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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)

CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO A FINANCE LEASE ARRANGEMENT

Reference is made to the announcement of Kimou Environmental Holding Limited (the “**Company**”) dated 5 June 2020 (the “**Announcement**”) for a discloseable transaction in relation to a finance lease arrangement. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company wishes to provide clarification and/or further information as follows:

1. as disclosed in the paragraph headed “Financial impact of the Disposal to the Company”, in the Announcement, 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. Notwithstanding the aforementioned theoretical gain, such gain will not be booked in the financial statements of the Group in accordance with the applicable accounting standards and financial treatments of the Company. Instead, such financial effect recorded from the Finance Lease Arrangement will be booked as a liability in the financial statements of the Group.
2. as disclosed in the paragraph headed “(2) Leasing of the Leased Assets” in the Announcement, the title and property rights of the Leased Assets shall be transferred to Tianjin Bingang in accordance with the Lease Agreement upon early termination of the Lease Agreement and after fulfilling all payment obligations under the Lease Agreement.

The Company would like to provide further information regarding the transfer of title and property rights of the Leased Assets to Tianjin Bingang as follows:

- (a) upon early termination of the Lease Agreement, subject to Tianjin Bingang's payment of all remaining lease rental fees and other payables under the Lease Agreement from the date of termination up to the expiry of the term, the title and property rights of the Leased Assets shall be transferred to Tianjin Bingang at the consideration of RMB1,000; or
 - (b) upon expiry of the Lease Agreement, subject to Tianjin Bingang's payment of all lease rental fees and other payables under the Lease Agreement, the title and property rights of the Leased Assets shall be transferred to Tianjin Bingang at the consideration of RMB1,000.
3. as disclosed in the paragraph headed "Listing Rules implication with respect to the leasing of the Leased Assets", it is stated that 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.

The Company would like to clarify that as HKFRS 16 is not applicable and the leasing of the Leasing Assets shall not be recognized as right-of-use-assets in accordance with the applicable accounting standards and financial treatments of the Company.

4. as disclosed in the paragraph headed "Reasons for and benefits of the finance lease arrangement", it is stated that 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 Company would like to clarify that the Disposal and the subsequent leasing of the Leased Assets after their Disposal is part of a two-step process of a sale and lease back financing arrangement.

Save as disclosed above, all other information in the Announcement shall remain unchanged. This announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 9 June 2020

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.