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Shenghui Cleanness Group Holdings Limited

升輝清潔集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2521)

VOLUNTARY ANNOUNCEMENT ENTERING INTO A COOPERATION FRAMEWORK AGREEMENT IN RESPECT OF FORMATION OF JOINT VENTURE

The board (the “**Board**”) of directors (the “**Directors**”) of Shenghui Cleanness Group Holdings Limited (the “**Company**” and its subsidiaries, collectively the “**Group**”) is pleased to announce that on 3 September 2024, Tianyou Shenghui Green Technology (HK) Co., Limited (“**Tianyou Shenghui**”), a wholly-owned subsidiary of the Company, entered into a cooperation framework agreement (the “**Cooperation Framework Agreement**”) with Besco Precision Manufacturing Company Limited (“**Besco Precision**”) and Hong Kong Li Hua Trading Investment Company Limited (“**Li Hua Trading**”, together with Tianyou Shenghui and Besco Precision, collectively, the “**JV Parties**”), in relation to the proposed formation of a joint venture company (the “**JV Company**”).

THE COOPERATION FRAMEWORK AGREEMENT

The principal terms of the Cooperation Framework Agreement are set out below:

Date: 3 September 2024

Parties:

- (a) Tianyou Shenghui;
- (b) Besco Precision; and
- (c) Li Hua Trading

Subject matter: The JV Company will be a limited liability company to be established in accordance with the laws of Hong Kong.

Term of agreement: The initial term of the Cooperation Framework Agreement commences from the date of the Cooperation Framework Agreement for a term of three years.

The JV Parties may extend the term of the cooperation by entering into a new agreement upon expiry of the initial term.

Registered capital and capital contribution: Upon its establishment, the JV Company will be owned as to 41% by Tianyou Shenghui, 39% by Besco Precision and 20% by Li Hua Trading. The registered capital of the JV Company shall be HK\$5 million, which will be contributed as to 41% (i.e. HK\$2.05 million) by Tianyou Shenghui, 39% (i.e. HK\$1.95 million) by Besco Precision and 20% (i.e. HK\$1.00 million) by Li Hua Trading. The Group intends to finance the capital contribution of HK\$2.05 million to the JV Company from its internal resources.

The amount of capital contributions was determined after arm's length negotiations between the JV Parties with reference to the total registered share capital of the JV Company and their respective shareholding interest in the JV Company.

First right of refusal: In the event that the JV Company achieves desirable operating results and Tianyou Shenghui decides to acquire more equity interest so as to consolidate the financial results of the JV Company into the consolidated financial statements of the Group, Tianyou Shenghui shall have a first right of refusal to purchase such shares of the JV Company from Besco Precision and Li Hua Trading and the consideration of which will then be further determined by the JV Parties on an arm's length basis.

INFORMATION OF THE COMPANY AND THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and is an investment holding company. The Group is principally engaged in the provision of basic cleaning and maintenance service, garbage collection and transportation service, waste collection and transportation service, water tank cleaning service and ancillary services. The Group also offers specialised cleaning services such as stone cleaning and restoration and high-altitude cleaning with mobile elevated platforms.

INFORMATION OF THE JV PARTIES

Tianyou Shenghui is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. It is an investment holding company.

Besco Precision is a limited liability company incorporated in Hong Kong. It, through its PRC associates, is engaged in research and development of environmental friendly products and provision of environmental consultancy services.

Li Hua Trading is a limited liability company incorporated in Hong Kong. It is principally engaged in trading business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Besco Precision and Li Hua Trading and their respective ultimate beneficial owners are independent third parties as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION FRAMEWORK AGREEMENT

Since its establishment, the Group has been developing its current business in the Guangdong province. In view of the increasing public and governmental awareness of environmental, social and governance (ESG) and the potential in recycling materials market, and the role of Hong Kong in the Greater Bay Area as a stepping stone to enter into the international market, the Group aims to leverage its current business with ESG to achieve PRC governmental goal of achieving low carbon emission and capture the green business market opportunity. Through the formation of the joint venture, the JV Company aims to build up more than five bio-based industrial parks in Hong Kong and other areas (including but not limited to Macau, Singapore and Australia) in three years, through the collection of waste products and develop into bio-based new materials in Hong Kong. Each of the JV Parties will leverage their specialties and strengths, where the Group will utilise its brand, capital and supply chain management experience, and Besco Precision and Li Hua Trading will be responsible for operations, quality control, marketing and brand building. If achieving good results in the future, the JV Parties intend to expand its business model to countries and regions outside the PRC (including Macau, Singapore, Australia and other countries and regions).

The Board believes that the JV Company provides the Group with a good opportunity to expand beyond its current business into green business, to diversify the revenue stream of the Group and bring stable and sustainable growth in revenue to the Group in the long run. Therefore, the Directors (including the independent non-executive Directors) consider that the formation of the JV Company is a promising investment, and the Cooperation Framework Agreement is entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Cooperation Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

By Order of the Board
Shenghui Cleanness Group Holdings Limited
Li Chenghua
Chairman and Executive Director

Hong Kong, 3 September 2024

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Chenghua and Mr. Chen Liming; and three independent non-executive Directors, namely Ms. Cheung Bo Man, Ms. Yau Yin Hung and Dr. Wang Hui.