, wastewater treatment services income and other ancillary income. The above as a whole would strengthen our Group's revenue and would be in the interest of the Company and the Shareholders as a whole.

The Directors are of the view that 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.

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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.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, as at the Latest Practicable Date, shareholders' written approval on the Plant Construction Agreements and the transactions contemplated thereunder had been obtained from 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), being a closely allied group of Shareholders which, as at the date of the Plant Construction Agreements, held 493,270,000 Shares and 239,400,000 Shares, and together held 732,670,000 Shares representing 65.44% of the issued Shares. As such, no extraordinary general meeting will be convened by the Company for the purpose of approving the Plant Construction Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for each of the years ended 31 December 2019, 31 December 2020 and 31 December 2021 are disclosed in the annual reports of the Company respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at www.platingbase.com and the website of the Stock Exchange at www.hkexnews.hk through the links below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051500055.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300671.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601451.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness as shown in the following table:

	As at 31 March 2022 <i>RMB'000</i> (unaudited)
Bank Loans and other borrowings	1,856,980
Amount due to related parties	200
Lease Liabilities	<u>676</u>
Total	<u><u>1,857,856</u></u>

The foregoing bank loans and other borrowing are secured by the Group's assets (such as property, plant and equipment, investment properties, land use rights and bank deposits) and/or charging rights for factory rental. Moreover, as at 31 March 2022, the Group's bank loans and other borrowings amounting to RMB1,780 million and RMB50 million were guaranteed by certain Shareholders, and the minority shareholder of Tianjin Bingang, respectively.

Amounts due to related parties as at 31 March 2022 represents borrowings from related parties of RMB0.2 million, which were unsecured, interest free and have no fixed repayment terms.

Lease liabilities as at 31 March 2022 represented lease of office and dormitories expiring in 1 to 2 years.

As at 31 March 2022, being the latest practicable date of this indebtedness statement, except as disclosed above, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created by unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 December 2021 (being the date on which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds and the current available facilities and facilities expected to be renewed, the effect of the entering into of the Plant Construction Agreements and the transactions contemplated thereunder, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

According to the “World Economic Outlook Report” published by the International Monetary Fund, it is believed that the current global economic outlook is facing multiple risks. The root cause is that the world will be continually constrained by the pandemic in the long term. Recovery has weakened and the risk of global economic stagflation has risen significantly, affecting our tenants’ consumption of fresh water, steam and utilities, which in turn may pose challenges to the Group’s operations and financial condition.

However, 2021 is the first year of implementing the strategic transformation of the 14th Five-Year Plan. One of the main themes of the 14th Five-Year Plan is to continue reducing emissions of pollutants and improving ecological environment in order to strengthen the ecological security shields and greatly improve social living environment. Recycling the treated wastewater for reuse is essential for improving the ecological environment and the Group, as one of the active participants of wastewater treatment in the electroplating industry, will continue to put its efforts in attaining a high degree of water recycle and reuse and develop more Surface Treatment Recycling Eco-industrial Parks and attract more customers, so as to continue to increase revenue.

Increasing the number of Surface Treatment Recycling Eco-industrial Parks

In order to cope with the Group’s business expansion and to capture future opportunities, as disclosed in the announcements of the Company dated 17 May 2021, 10 June 2021 and 30 July 2021, the Group has successfully won the tender of the land use rights of 3 land parcels in Qingshen County, Sichuan with a total site area of 404,909

sq.m. and commenced the construction of the first phase of the factory buildings and the first phase of the wastewater treatment plant, which marked the commencement of the construction of the Group's fourth Surface Treatment Recycling Eco-industrial Park ("**Qingshen Park**"). As at the Latest Practicable Date, the construction works at Qingshen Park have commenced.

Reference is made to the announcements of the Company dated 9 September 2021 and 17 December 2021 in relation to the Group's establishment of a joint venture and success in winning the tender of the land use rights of two land parcels situated at Taixing Economic Development Zone, Taixing City, Jiangsu Province, with a total site area of 129,747 sq.m.. It will be used to construct a new Surface Treatment Recycling Eco-industrial Park ("**Huadong Park**"), providing wastewater treatment and other ancillary services. This marks the commencement of construction of the Group's fifth Surface Treatment Recycling Eco-industrial Park. As disclosed in the Company's announcement dated 18 March 2022, the Group has already engaged two independent contractors for the construction works at Huadong Park.

Enhancing wastewater treatment capabilities of the Surface Treatment Recycling Eco-industrial Parks

The Group has applied to the relevant government authorities to increase the daily maximum treatment capacity of wastewater that can be treated in the Group's Surface Treatment Recycling Eco-industrial Park in Guangdong Province ("**Guangdong Huizhou Park**") from 10,000 tonnes to 15,000 tonnes per day. As at the Latest Practicable Date, the local government authorities are still considering the Group's application.

As at the Latest Practicable Date, the planned daily maximum wastewater treatment capacity of Qingshen Park under construction was 20,000 tonnes. Upon completion of construction and operation of the first phase of the wastewater facilities of Sichuan Qingshen Park, the daily wastewater treatment capacity will be 5,000 tonnes.

On 4 March 2022, the Taizhou Municipal Ecology and Environmental Bureau* (泰州市生態環境局) issued a report on the environmental effects of Huadong Park Phase I, and the planned daily maximum wastewater treatment capacity of the first phase under construction is 5,500 tonnes.

Increasing the GFA available for leasing

To fully utilise the existing land resources available for increasing the ground floor area ("**GFA**") available for leasing and to increase the number of tenants that can be accommodated in Guangdong Huizhou Park, the Group plans to construct additional factory buildings in Guangdong Huizhou Park in two phases. The constructions of the first phase of the project, involving the construction of four factory buildings with an aggregate GFA of approximately 48,000 sq.m., and two factory buildings of the second phase of the project with an aggregate GFA of approximately 32,500 sq.m., are completed and are leased out. The construction of the remaining two factory buildings of the second phase of the project with an aggregate GFA of approximately 32,500 sq.m. with budgeted

cost of approximately RMB56.0 million commenced in first quarter of 2021 and its estimated completion date will be by the second quarter of 2022, which will further increase the Group's leasable GFA.

The construction of the second phase of Huazhong Park commenced in the first quarter of 2021 which includes constructing six factory buildings with an aggregate GFA of 71,000 sq.m. with the budgeted cost of approximately RMB161.0 million and its estimated completion date will be by the second quarter of 2022. It is expected that this will further increase the Group's leasable GFA.

As at the Latest Practicable Date, the planned maximum leaseable GFA of Qingshen Park under construction is 676,000 sq.m. and the first phase of factory building is expected to be completed by 30 June 2022. The completion of construction of the first phase and its commencement of operation will increase the Group's leaseable GFA by 134,000 sq.m..

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests and Short Positions of Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

(a) *Interests in the Company*

Name	Nature of interest	Number of Shares (Note i)	Percentage of shareholding
Mr. Zhang Lianghong (“ Mr. Zhang ”)	Interest in a controlled corporation (Note ii)	493,270,000	44.04%
Mr. Lee Yuk Kong (“ Mr. Lee ”)	Interest in a controlled corporation (Note iii)	239,400,000	21.40%
Mr. Huang Shaobo (“ Mr. Huang ”)	Interest in a controlled corporation (Note iv)	27,530,000	2.46%

Notes:

- (i) All interests stated are long positions.
- (ii) Such Shares were registered in the name of Flourish Investment International Limited, a company wholly owned by Mr. Zhang. Mr. Zhang is a director of Flourish Investment International Limited. By virtue of Part XV of the SFO, Mr. Zhang is deemed to be interested in all the Shares held by Flourish Investment International Limited.

- (iii) Such Shares were registered in the name of Premier Investment Worldwide Company Limited, a company wholly owned by Mr. Lee. Mr. Lee is a director of Premier Investment Worldwide Company Limited. By virtue of Part XV of the SFO, Mr. Lee is deemed to be interested in all the Shares held by Premier Investment Worldwide Company Limited.
- (iv) Such Shares were registered in the name of Dakson Assets Management Limited, a company wholly-owned by Mr. Huang. Mr. Huang is a director of Dakson Assets Management Limited. By virtue of Part XV of the SFO, Mr. Huang is deemed to be interested in all the Shares held by Dakson Assets Management Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders in the Company and interests of substantial shareholders in other members of the Group

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any option in respect of such capital:

(a) Long positions in the Shares

Name	Nature of interest	Number of Shares <i>(Note i)</i>	Percentage of shareholding
Flourish Investment International Limited <i>(Note ii)</i>	Beneficial Owner	493,270,000	44.04%
Premier Investment Worldwide Company Limited <i>(Note iii)</i>	Beneficial Owner	239,400,000	21.40%

Notes:

- (i) All interest stated are long positions.
- (ii) Flourish Investment International Limited is a company wholly owned by Mr. Zhang, an executive Director and the chairman of the Board.

- (iii) Premier Investment Worldwide Company Limited is a company wholly owned by Mr. Lee, an executive Director.

(b) *Long positions in other members of the Group*

Name of non-wholly-owned subsidiary of the Company	Name of substantial shareholder	Approximate percentage held by the substantial shareholder in the subsidiary of the Company
Tianjin Bingang	Tianjin Wanheshun Technology Co., Group Ltd.	49%

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the issued voting shares of any member of the Group or had any option in respect of such capital.

Interests in contract or arrangement

On 20 August 2021, the Group entered into a lease contract, an environmental service contract and a wastewater treatment and utilities service contract (“**Lease and Related Agreements**”) with Tianjin Hongyue Environmental Technology Co., Ltd* (天津洪躍環保科技有限公司) (“**Lessee**”) which comprises of (1) the lease contract entered into between Tianjin Jinhua Waste Products Acquisition Co. Ltd.* (天津金華都廢品收購有限公司) (“**Tianjin Jinhua**”), a non-wholly-owned subsidiary of the Company, as lessor, and the Lessee as lessee, in relation to the leasing of a parcel of land situated at Tianjin Bingang High-tech Castin Industrial Zone, Jinghai District, Tianjin, the PRC (the “**Land**”) for a term of 20 years to the Lessee; (2) the environmental service contract entered into between Tianjin Bingang, a subsidiary of the Company, and the Lessee in relation to the provision of certain environmental professional technical services to the Lessee in relation to the Land for a term of 5 years; and (3) the wastewater treatment and utilities service contract entered into between Tianjin Bingang and the Lessee in relation to the provision of wastewater treatment and utilities service to the Lessee in relation to the Land for a terms of 5 years. The Lease and Related Agreements are related to the lease by the Group to the Lessee of the Land situated in Tianjin Bingang Park, one of the Group’s Surface Treatment Recycling Eco-industrial Parks. The Lessee is a subsidiary of an associate of Mr. Zhang Lianghong.

For details in relation to the Lease and Related Agreements and the transactions contemplated thereunder, please refer to the announcement of the Company dated 20 August 2021.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group as a whole.

Interests in assets

Save as disclosed in this appendix, as at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Service contracts

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

Interests in other competing business

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates (as defined in the Listing Rules) were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

3. LITIGATION

In 2021, an external third party (the “**Plaintiff**”) launched a lawsuit against a subsidiary of the Company (the “**Defendant**”) in respect of an alleged infringement of a trademark. The Plaintiff claimed for damages for a total sum up to RMB10 million from the Defendant. On 16 August 2021, pursuant to an order of the court, a bank deposit of RMB3,140,000 was frozen. As at the Latest Practicable Date, such lawsuit remained unsettled. According to the opinion from the Defendant’s legal counsel, the Directors believe it is probable that the court will not rule against the Defendant. No provision has therefore been made in respect of this claim.

Save as disclosed above and as at the Latest Practicable Date, so far as the Directors are aware, the Group is not engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against member of the Group.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the agreement dated 5 June 2020 (“**June 2020 S&P Agreement**”) and entered into between Tianjin Bingang, a subsidiary of the Company and Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) (“**Far Eastern**”) in respect of the disposal of certain equipment and ancillary facilities (“**June 2020 Leased Assets**”) for the provision of wastewater treatment services and the supply of steam and electricity in the industrial park of the Group for a consideration of RMB30,000,000;
- (b) the agreement dated 5 June 2020 entered into between Tianjin Bingang and Far Eastern upon completion of the disposal contemplated under the June 2020 S&P Agreement with respect to the leasing of the June 2020 Leased Assets with Tianjin Bingang as lessee and Far Eastern as lessor for an aggregated lease rental of RMB31,843,700 payable in 24 instalments;
- (c) the state-owned land use right assignment contract dated 8 April 2021 entered into between Qingshen Jinyuan Environmental Technology Co., Ltd.* (青神金源環保科技有限公司) (“**Qingshen Jinyuan**”), an indirect wholly owned subsidiary of the Company, and Qingshen County Natural Resources Bureau* (青神縣自然資源局) (“**QCNRB**”) in respect of the acquisition of a parcel of land situated at Jinmao Road, Qingshen County, Sichuan Province, the PRC with a total site area of approximately 204,637 sq.m. at a consideration of approximately RMB21.5 million;
- (d) the state-owned land use right assignment contract dated 8 April 2021 entered into between Sichuan Jinmaoyuan Environmental Protection Technology Co., Ltd.* (四川金茂源環保科技有限公司), an indirect wholly-owned subsidiary of the Company, and QCNRB in respect of the acquisition of a parcel of land situated at Jinmao Road, Qingshen County, Sichuan Province, the PRC with a total site area of approximately 116,052 sq.m. at a consideration of approximately RMB12.2 million;
- (e) the state-owned land use right assignment contract entered into between Qingshen Jinyuan and QCNRB in respect of the acquisition of a parcel of land situated at Qingzhu Jiedao, Qingshen County, Sichuan Province, the PRC with a total site area of approximately 84,220 square metres at a consideration of RMB8,843,100;
- (f) the construction agreement dated 10 June 2021 entered into between Qingshen Jinyuan and China-Europe International Construction Engineering Group Co. Ltd* (中歐國際建工集團有限公司) (“**China-Europe**”) in respect of the engagement of China-Europe as a contractor for the provision of construction services in relation to factories #101 and #102 in Qingshen County Economic Development Zone* (青神縣經濟開發區), Meishan City, Sichuan Province, the PRC (“**Qingshen Economic Development Zone**”) at a consideration of RMB37,037,886 (inclusive of 9% value-added tax);

- (g) the construction agreement dated 10 June 2021 entered into between Qingshen Jinyuan and China-Europe in respect of the engagement of China-Europe as a contractor for the provision of construction services in relation to factories #201 and #202 in Qingshen Economic Development Zone at a consideration of RMB32,267,487 (inclusive of 9% value-added tax);
- (h) the construction agreement dated 10 June 2021 entered into between Qingshen Jinyuan, and Qingshen Yuxiang Construction Engineering Co. Ltd.* (青神羽翔建築工程有限公司) (“**Qingshen Yuxiang**”) and Guangdong Jinjunda Construction Engineering Co., Ltd* (廣東金竣達建設工程有限公司) (“**Guangdong Jinjunda**”) as joint contractors for the provision of construction services in relation to factories #601 and #602 in Qingshen Economic Development Zone at a consideration of RMB27,754,343;
- (i) the construction agreement dated 10 June 2021 entered into between Qingshen Jinyuan, and Qingshen Yuxiang and Guangdong Jinjunda as joint contractors for the provision of construction services in relation to factories #701 and #702 in Qingshen Economic Development Zone at a consideration of RMB47,253,818;
- (j) the plant construction agreement dated 30 July 2021 entered into between Sichuan Kimou Environmental Technology Co., Ltd* (四川金茂源環保科技有限公司), an indirect wholly-owned subsidiary of the Company, and Qingshen Yuxiang and Guangdong Jinjunda as joint contractors for the provision of construction services including civil engineering and installation of public works for the construction of an electroplating wastewater treatment plant at a consideration of RMB86,920,000;
- (k) the investment agreement dated 8 September 2021 entered into by and among Kimou Environmental Technology Holding Limited (金茂環保科技控股有限公司) (“**KETH**”), an indirect wholly-owned subsidiary of the Company, Management Committee of Taixing Economic Development Zone of Jiangsu Province* (江蘇省泰興經濟開發區管理委員會) and Taixing Chengxing Circular Economy Industrial Park Investment Development Co., Ltd.* (泰興市成興循環經濟產業園投資發展有限公司) (“**JV Partner**”) governing, among others, the capital contribution and operation and management of the affairs of a PRC company held as to 68% by KETH and 32% by the JV Partner. Pursuant to such investment agreement, the initial registered capital of the PRC joint venture company is RMB220 million and 68% and 32% of which shall be contributed by KETH and the JV Partner respectively;
- (l) the state-owned land use right assignment contract entered into between Jiangsu Chengxing and Taixing City Natural Resources and Planning Bureau* (泰興市自然資源和規劃局) (“**TCNRPB**”) in respect of the acquisition of the land use rights of a parcel of land situated at Taixing Economic Development Zone, Taixing City, Jiangsu Province, the PRC at a consideration of RMB9,550,000;
- (m) the state-owned land use right assignment contract entered into between Taizhou Jincheng Environmental Protection Technology Co., Ltd.* (泰州金成環保科技有限公司), an indirect non-wholly-owned subsidiary of the Company, and TCNRPB in

respect of the acquisition of the land use rights of a parcel of land situated at Taixing Economic Development Zone, Taixing City, Jiangsu Province, the PRC at a consideration of RMB42,400,000;

- (n) the Plant Construction Agreements; and
- (o) the Wastewater Plant Construction Agreement.

5. GENERAL

- (a) The company secretary of the Company is Mr. Yim Lok Kwan, who is an associate member of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom.
- (b) The registered office of the Company is situated at Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands. The principal place of business and head office in the PRC is situated at Longhua Road, Longxi Street, Boluo County, Huizhou City, Guangdong Province, the PRC. The principal place of business in Hong Kong is situated at Unit E&F, 5/F., Hung Cheong Factory Building, 3 Kwong Cheung Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of any inconsistency, the English texts of the circular shall prevail over their respective Chinese texts.

6. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.platingbase.com) for a period of 14 days from the date of this circular:

- (a) the Plant Construction Agreements;
- (b) the Wastewater Plant Construction Agreement; and
- (c) this circular.