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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 30 July 2020, the Lessee (being an indirect wholly-owned subsidiary of the Company) entered into the Finance Lease Agreement with Huarong Leasing, pursuant to which, among other things, Huarong Leasing agreed to acquire the ownership of the Assets from the Lessee for RMB130,000,000 (equivalent to approximately HK\$144,131,000), which would then be leased back to the Lessee for its use and possession for a term of 6 years.

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 constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE FINANCE LEASE AGREEMENT

Date: 30 July 2020

Parties:

- (1) Huarong Leasing, as the lessor;
- (2) The Lessee, being an indirect wholly-owned subsidiary of the Company; and
- (3) Chongqing Kangda, being an indirect wholly-owned subsidiary of the Company, as the guarantor.

Transfer of the Assets and consideration	<p>Pursuant to the Finance Lease Agreement and the transfer agreement, Huarong Leasing shall acquire the unencumbered ownership of the Assets from the Lessee on an “as-is” basis for RMB130,000,000 (equivalent to approximately HK\$144,131,000) in cash and the Lessee shall transfer the Assets to Huarong Leasing.</p> <p>Such consideration amount was determined following arm’s length negotiations by the parties with reference to the original cost of the Assets of approximately RMB141,404,730 (equivalent to approximately HK\$156,775,000).</p>
Lease period	<p>Huarong Leasing will lease back the Assets to the Lessee for its use and possession for a term of six years commencing from the day Huarong Leasing pays the consideration for the transfer of the Assets to the Lessee in accordance with the Finance Lease Agreement.</p>
Payments under the Finance Lease Agreement	<p>In respect of the Finance Lease Agreement, the total amount of lease payments is approximately RMB159,224,237 (equivalent to approximately HK\$176,532,000), comprising (a) the lease principal payment of RMB130,000,000; and (b) the aggregate lease interest and other fees and expenses under the Finance Lease Agreement of approximately RMB29,224,237. Both the lease principal and the interest shall be payable every three months in twenty-five (25) installments during the lease period .</p> <p>The terms of the Finance Lease Agreement, including the lease principal and lease interests and other fees and expenses under the Finance Lease Agreement, 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 Huarong Leasing.</p>
Purchase option	<p>Upon settlement of all lease payments (including such default payments, damages and insurance payments which may arise) due to Huarong Leasing, the Lessee shall have the right to purchase the Assets at an agreed nominal price of RMB1, which shall be paid together with the final installment of the lease payment to Huarong Leasing.</p>
Guarantee deposit	<p>The Lessee will pay an interest-free deposit of RMB7,800,000 to Huarong Leasing prior to payment of the consideration for the transfer of the Assets by Huarong Leasing to secure its payment obligations under the Finance Lease Agreement.</p>
Guarantee	<p>Chongqing Kangda is the guarantor to the Finance Lease Agreement, pursuant to which it has provided, on a joint and several basis, a guarantee in favour of Huarong Leasing for the Lessee’s obligations under the Finance Lease Agreement.</p>

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

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 Lessee.

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 Gaomi City in Shandong Province.

INFORMATION ON THE LESSEE AND THE GROUP

The Lessee 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.

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

INFORMATION ON HUARONG LEASING

Huarong Leasing is a company incorporated in PRC with limited liability. It is principally engaged in direct leasing and sale and lease-back business approved by the China Banking Regulatory Commission.

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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

“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 30 July 2020 entered into among Huarong Leasing, the Lessee and Chongqing Kangda in relation to the transfer of ownership and lease back of the Assets
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huarong Leasing”	China Huarong Financial Leasing Co., Ltd* (華融金融租賃股份有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“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
“Lessee”	Kangda Environmental Protection (Gaomi) Water Co., Ltd.* (康達環保(高密)水務有限公司), a company incorporated in the PRC with limited Liability and an indirectly wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” percentage

** For identification purposes only*

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

Hong Kong, 30 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.