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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
FINANCE LEASE AGREEMENT**

FINANCE LEASE AGREEMENT

On 22 October 2024, the Lessee (being an indirect wholly-owned subsidiary of the Company) entered into the Finance Lease Agreement with the Lessor, pursuant to which the Lessor agreed to, among other things, acquire the ownership of the Assets from the Lessee for RMB50,000,000, and lease back the same to the Lessee for its use and possession for a term of 72 months commencing from the payment date of the said consideration.

Reference is made to the Previous Announcement. On 24 November 2023, the Lessee also entered into the Previous Finance Lease Agreement with the Lessor, pursuant to which the Lessor agreed to, among other things, acquire the ownership of certain assets from the Lessee for RMB100,000,000, and lease back the same 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 and Incidental Documentation are more than 5% but less than 25%, the entering into of the Finance Lease and Incidental Documentation, on a standalone basis, constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Since the contractual parties to the Previous Finance Lease and Incidental Documentation and the Finance Lease and Incidental Documentation are the same and are all entered into within a 12-month period, the transactions contemplated under the Previous Finance Lease and Incidental Documentation and the Finance Lease and Incidental Documentation 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 and Incidental Documentation and the Finance Lease and Incidental Documentation, on an aggregated basis, does not trigger a classification higher than a discloseable transaction under Chapter 14 of the Listing Rules.

THE FINANCE LEASE AND INCIDENTAL DOCUMENTATION

Date: 22 October 2024

Parties:

- (1) The Lessor, as the lessor;
- (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 sale and leaseback asset transfer agreement, the Lessor shall acquire the unencumbered ownership of the Assets from the Lessee on an “as-is” basis for RMB50,000,000 in cash and, payable within twelve months from the date of the Finance Lease Agreement to the Lessee pursuant to the Finance Lease and Incidental Documentation. The sale and leaseback asset transfer agreement for the Assets was entered into between the Lessor and the Lessee 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 Lessee to the Lessor 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 RMB50,690,810, and their state including serviceable condition and depreciable life.

Lease period

The Lessor will lease back the Assets to the Lessee for its use and possession for a term of 72 months commencing from the payment date of the consideration for the transfer of the Assets under the sale and leaseback asset transfer agreement.

Lease payments

In respect of the Finance Lease Agreement, the total amount of lease payments is approximately RMB61,596,719, comprising (a) the lease principal payment of RMB50,000,000; and (b) the aggregate lease interest and other fees and expenses under the Finance Lease and Incidental Documentation of approximately RMB11,596,719. Both the lease principal and the interest shall be payable every three months in twenty-four (24) installments during the lease period.

The terms of the Finance Lease Agreement, including the lease principals, lease interests, and other fees and expenses under the Finance Lease and 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.

Termination and purchase option

The Lessee may, by serving a 60 days' prior written notice to the Lessor and upon obtaining the Lessor's written consent, 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 will have the right to purchase the Assets at a nominal purchase price of RMB100.

Guarantee deposit

The Lessee will pay an interest-free deposit of RMB500,000 to the Lessor on the same day on which the consideration for the transfer of the Assets has been paid by Lessor to secure its payment obligations under the Finance Lease Agreement.

Guarantee

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.

Pledges

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

Pursuant to the Finance Lease and Incidental Documentation, the Pledgor and the Lessee pledged the entire equity 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.

Pursuant to the Finance Lease and 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.

Pursuant to the Finance Lease and 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.

Additionally, pursuant to the Finance Lease and 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.

Default

If the Lessee defaults, the Lessor shall be entitled to, among others, (i) terminate the Finance Lease Agreement; (ii) take possession or prohibit the Lessee from using the Assets; (iii) enforce the security documents; and (iv) claim for compensation for any losses incurred against the Lessee.

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.

THE PREVIOUS FINANCE LEASE AND INCIDENTAL DOCUMENTATION

Please refer to the Previous Announcement for the principal terms of the Previous Finance Lease and Incidental Documentation.

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 and 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 comprise 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, and an indirect wholly-owned subsidiary of 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 Hing Yip Holdings. 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

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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
“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 22 October 2024 entered into between the Lessor and the Lessee in relation to the transfer of ownership and lease back of the Assets
“Finance Lease and Incidental Documentation”	the Finance Lease Agreement and the agreements incidental to the Finance Lease Agreement including the sale and leaseback asset transfer agreement, the guarantee, the consultancy agreement, the asset pledge agreement, the receivables pledge agreements, the share pledge agreements and the pledge agreements
“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 established in the PRC with limited liability and an indirect 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 established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Guarantors”	collectively, the Lessee, Guarantor 1 and Guarantor 2
“Hing Yip Holdings”	Hing Yip Holdings Limited (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)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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”	Meiling Environmental Technology (Zibo) Co., Ltd.* (美陵環境科技(淄博)有限公司), a company established in the PRC with limited liability and an indirect 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 established in the PRC with limited liability and a subsidiary of Hing Yip Holdings
“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 indirect 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
“Previous Announcement”	the announcement of the Company dated 24 November 2023 in respect of the entering into of the Previous Finance Lease Agreement
“Previous Finance Lease Agreement”	the finance lease agreement dated 24 November 2023 entered into between the Lessor and the Lessee, details of which have been disclosed in the Previous Announcement
“Previous Finance Lease and Incidental Documentation”	the Previous Finance Lease Agreement and the agreements incidental to the Previous 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
“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, 22 October 2024

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