金茂源

Kimou Environmental Holding Limited
金茂源環保控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6805)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 38.72% EQUITY INTERESTS IN TIANJIN BINGANG

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 20 February 2023 (after trading hours), Huizhou Kimou (as the Purchaser, being an indirect wholly-owned subsidiary of the Company), Tianjin Wanheshun (as the Vendor) and Tianjin Bingang (as the Target Company) entered into the Equity Transfer Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase 38.72% of the equity interests in the Target Company (held by the Vendor) at a consideration of approximately RMB193.6 million.

As at the date of this announcement, the Target Company is owned as to 51% and 49% by the Purchaser and the Vendor, respectively. Upon completion of the Acquisition, the Target Company will be owned as to 89.72% and 10.28% by the Purchaser and the Vendor, respectively, and the Target Company will remain as a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition under Chapter 14 of the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, as at the date of this announcement, the Target Company is a subsidiary of the Company in which the Company indirectly held 51% equity interests and the Vendor holds 49% equity interests, the Vendor is a substantial shareholder of the Target Company. Therefore, pursuant to Rule 14A.07(1) of the Listing Rules, the Vendor is a connected person of the Company at the subsidiary level, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Nevertheless, pursuant to Rule 14A.101 of the Listing Rules, as (i) the Vendor is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Acquisition on 20 February 2023; and (iii) the Directors (including the independent non-executive Directors) are of the view and have confirmed that (a) the Acquisition, the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, and (b) the Acquisition is on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Acquisition is therefore subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and Shareholders' approval requirements under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 20 February 2023 (after trading hours), the Purchaser (being an indirect wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase 38.72% of the equity interests in the Target Company (held by the Vendor) at an aggregate consideration of approximately RMB193.6 million.

As at the date of this announcement, the Target Company is owned as to 51% and 49% by the Purchaser and the Vendor, respectively. Upon completion of the Acquisition, the Target Company will be owned as to 89.72% and 10.28% by the Purchaser and the Vendor, respectively, and the Target Company will remain as a subsidiary of the Company.

THE EQUITY TRANSFER AGREEMENT

The principal terms and conditions of the Equity Transfer Agreement are set out below:

Date: 20 February 2023

Parties to the Equity Transfer Agreement:

(1) Huizhou Kimou (as the Purchaser), a subsidiary of the Company;

(2) Tianjin Wanheshun (as the Vendor), a connected company of the Company at the subsidiary level;

(3) Tianjin Bingang (as the Target Company), a subsidiary of the Company and owned as to 51% and 49% by the Purchaser and the Vendor, respectively, as at the date of this Announcement.

Subject matter:	Pursuant to the Equity Transfer Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase 38.72% of equity interests in the Target Company (held by the Vendor).
Consideration:	The consideration for the Acquisition is approximately RMB193.6 million, which was determined and agreed upon between the parties based on arm's length negotiations and with reference to (i) the appraised fair value of the entire equity interests in the Target Company of RMB510.5 million as at 31 December 2022 as per the appraisal report prepared by AVISTA Valuation Advisory Limited, an independent third party valuer, adopting the market approach; (ii) the paid-up registered capital of the Target Company by the Vendor (in an aggregate amount of approximately RMB244.9 million); and (iii) the business development prospects of the Target Company. The Consideration will be funded by the internal resources of the Purchaser.
Payment:	The Purchaser shall pay the consideration by wire transfer and provide relevant bank transfer certificates in the following manner: (i) RMB25.0 million shall be paid on or before 31 December 2023; and (ii) approximately RMB168.6 million shall be paid on or before 30 June 2024 or the Completion Date, whichever is later, but in any event after the Vendor provides the Purchaser with tax clearance certificate to the reasonable satisfaction of the Purchaser. Alternatively, the Purchaser and the Vendor may otherwise agree before the Completion Date that the Purchaser may pay all or part of the consideration by other means, including but not limited to the creditor's right(s) against the Vendor or a third party and property interests.
Completion:	Subject to satisfaction of the condition precedents contained in the Equity Transfer Agreement, the Acquisition shall take place on the Completion Date, or such other date to be mutually agreed between the Purchaser and the Vendor.
Completion Date:	Unless otherwise agreed by the Parties in writing, the Completion Date shall be the third Business Day after the receipt by the Vendor and the Target Company of the acknowledgement letter confirming the satisfaction of the Conditions Precedent.

Conditions Precedent:

(1) the Vendor has made true, accurate, full and non-misleading representations and warranties on major aspects of the Equity Transfer Agreement, and such representations and warranties remain true, accurate, full and non-misleading from the date of the Equity Transfer Agreement and up to the Completion Date;

(2) The Vendor has duly fulfilled its undertakings and warranties which shall be fulfilled on or before the Completion Date under the Equity Transfer Agreement;

(3) The board of directors and the shareholders (if necessary) of the Vendor and the Purchaser as well as the Board and the Shareholders (if necessary) have properly passed the relevant resolutions to approve (including but not limited to) the Equity Transfer Agreement and the contemplated transactions thereunder;

(4) The board of directors and the shareholders of the Target Company have properly passed the relevant resolutions in accordance with legal procedures to approve the Acquisition, and the articles of association of the Target Company has been properly modified to reflect the transfer of the Target Equity Interest in accordance with the Acquisition;

(5) All parties to the Equity Transfer Agreement have obtained all permits and approvals of relevant government authorities required for this Acquisition, and such permits and approvals have not materially changed the commercial conditions under the Equity Transfer Agreement (if applicable);

(6) no government authority has made, promulgated, implemented or passed any laws or order which will make unlawful or have by any other means restrained or prohibited transactions contemplated under the Equity Transfer Agreement; and

(7) The Target Company has completed the relevant registration and filing procedures related to this Acquisition and obtained the updated business license, and has provided the Purchaser with relevant register certification documents, capital contribution certificates and updated register of shareholders.

INFORMATION ON THE PARTIES

The Purchaser and the Group

The Purchaser is a limited liability company established under the laws of the PRC on 8 June 2005 and an indirect wholly-owned subsidiary as well as the principal operating entity of the Company in the PRC. 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 park.

The Vendor

The Vendor is a limited liability company established under the laws of the PRC on 30 September 2015 and is primarily engaged in investment holding in the PRC. As at the date of this announcement, the Vendor is ultimately owned as to 62.49% by Song Shaohui (宋紹輝), 21.40% by An Shiqi (安士啟), 8.91% by Qi Shaojian (齊少建) and 7.20% by Wang Jian (王建), respectively. The Vendor is a connected person of the Company at the subsidiary level. Saved as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the ultimate beneficial owners of the Target Company is independent of the Company and connected persons of the Company.

The Target Company

The Target Company is a limited liability company established under the law of the PRC on 31 March 2014, and an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, the Target Company is owned as to 51% by the Purchaser and 49% by the Vendor, respectively. Upon completion of the Acquisition, the Target Company will be owned as to 89.72% and 10.28% by the Purchaser and the Vendor, respectively, and the Target Company will remain as a subsidiary of the Company. The Target Company, together with its subsidiaries, is principally engaged in the operation of Tianjin Bingang Park, the Surface Treatment Recycling Eco-industrial Parks of the Group located in Tianjin, the PRC.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the profits before and after taxation of the Target Company for the two financial years ended 31 December 2021 and 31 December 2022, respectively:

	For the year ended 31 December 2021 (unaudited) *(million/RMB)*	**For the year ended 31 December 2022 (unaudited)** *(million/RMB)*
(Loss)/profit before taxation	(12.7)	12.3
(Loss)/profit after taxation	(9.9)	8.1

The unaudited book value of the total assets and net assets of the Target Company as at 31 December 2022 was approximately RMB1,150.5 million and RMB370.4 million, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As a long-term strategy, the Group intends to keep steady expansion of business based on continuous analysis of the potential market in different regions of the PRC to seize further business opportunities and increase the returns to the Shareholders. According to the interim report of the Company for the six months ended 30 June 2022 dated 29 August 2022, the occupancy rate of the Tianjin Bingang Park increased from 78.5% as at 30 June 2021 to 91.2% as at 30 June 2022. Therefore, the Company is optimistic about the future development and market demand of Tianjin Bingang Park. The Acquisition will strengthen the Company's control in the Target Company and enable it to continue the expansion of its business in Tianjin Bingang Park.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable and the Acquisition is on normal commercial terms and in the interest of the Company and its shareholders as a whole. Given the rapid growth in the business of the Target Company, the Directors are of the view that now is an appropriate time to further increase the Group's shareholding percentage in the Target Company to capture more economic benefits of it.

FINANCIAL IMPACT OF THE ACQUISITION ON THE GROUP

Since the Target Company is a subsidiary of the Company, its assets and liabilities have been already fully consolidated into the financial results of the Group. No gain or loss would be recorded in the consolidated income statement of the Group. The consideration and the non-controlling interests attributable to the Vendor would be treated as an equity transaction as defined under relevant accounting principles and only reserves movement will be recognized in the Group's financial statements.

APPROVAL BY THE BOARD

The Board has approved the Acquisition and the entering into the Equity Transfer Agreement on 20 February 2023. Based on the above, the Directors (including the independent non-executive Directors) are of the view that (a) the Acquisition, the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, and (b) the Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

None of the Directors are deemed to have a material interest in the Acquisition and hence are not required to abstain from voting on the Board resolution in relation to the Acquisition.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of applicable percentage ratios for the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, as at the date of this announcement, the Target Company is a subsidiary of the Company in which the Company indirectly holds 51% equity interests and the Vendor holds 49% equity interests, the Vendor is a substantial shareholder of the Target Company. Therefore, pursuant to Rule 14A.07(1) of the Listing Rules, the Vendor is a connected person of the Company at the subsidiary level, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Nevertheless, pursuant to Rule 14A.101 of the Listing Rules, as (i) the Vendor is a connected person of the Company at the subsidiary level;(ii) the Board has approved the Acquisition on 20 February 2023; and (iii) the Directors (including the independent non-executive Directors) are of the view and have confirmed that (a) the terms of the Acquisition are fair and reasonable, and (b) the Acquisition is on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Acquisition is therefore subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and Shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

"Acquisition"	the acquisition of the 38.72% of the equity interests in the Target Company (held by the Vendor) by the Purchaser pursuant to the Equity Transfer Agreement
"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 and the shares of which are listed on the Main Board of the Stock Exchange
"Completion Date"	has the meaning ascribed to it under the Equity Transfer Agreement
"Director(s)"	director(s) of the Company
"Equity Transfer Agreement"	the equity transfer agreement dated 20 February 2023 entered into by the Vendor, the Purchaser and the Target Company in relation to the Acquisition
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Purchaser" or "Huizhou Kimou"	Huizhou Kimou Industrial Investment Co., Ltd.* (惠州金茂實業投資有限公司), an indirect wholly-owned subsidiary of the Company, established in the PRC on 8 June 2005
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Company" or "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, held indirectly by the Company as to 51% as at the date of this announcement
"Tianjin Bingang Park"	Kimou (Tianjin) Surface Treatment Recycling Eco-industrial Park* (金茂源(天津)表面處理循環經濟產業園), our electroplating industrial park located in Zhongwang Town, Jinghai District, Tianjin, the PRC
"Target Equity Interest"	38.72% of the equity interest in the Target Company (held by the Vendor)
"Vendor" or "Tianjin Wanheshun"	Tianjin Wanheshun Technology Group Co., Ltd.* (天津萬和順科技集團有限公司), a limited liability company established in the PRC on 30 September 2015
"%"	per cent

* *For identification purposes only*

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

Hong Kong, 20 February 2023

As at the date of this announcement, the Board comprises Mr. Zhang Lianghong (Chairman of the Board), Mr. Zhu Heping (Chief Executive Officer), Mr. Lee Kin Ming and Mr. Huang Shaobo as executive Directors, and Mr. Li Xiaoyan and Mr. Kan Chung Nin, Tony SBS, JP as independent non-executive Directors.