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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
A FINANCE LEASE ARRANGEMENT:**

(1) DISPOSAL OF LEASED ASSETS

AND

(2) LEASING OF LEASED ASSETS FOLLOWING THEIR DISPOSAL

FINANCE LEASE ARRANGEMENT

(1) DISPOSAL OF LEASED ASSETS

The Board wishes to announce that on 5 June 2020, after trading hours of the Stock Exchange, Tianjin Bingang (an indirect non-wholly owned subsidiary of the Company) and Far Eastern entered into the S&P Agreement. Pursuant to the S&P Agreement, Tianjin Bingang agreed to dispose and Far Eastern agreed to acquire the Leased Assets, for a cash Consideration of RMB30,000,000 (equivalent to approximately HK\$33,000,000).

(2) LEASING OF LEASED ASSETS FOLLOWING THEIR DISPOSAL

On 5 June 2020, after trading hours of the Stock Exchange, Tianjin Bingang entered into the Lease Agreement to lease the Leased Assets from Far Eastern for an aggregate rental amount of approximately RMB31,843,700 (equivalent to approximately HK\$35,028,070) (inclusive of taxes) for a term of two years upon completion of the Disposal.

LISTING RULES IMPLICATIONS

As one of the relevant applicable percentage ratios for the respective transactions contemplated under the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement constitutes discloseable transactions of the Company and are subject to the reporting and announcement requirements but exempt from Shareholders' approval under Chapter 14 of the Listing Rules.

FINANCE LEASE ARRANGEMENT

(1) THE DISPOSAL OF LEASED ASSETS

On 5 June 2020, after trading hours of the Stock Exchange, Tianjin Bingang as vendor and Far Eastern as purchaser entered into the S&P Agreement, pursuant to which Far Eastern has conditionally agreed to acquire and Tianjin Bingang has conditionally agreed to sell the Leased Assets, at the Consideration of RMB30,000,000 (equivalent to approximately HK\$33,000,000). The major terms of the S&P Agreement are as follows:

The S&P Agreement

Date:	5 June 2020 (after trading hours of the Stock Exchange)
Parties:	(i) Tianjin Bingang as vendor (ii) Far Eastern as purchaser
Assets to be disposed of:	the Leased Assets
Consideration:	RMB30,000,000 (equivalent to approximately HK\$33,000,000). The Consideration was reached after arm's length negotiations between the parties with reference to the net book value of the Leased Assets of approximately RMB21.6 million (equivalent to approximately HK\$23.8 million) as at 31 May 2020.
Terms of payment:	Far Eastern shall pay the Consideration to Tianjing Bingang within seven working days upon satisfying all the conditions precedent as set out in the S&P Agreement.
Conditions precedent:	(1) Far Eastern has received the payment notice for the Consideration issued by Tianjing Bingang; (2) Far Eastern has received the fund receipt from Tianjing Bingang in the form and manner as agreed between the parties confirming the payment of the Consideration under the S&P Agreement; and (3) Far Eastern has received the documents evidencing completion of the registration procedures for the security mortgage provided to Far Eastern as stipulated under the Lease Agreement.

INFORMATION ON THE LEASED ASSETS

The Leased Assets comprise certain equipment and ancillary facilities for the provision of wastewater treatment services and the supply of steam and electricity in the industrial park of the Group, with a net book value of approximately RMB21.6 million (equivalent to approximately HK\$23.8 million) as at 31 May 2020.

FINANCIAL IMPACT OF THE DISPOSAL TO THE COMPANY

It is estimated that the Group will record a gain of approximately RMB8.4 million (equivalent to approximately HK\$9.2 million) from the Disposal, being the difference between (i) the sales price of the Leased Assets; and (ii) the net book value of the Leased Assets of approximately RMB21.6 million (equivalent to approximately HK\$23.8 million) as at 31 May 2020.

LISTING RULES IMPLICATIONS WITH RESPECT TO THE DISPOSAL

As one of the applicable percentage ratios for the Disposal exceeds 5% but is less than 25%, the Disposal, the transaction contemplated under the S&P Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from Shareholder's approval under Chapter 14 of the Listing Rules.

(2) LEASING OF THE LEASED ASSETS

Tianjin Bingang, as the lessee, entered into the Lease Agreement with Far Eastern, as the lessor, in respect of the leasing of the Leased Assets upon completion of the Disposal. The major terms of the Lease Agreement are as follows:

The Lease Agreement

Date:	5 June 2020 (after trading hours of the Stock Exchange)
Parties:	(i) Tianjin Bingang as lessee (ii) Far Eastern as lessor
Assets to be leased:	the Leased Assets
Term:	two-year term commencing from the date of receipt of the notice of lease from Far Eastern and subject to early termination upon receiving one month prior written notice from Tianjing Bingang. Upon early termination of the Lease Agreement and after fulfilling all payment obligation under the Lease Agreement, the title and property rights of the Leased Assets shall be transferred to Tianjin Bingang in accordance with the Lease Agreement.
Lease rental:	An aggregate sum of RMB31,843,700 (equivalent to approximately HK\$35,028,070) which shall be payable in 24 instalments. The lease rental was determined on an arm's length basis by the parties and with reference to the net book value of the Leased Assets as at 31 May 2020.

- Security:
- (1) joint and several liability corporate guarantees provided by the Company and several members of the Group namely Tianjin Wandafeng Metal Surface Processing Co., Ltd.* (天津萬達豐金屬表面處理有限公司), Huizhou Kimou Industrial Investment Co., Ltd.* (惠州金茂實業投資有限公司), Tianjin Sangong Metal Surface Processing Co., Ltd.* (天津三工金屬表面處理有限公司), Tianjin Jinhudu Waste Recycle Co., Ltd.* (天津金華都廢品收購有限公司), Huizhou Jinmaoyuan Environmental Technology Co., Ltd.* (惠州金茂源環保科技有限公司) and Tianjin Tianteyuan Steel Industry Co., Ltd.* (天津市天特元鋼業有限公司) in favour of Far Eastern; and
 - (2) security mortgage for certain properties located in Jinghai District, Tianjin with an aggregate net book value of approximately RMB30.6 million (equivalent to approximately HK\$33.6 million) as at 31 May 2020 in favour of Far Eastern

LISTING RULES IMPLICATIONS WITH RESPECT TO THE LEASING OF THE LEASED ASSETS

In accordance with HKFRS 16, the Group is required to recognize the leasing of the Leased Assets as right-of-use-assets, and as a result, the entry into of such lease and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules.

As one of the relevant applicable percentage ratios (as defined in the Listing Rules) for the leasing of the leased assets exceeds 5% but is less than 25%, such lease constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt for Shareholders' approval under Chapter 14 of the Listing Rules.

INFORMATION ON THE GROUP AND FAR EASTERN

The Group principally engages in providing wastewater treatment and other ancillary services for the development and operation of electroplating industrial parks.

Far Eastern is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Far East Horizon Limited, a company listed on the Stock Exchange with stock code: 3360. Far Eastern is principally engaged in the provision of financial leasing services.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Far Eastern and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The proceeds of the Disposal will be used to fund general working capital needs and other corporate purposes. Given that the ownership of the Leased Assets to be disposed of is not critical to the operations of the Group's business and the Group could remain using the Leased Assets pursuant to the Lease Agreement, the Directors are of the view that the

divestment would not have any material impact on the overall business operations of the Group and believe that the divestment would enhance not only the cash position of the Company but also its resources allocation strategy and complementing its strategic and operational flexibility.

The Directors consider that the terms of the S&P Agreement and the Lease Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

DEFINITIONS

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

“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 and the shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	RMB30,000,000 (equivalent to approximately HK\$33,000,000), being the consideration payable by the Purchaser under the S&P Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Leased Assets
“Far Eastern”	Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司), a company established in the PRC with limited liability
“Finance Lease Arrangement”	the finance lease arrangement pursuant to the S&P Agreement and the Lease Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huizhou Kimou”	Huizhou Kimou Industrial Investment Co., Ltd.* (惠州金茂實業投資有限公司), a company established in the PRC with limited liability which is a indirect wholly owned subsidiary of the Company
“Lease Agreement”	the agreement dated 5 June 2020 entered into between Tianjin Bingang and Far Eastern upon completion of the Disposal with respect to the leasing of the Leased Assets with Tianjin Bingang as lessee and Far Eastern as lessor
“Leased Assets”	certain equipment and ancillary facilities for the provision of wastewater treatment services and the supply of steam and electricity in the industrial park of the Group

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of Shares from time to time
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“S&P Agreement”	the agreement dated 5 June 2020 and entered into between Tianjin Bingang and Far Eastern with respect to the Disposal
“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 company established in the PRC with limited liability which is owned as to 51% by Huizhou Kimou and 49% by third party independent of the Group and its connected persons
%	per cent

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

Hong Kong, 5 June 2020

The English translation of a Chinese name which is marked with “” has been provided for identification purpose only.*

In this announcement, amounts quoted in RMB has been converted into HK\$ at the rate of HK\$1.10 to RMB1. Such exchange rate has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at such rate or any other rates.

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