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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 — FINANCE LEASEBACK ARRANGEMENTS**

The Board wishes to announce that Tianjin Bingang, an indirect non-wholly owned subsidiary of the Company, and Lessor entered into the Finance Leaseback Arrangements in relation to the Leased Assets on 17 December 2021 which consist of (1) the Transfer Agreement pursuant to which the Lessor shall purchase the Leased Assets from Tianjin Bingang at the consideration of RMB37 million; and (2) the Leaseback Agreement pursuant to which Lessor agreed to lease the Leased Assets to Tianjin Bingang for a term of 24 months at the total lease payments in the amount of approximately RMB39.2 million (without taking into account the repurchase cost and subject to early termination). Tianjin Bingang, together with its subsidiaries, is principally engaged in the operation of Tianjin Bingang Park, the electroplating industrial park of the Group located in Tianjin, the PRC.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Finance Leaseback Arrangements, exceeds 5% but is less than 25%, the Finance Leaseback Arrangements constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

### **FINANCE LEASEBACK ARRANGEMENTS**

The Board wishes to announce that Tianjin Bingang, an indirect non-wholly owned subsidiary of the Company, and the Lessor entered into the Finance Leaseback Arrangements in relation to the Leased Assets on 17 December 2021 which consist of (1) the Transfer Agreement pursuant to which the Lessor shall purchase the Leased Assets from Tianjin Bingang at the consideration of RMB37 million; and (2) the Leaseback Agreement pursuant to which Lessor agreed to lease the Leased Assets to Tianjin Bingang for a term of 24 months at the total lease payments in the amount of approximately RMB39.2 million (without taking into account the repurchase cost). Details of the Finance Leaseback Arrangements are summarised below.

## (1) THE TRANSFER AGREEMENT

<b>Date:</b>	17 December 2021.
<b>Parties:</b>	(i) The Lessor as purchaser; and (ii) Tianjin Bingang as vendor.
<b>Subject assets:</b>	The Leased Assets.
<b>Consideration:</b>	RMB37 million.
<b>Terms of payment:</b>	The Lessor shall pay the Consideration to Tianjing Bingang by two instalments of RMB35,000,000 and RMB2,000,000 respectively within seven working days upon satisfying the conditions precedent as set out in the Transfer Agreement which includes (a) the Lessor having received the payment notice for the installment issued by Tianjing Bingang; (b) the Lessor having received the fund receipt from Tianjing Bingang; and (c) the Lessor having received the documents evidencing completion of the registration procedures for the security provided to the Lessor as stipulated under the Leaseback Agreement.

## (2) THE LEASEBACK AGREEMENT

<b>Date:</b>	17 December 2021.
<b>Parties:</b>	(i) The Lessor as lessor; and (ii) Tianjin Bingang as lessee.
<b>Leaseback arrangement:</b>	Pursuant to the Leaseback Agreement, the Lessor agreed to lease the Leased Assets back to Tianjin Bingang for a period of 24 months, subject to early termination upon receiving one month prior written notice from Tianjing Bingang and payment of the early termination payment of (i) all accrued and not yet paid Lease Payment payable; (ii) the remaining principal amount; (iii) 20% of the remaining amount of the unpaid interest; and (iv) the repurchase cost.
<b>Lease payments:</b>	The total Lease Payment payable by Tianjin Bingang to the Lessor shall be approximately RMB39.2 million (without taking into account the repurchase cost), payable in 24 instalments in accordance with the payment schedule set out in the Leaseback Agreement.

The total Lease Payment comprises (i) the principal amount of RMB37 million, which is the same amount as the Consideration for the sale and purchase of the Leased Assets; and (ii) the aggregate interest of approximately RMB2.2 million, which is non-adjustable for the duration of the lease under the Leaseback Agreement.

**Security:**

- (a) joint and several liability corporate guarantees provided by the Company and several members of the Group namely Huizhou Kimou Industrial Investment Co., Ltd.\* (惠州金茂實業投資有限公司), Huizhou Jinmaoyuan Environmental Technology Co., Ltd.\* (惠州金茂源環保科技有限公司), Tianjin Wandafeng Metal Surface Processing Co., Ltd.\* (天津萬達豐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), Tianjin Tianteyuan Steel Industry Co., Ltd.\* (天津市天特元鋼業有限公司), Tianjin Sangong Metal Surface Processing Co., Ltd.\* (天津三工金屬表面處理有限公司) and Tianjin Wanheshun Technology Group Co., Ltd.\* (天津萬和順科技集團有限公司);
- (b) a personal guarantee provided by Mr. Zhang Lianghong, an executive Director, Chairman of the Board and the controlling shareholder of the Company; and
- (c) a security mortgage of a real property right held and provided by a member of the Group, namely Tianjin Sangong Metal Surface Processing Co., Ltd.\* (天津三工金屬表面處理有限公司).

**Repurchase cost:**

Upon expiry of the lease term or early termination (but subject to payment of the early termination payment), Tianjin Bingang has the right to repurchase the Leased Assets at the repurchase cost of RMB1,000.

The terms of each of the Transfer Agreement and the Leaseback Agreement, including the Consideration and the Lease Payment were determined after arm's length negotiation between the parties with reference to, among other things, the value of the Leased Assets, the interest payable to the Lessor under the Lease Payment and the prevailing market practice.

## **THE LEASED ASSETS**

The Leased Assets consist of the heavy metal deep treatment and water reuse facilities of the electroplating wastewater treatment center of Tianjin Bingang Park and all equipment and facilities thereunder, including but not limited to the reused water biochemical system, the high-concentration reused water biochemical system, the discharged water treatment system, the auxiliary system, and the electrical automatic control system, water recycling system, recycling water advanced treatment system, etc. and gas steam boiler. As at 30 November 2021, the book value of the Leased Assets was approximately RMB30.5 million. There was no profit attributable to the Leased Assets in the recent two financial years.

## **INFORMATION OF THE PARTIES**

The Group is principally engaged in the business of providing wastewater treatment and other ancillary services for the development and operation of electroplating industrial parks. Tianjin Bingang is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement as to 51% by the Group and 49% by Independent Third Parties. Tianjin Bingang, together with its subsidiaries, is principally engaged in the operation of Tianjin Bingang Park, the electroplating industrial park of the Group located in Tianjin, the PRC.

The Lessor is a wholly-owned subsidiary of Far East Horizon Limited, a company listed on the Stock Exchange (stock code: 3360). The Lessor is principally engaged in the provision of financial leasing services. To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, each of the Lessor and its ultimate beneficial owner(s) is an Independent Third Party.

## **REASONS FOR AND BENEFITS OF THE FINANCE LEASEBACK ARRANGEMENTS**

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

Tianjin Bingang is the operator of Tianjin Bingang Park, the electroplating industrial park of the Group located in Tianjin, the PRC. The Finance Leaseback Arrangements contemplated under the Transfer Agreement and the Leaseback Agreement is a two-step process of a sale and lease back financing arrangement of the Leased Assets, which the Group could continue to utilise the same for the operation of Tianjin Bingang Park. The Finance Leaseback Arrangements would enable the Group to optimise its cash flows and extend the financing channels and it is expected that the proceeds from the Transfer Agreement would be used for general working capital of the Group. The Finance Leaseback Arrangements is, for accounting purposes, considered as a financing arrangement and the Leased Assets will still be recognised under property, plants and machinery in the financial books of the Company and the Consideration received from the Lessor of RMB37 million will be accounted as bank loans and other borrowings in accordance with HKFRS 9. The accounting treatment for the interest paid to the Lessor under the Leaseback Agreement will be recorded in accordance with HKFRS 9.

The Directors are of the view that the Finance Leaseback Arrangements is in the interest of the Company and the terms of the Finance Leaseback Arrangements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATION UNDER THE LISTING RULES**

As the personal guarantee provided by Mr. Zhang Lianghong, an executive Director, Chairman of the Board and the controlling shareholder of the Company, in relation to the Leaseback Agreement is conducted on normal commercial terms or better and not secured by the assets of the Group, the provision of such personal guarantee is fully exempt under Rule 14A.90 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Finance Leaseback Arrangements, exceeds 5% but is less than 25%, the Finance Leaseback Arrangements constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“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
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration for the sale and purchase of the Leased Assets under the Transfer Agreement
“Director(s)”	the director(s) of the Company
“Finance Leaseback Arrangements”	the finance leaseback arrangements contemplated under the Transfer Agreement and the Leaseback Agreement as a whole
“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
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons of the Company

“Lease Payment”	the total lease payment in relation to the financial leasing of the Leased Assets under the Leaseback Agreement
“Leaseback Agreement”	the leaseback agreement dated 17 December 2021 entered into between the Lessor and Tianjin Bingang in relation to the leasing back of the Leased Assets under the Finance Leaseback Arrangements
“Leased Assets”	the assets as more particularly described in the section headed “The Leased Assets” in this announcement
“Lessor”	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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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 and an indirect non-wholly owned subsidiary of the Company as at the date of the Transfer Agreement and the Leaseback Agreement as to 51% by the Group and 49% by Independent Third Parties
“Transfer Agreement”	the rights transfer agreement dated 17 December 2021 entered into between the Lessor and Tianjin Bingang in relation to the sale and purchase of the Leased Assets under the Finance Leaseback Arrangements
“%”	per cent.

On behalf of the Board  
**Kimou Environmental Holding Limited**  
**Zhang Lianghong**  
*Chairman*

20 December 2021

*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.*

\* For identification purposes only