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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 TRANSACTIONS IN RELATION TO  
FINANCE LEASE AGREEMENT**

**FINANCE LEASE AGREEMENT**

On 24 November 2023, the Lessee (being an indirect wholly-owned subsidiary of the Company) entered into the Finance Lease Agreement with the Lessor, pursuant to which, among other things, the Lessor agreed to acquire the ownership of Assets from the Lessee for RMB100,000,000, 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 and the Incidental Documentation are more than 5% but less than 25%, the entering into of the Finance Lease Agreement constitute a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**THE FINANCE LEASE AGREEMENT AND INCIDENTAL DOCUMENTATION**

**Date:** 24 November 2023

**Parties:**

- (1) The Lessor, as the lessor; and
- (2) The Lessee, being an indirect wholly-owned subsidiary of the Company;
- (3) The Guarantors, each being an indirect wholly-owned subsidiary of the Company; and

(4) The Pledgor, being an indirect wholly-owned subsidiary of the Company.

**Transfer of the Assets and consideration**

Pursuant to the Finance Lease Agreement and the transfer agreement, the Lessor shall acquire the unencumbered ownership of the Assets from the Lessee on an “as-is” basis for RMB100,000,000 in cash and, payable within twelve months from the date of Finance Lease Agreement to the Lessee as the Lessee 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 The Lessor and the Lessee on the date of Finance Lease Agreement, effecting the terms of the Finance Lease Agreement in relation to the transfer of the Assets from the Lessee to the Lessor above.

Such consideration amount was determined following arm’s length negotiations by the parties with reference to the value of the Assets of RMB104,087,000 as valued by an independent valuer as at 30 September 2023.

**Lease period**

The Lessor will lease back the Assets to the Lessee for its use and possession for a term of 6 years commencing from the day the consideration for the transfer of the Assets has been paid by the Lessor.

**Lease payments**

In respect of the Finance Lease Agreement, the total amount of lease payments is approximately RMB123,248,000, comprising (a) the lease principal payment of RMB100,000,000; and (b) the aggregate lease interest and other fees and expenses under the Incidental Documentation of approximately RMB23,248,000. Both the lease principal and the interest shall be payable every three months in twenty-four (24) installments during the lease period in which the first installment is expected to be payable on 18 February 2024.

The terms of Finance Lease Agreement, including the lease principals, 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 the Lessor.

<b>Termination and purchase of the Assets</b>	The Lessee may terminate the Finance Lease Agreement provided that, as at the time of early termination, (a) all outstanding lease payments due; (b) the total outstanding lease principal; (c) a compensation equivalent to 20% of the total outstanding lease interest amount as at the time of early termination and (d) any other outstanding amounts due thereunder have been settled by the Lessee. 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 Lessee has agreed to purchase the Asset at a nominal purchase price of RMB100.
<b>Guarantee deposit</b>	The Lessee will pay an interest-free deposit of RMB1,000,000 to the Lessor on the same day the consideration for the transfer of the Assets has been paid by the Lessor to secure its payment obligations under the Finance Lease Agreement.
<b>Guarantee</b>	The Guarantors had executed a guarantee on the date of the Finance Lease Agreement guaranteeing the Lessor, effectively on a joint and several basis, the due and punctual settlement of any and all amount payable by the Lessee under the Finance Lease Agreement.
<b>Pledges</b>	<p>Pursuant to the Incidental Documentation, although the ownership of the Assets shall be transferred to the Lessor as lessor as part of Finance Lease Agreement, the Assets are treated as security of payment obligations of the Lessee under the Finance Lease Agreement and the Lessees may continue to utilize the Assets during the lease term.</p> <p>Pursuant to the Incidental Documentation, the Pledgor and Lessee pledged all the shareholding interests in the Lessee and Guarantor 2 respectively (representing a registered share capital of SGD3,780,000 and RMB5,000,000 respectively) in favour of the Lessor for a term of 7 years, as security of the Lessee's payment obligations under the Finance Lease Agreement.</p> <p>Pursuant to the Incidental Documentation, the Lessee and Guarantor 2 pledged their rights in receivables under the sewage treatment plant franchise agreements of certain sewage treatment plants in the PRC as security of the Lessee's payment obligations under the Finance Lease Agreement.</p> <p>Pursuant to the Incidental Documentation, the Lessee pledged 100% of its interests in two bank accounts in favour of the Lessor for a term of 7 years, as security of the Lessee's payment obligations under the Finance Lease Agreement.</p> <p>Additionally, pursuant to the Incidental Documentation, Guarantor 2 pledged 100% of its interests in two bank accounts in favour of the Lessor for a term of 7 years, as security of the Lessee's payment obligations under the Finance Lease Agreement.</p>

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Lessor 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, the Incidental Documentation 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 in Shandong Province, the PRC.

### **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 wastewater treatment plants in the PRC.

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

### **INFORMATION ON THE LESSOR**

The Lessor is a limited liability company established in the PRC, and a subsidiary of China Investments. The Lessor 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**

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

## 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 Holdings Limited (中國興業控股有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 132)
“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
“Director(s)”	the director(s) of the Company
“Finance Lease Agreement”	the finance lease agreement dated 24 November 2023 entered into between the Lessor and the Lessee in relation to the transfer of ownership and lease back of the Assets
“Group”	the Company and its subsidiaries
“Guarantor 1”	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
“Guarantor 2”	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
“Guarantors”	collectively, Guarantor 1 and Guarantor 2
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incidental Documentation”	the agreements incidental to the Finance Lease Agreement including the transfer agreement, the guarantee, the consultancy agreement, the asset pledge agreement, the receivables pledge agreements, 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
“Lessee”	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
“Lessor”	Canton Greengold Financial Leasing Ltd.* (廣東綠金融租賃有限公司), a company incorporated in the PRC with limited liability and a subsidiary of China Investments
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pledgor”	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
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SGD”	Singapore Dollar, the lawful currency of the Republic of Singapore
“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, 24 November 2023

*As at the date of this announcement, the Board comprises seven Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. LI Zhong, Ms. LIU Yujie 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.*