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KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED

康達國際環保有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6136)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE FINANCE LEASE AGREEMENT**

FINANCE LEASE AGREEMENT

On 17 July 2020, the Lessees (each being an indirect wholly-owned subsidiary of the Company) entered into the Finance Lease Agreement with Greengold Leasing, pursuant to which, among other things, Greengold Leasing agreed to acquire the ownership of the Assets from the Lessees for RMB80,000,000, which would then be leased back to the Lessees for their use and possession for a term of 5 years.

As disclosed in the Previous Announcement, the Lessees also entered into the Previous Finance Lease Agreements with Greengold Leasing in the past 12 months. For further information on the Previous Finance Lease Agreements, please refer to the Previous Announcement.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the transactions contemplated under the Finance Lease Agreement are more than 5% but less than 25%, the entering into of the Finance Lease Agreement, on a standalone basis, constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Since the contractual parties to the Previous Finance Lease Agreements and the Finance Lease Agreement are the same and are all entered into within a 12 month period, the Previous Finance Lease Agreements and the Finance Lease Agreement are required to be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

The entering into of the Previous Finance Lease Agreements and the Finance Lease Agreement, on an aggregated basis, does not trigger a classification higher than a discloseable transaction under Chapter 14 of the Listing Rules.

THE FINANCE LEASE AGREEMENT

Date: 17 July 2020

Parties: (1) Greengold Leasing, as the lessor; and
(2) The Lessees, each being an indirect wholly-owned subsidiary of the Company

Transfer of the Assets and consideration Greengold Leasing shall acquire the unencumbered ownership of the Assets from the Lessees on an “as-is” basis for RMB80,000,000 (equivalent to approximately HK\$88,557,291) in cash and, payable within one month from the date of the Finance Lease Agreement to any of the Lessees as the Lessees may decide pursuant to both the Finance Lease Agreement and the Incidental Documentation. The transfer agreement for the Finance Lease Agreement was entered into between Greengold Leasing and the Lessees on the date of the Finance Lease Agreement, effecting the terms of the Finance Lease Agreement in relation to the transfer of the Assets from the Lessees to Greengold Leasing above.

Such consideration amount was determined following arm’s length negotiations by the parties with reference to the original cost of the Assets of approximately RMB100,215,153.

Lease period Greengold Leasing will lease back the Assets to the Lessees for their use and possession for a term of five years commencing from the day the consideration for the transfer of the Assets has been paid by Greengold Leasing.

Payments under the Finance Lease Agreement In respect of the Finance Lease Agreement, the total amount of lease payments is approximately RMB101,628,036, comprising (a) the lease principal payment of RMB80,000,000; and (b) the aggregate lease interest and other fees and expenses under the Incidental Documentation of approximately RMB21,628,036. Both the lease principal and the interest shall be payable every three months in twenty (20) installments during the lease period in which the first installment is expected to be payable on 18 October 2020.

The terms of the Finance Lease Agreement, including the lease principal, lease interests, and other fees and expenses under the Incidental Documentation, were determined after arm’s length negotiations between the parties to the Finance Lease Agreement with reference to the principal amount of the lease, the market interest rate, the average fair price of similar equipment and the amount of financing agreed to be provided by Greengold Leasing.

Termination and purchase option

The Lessees may terminate the Finance Lease Agreement provided that all outstanding amounts due thereunder and a compensation equivalent to 20% of the total outstanding lease interest amount as at the time of early termination have been settled by them. All payment obligations of the Lessees towards Greengold Leasing are joint and several, regardless of whether any of them may have actual possession and/or usage of the Assets. At the end of the lease period or in the event of an early termination of the Finance Lease Agreement, subject to the settlement of all outstanding amounts due, the Lessees will have the right to purchase the Assets at a nominal purchase price of RMB100.

Guarantee deposit

The Lessees will pay an interest-free deposit of RMB1,600,000 to Greengold Leasing on the same day the consideration for the transfer of the Assets has been paid by Greengold Leasing to secure their payment obligations under the Finance Lease Agreement.

Pledges

Pursuant to the Incidental Documentation, although the ownership of the Assets shall be transferred to Greengold Leasing as lessor as part of the Finance Lease Agreement, the Assets is treated as security of payment obligations of the Lessees under the Finance Lease Agreement and the Lessees may continue to utilize the Assets during the lease term.

Pursuant to the Incidental Documentation, Kangda Investment (Hong Kong) and Meiling Zibo pledged all the shareholding interests (representing RMB5,000,000 and SGD3,780,000) and equity derivatives of Meiling Zibo and Qingzhou Meiling respectively in favour of Greengold Leasing for a term of five years.

Additionally, pursuant to the Incidental Documentation, Meiling Zibo and Qingzhou Meiling pledged their rights in receivables under the sewage treatment plant franchise agreements of certain sewage treatment plants in the PRC as security of the Lessees' payment obligations under the Finance Lease Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Greengold Leasing and its ultimate beneficial owner are Independent Third Parties.

THE PREVIOUS FINANCE LEASE AGREEMENTS

Please refer to the Previous Announcement for the principal terms of the Previous Finance Lease Agreements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The Directors believe that the Group will be able to derive additional liquidity through the financial arrangements under the Finance Lease Agreement and benefit from additional working capital to support its business and finance the operational activities of the Lessees.

The Directors considered that the Finance Lease Agreement and the transactions contemplated thereunder are on normal commercial terms which are made on an arm's length basis and are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

INFORMATION ON THE ASSETS

The Assets comprises sewage treatment facilities situated at Zibo City and Qingzhou City in Shandong Province.

INFORMATION ON THE LESSEES AND THE GROUP

Meiling Zibo is a limited liability company established in the PRC, which is indirectly wholly owned by the Company. It is principally engaged in construction and operation of waste water treatment plants in the PRC.

Qingzhou Meiling is a limited liability company established in the PRC, which is indirectly wholly owned by the Company. It is principally engaged in construction and operation of waste water treatment plant in the PRC.

Zhongshan Kangda is a limited liability company established in the PRC, which is indirectly wholly owned by the Company. It is principally engaged in construction and operation of waste water treatment plants in the PRC.

Chongqing Kangda is a limited liability company established in the PRC, which is indirectly wholly owned by the Company. It is principally engaged in investment in waste water treatment plants and construction of municipal infrastructure in the PRC.

The Group is mainly engaged in investing in and operating wastewater treatment facilities in the PRC.

INFORMATION ON GREENGOLD LEASING

Greengold Leasing (formerly known as Canton Risen Financial Leasing Co., Ltd.* (廣東粵盛科融資租賃有限公司)) is a limited liability company established in the PRC, and a subsidiary of China Investments. It is principally engaged in the provision of finance, including through finance leasing, with a focus on environmental protection projects in the PRC.

LISTING RULES IMPLICATIONS

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Since the contractual parties to the Previous Finance Lease Agreements and the Finance Lease Agreement are the same and are all entered into within a 12 month period, the Previous Finance Lease Agreements and the Finance Lease Agreement are required to be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

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DEFINITIONS

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

“Assets”	shall have the meaning as disclosed in the section headed “Information on the Assets” in this announcement
“Board”	the board of Directors of the Company
“China Investments”	China Investments Holding Limited (中國興業控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 132)
“Chongqing Kangda”	Chongqing Kangda Environmental Protection Industry Group Co., Ltd.* (重慶康達環保產業(集團)有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly owned subsidiary of the Company
“Company”	Kangda International Environmental Company Limited (康達國際環保有限公司), a company incorporated in Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 6136)
“Director(s)”	the director(s) of the Company
“Finance Lease Agreement”	the finance lease agreement dated 17 July 2020 entered into between Greengold Leasing and the Lessees in relation to the transfer of ownership and lease back of the Assets

“Greengold Leasing”	Canton Greengold Financial Leasing Ltd.* (廣東綠金融租賃有限公司) (formerly known as Canton Risen Financial Leasing Co., Ltd.* (廣東粵盛科融資租賃有限公司)), a company incorporated in the PRC with limited liability and an Independent Third Party
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Incidental Documentation”	the agreements incidental to the Finance Lease Agreement including the transfer agreement, the consultancy agreements, the asset pledge agreement, the share pledge agreements and the pledge agreements
“Independent Third Party(ies)”	(an) independent third party(ies) not connected with the Group and any Director, chief executive or substantial shareholder of the Group or any of its subsidiaries or their respective associate of any of them as defined in the Listing Rules
“Kangda Investment (Hong Kong)”	Kangda Investment (Hong Kong) Company Limited* (康達投資(香港)有限公司), a company incorporated in Hong Kong with limited Liability and an indirectly wholly owned subsidiary of the Company
“Lessees”	collectively, Meiling Zibo, Qingzhou Meiling, Zhongshan Kangda and Chongqing Kangda
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meiling Zibo”	Meiling Environmental Technology (Zibo) Co., Ltd.* (美陵環境科技(淄博)有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly owned subsidiary of the Company
“PRC”	the Peoples’ Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Announcement”	the announcement of the Company dated 19 June 2020 in respect of the entering into of the Previous Finance Lease Agreements
“Previous Finance Lease Agreements”	the finance lease agreements and incidental documentation dated 9 May 2020 and 19 May 2020 entered into between Greengold Leasing and the Lessees, the details of which have been disclosed in the Previous Announcement

“Qingzhou Meiling”	Qingzhou Meiling Sewage Purification Co., Ltd.* (青州市美陵污水淨化有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SGD”	Singapore Dollar, the lawful currency of Singapore
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongshan Kangda”	Zhongshan Kangda Water Co., Ltd.* (中山康達水務有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly owned subsidiary of the Company
“%”	percentage

** For identification purposes only*

By order of the Board
Kangda International Environmental Company Limited
LI Zhong
Co-Chairman

Hong Kong, 19 July 2020

As at the date of this announcement, the Board comprises seven Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. LI Zhong, Ms. LIU Yu Jie and Mr. DUAN, Jerry Linnan as executive Directors; and Mr. CHAU Kam Wing, Mr. CHANG Qing and Mr. PENG Yongzhen as independent non-executive Directors.