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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO CONSTRUCTION SERVICES**

CONSTRUCTION SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 25 September 2020 regarding the continuing connected transactions between Kangda Investment (Hong Kong), an indirectly wholly-owned subsidiary of the Company and Jiangxi Silver Dragon under the Existing Construction Services Agreement.

As the Existing Construction Services Agreement will expire on 31 December 2022, on 8 November 2022, Kangda Investment (Hong Kong) and Jiangxi Silver Dragon entered into the Construction Services Agreement to inter alia, renew the Existing Construction Services Agreement for a term commencing from 1 January 2023 and ending on 31 December 2025.

LISTING RULES IMPLICATIONS

Kangda Investment (Hong Kong) is an indirectly wholly-owned subsidiary of the Company and Jiangxi Silver Dragon is a non-wholly owned subsidiary of China Water, a substantial shareholder of the Company. Therefore, Jiangxi Silver Dragon is a connected person of the Company by virtue of being an associate of China Water. Accordingly, the transactions contemplated under the Construction Services Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps under the Construction Services Agreement exceed 0.1% but are all less than 5%, the transactions contemplated under the Construction Services Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 25 September 2020 regarding the continuing connected transactions between Kangda Investment (Hong Kong), an indirectly wholly-owned subsidiary of the Company and Jiangxi Silver Dragon under the Existing Construction Services Agreement.

As the Existing Construction Services Agreement will expire on 31 December 2022, on 8 November 2022, Kangda Investment (Hong Kong) and Jiangxi Silver Dragon entered into the Construction Services Agreement to inter alia, renew the Existing Construction Services Agreement for a term commencing from 1 January 2023 and ending on 31 December 2025.

THE CONSTRUCTION SERVICES AGREEMENT

Date

8 November 2022

Parties

- (1) Kangda Investment (Hong Kong) (for itself and its subsidiaries)
- (2) Jiangxi Silver Dragon (for itself and its subsidiaries)

Jiangxi Silver Dragon is a non-wholly owned subsidiary of China Water, a substantial shareholder of the Company. Therefore, Jiangxi Silver Dragon is a connected person of the Company under the Listing Rules by virtue of being an associate of China Water.

Duration

For a term commencing from 1 January 2023 and ending on 31 December 2025.

Nature of transaction

Pursuant to the Construction Services Agreement, the parties agreed that Jiangxi Silver Dragon Group may be selected to provide civil works, construction, installation works and supply of equipment for projects of the Group relating to the construction, upgrading, reconstruction and expansion of wastewater treatment facilities of the Group through a tender process in compliance with the applicable laws and regulations in the PRC. For the tenders for construction services conducted by the Group, Jiangxi Silver Dragon Group may submit tenders in accordance with the tendering procedures of the Group (such procedures being applicable in the same manner to other independent third-party construction contractors). In the event that it is selected as the successful bidder, Jiangxi Silver Dragon Group agreed to provide construction and related works and services to the Group according to the tender documents and the relevant construction contracts to be signed and on terms no less favourable to the Group than terms available from Independent Third Parties.

Separate construction contracts will be entered into between relevant members of the Kangda Investment (Hong Kong) Group and Jiangxi Silver Dragon Group, if Jiangxi Silver Dragon Group is selected through the tender process to provide the construction and related works and services to the Group. The tender process for construction works of the Group

principally follows the requirements under the Group's tender policies for management of bidding and tendering. The Group will also comply with specific procedures set forth under the Bidding Law in accordance with the requirements of the local government where the relevant construction projects are located, and as specified in the relevant construction contracts. Such specific procedures are generally in line with the Group's basic procedures for the tender process as set out below, save that under the Bidding Law, the bid evaluation committee shall be composed of the representatives of the tenderee and experts in the related technological and economic fields, the number of members of the bid evaluation committee shall be an odd number of 5 persons or more, and the experts in technological and economic fields may not be less than two-thirds of the total members, who are selected from the pool of experts provided by the local government where the relevant projects are located or by the bidding agent.

The basic procedures of the Group for the tender process are as follows:

- (i) the tenderee shall, in accordance with the provisions of the relevant laws and regulations, conduct the tender process by way of open tender or invitation tender. The tenderee shall prepare the bidding documents, issue the bidding documents and collect the application documents. The tenderee shall ensure that the bidding documents shall not favour nor restrict specific bidders. Open tenders shall be carried out in accordance with the requirements of the relevant local authorities, being the construction administrative department under the Ministry of Housing and Urban-Rural Development of the PRC where the relevant projects are located. For invitation tenders, no less than three contractors with established relationship with the Group shall be selected from the list of approved contractors and invited to participate in the bidding. At least one contractor, which is an Independent Third Party is required to be invited to participate in such bidding;
- (ii) the bidders shall, before the tender deadline as stipulated under the bidding documents, submit the application documents to the tenderee, which shall then be sealed, and the tenderee shall not open the bids until at least three applications have been received from the bidders;
- (iii) any addition to or modification of the bidding documents which is integral to the bidding documents and received prior to the tender deadline may result in the relevant bid being withdrawn, and no additions to or modifications of the bidding documents may be made after the tender deadline;
- (iv) prior to the opening of the bids, the tenderee shall determine the members of the bid evaluation committee in accordance with the tender policies of the Group. If any member of the bid evaluation committee has a material interest, relationship or arrangement with any bidder, such member should withdraw from the committee, failing which the results of the bid evaluation shall be invalidated and such member shall be subject to disciplinary actions, including issue of warning letter and disqualification order. The members of the bid evaluation committee shall be an odd number of 3 persons or more, depending on the relevant contractual sum, and are selected within the Group from a pool of experts with the relevant technical expertise (in relation to equipment, materials and construction), and in the case where there are

special requirements or where the experts within the Group do not meet the requirements for the bid evaluation, external experts may be recommended for selection;

- (v) the bidding applications shall be evaluated by the bid evaluation committee and the bidding applications shall be reviewed and scored in accordance with standards and methods as provided by the bidding documents. Evaluation factors include technical qualifications and licences, financial credibility, bidding price, past experiences, construction and work force planning, project management abilities, safety and environmental management, application of advanced technology and materials and other relevant factors. The bid evaluation committee shall summarise the scores to form a written report and determine the candidates for the winning bid. There shall be no more than three candidates for the winning bid and the order shall be indicated in the report. If the bid evaluation committee is aware of fraudulent conduct or other misconduct in relation to a bidding application, the relevant bidding application may be invalidated;
- (vi) after the bid winner is selected from the list of candidates by the tenderee, the tenderee shall enter into a written construction contract with the bid winner in accordance with relevant laws and regulations; and
- (vii) the bid winner shall fulfil its obligations as provided in the construction contract and complete the relevant project.

ANNUAL CAPS AND BASIS

The annual caps for the continuing connected transactions under the Construction Services Agreement are as follows:

For the year ending 31 December 2023 <i>RMB million</i>	For the year ending 31 December 2024 <i>RMB million</i>	For the year ending 31 December 2025 <i>RMB million</i>
55.0	55.0	55.0

The above annual caps are determined with reference to:

- (a) the historical transaction amount(s) for construction services under the Existing Construction Services Agreement of approximately RMB98.3 million, RMB69.3 million and RMB251.1 million for the period commencing from the date of the Existing Construction Services Agreement and ended on 31 December 2020, the financial year ended 31 December 2021 and the first six months of the financial year ending 31 December 2022, respectively, which were within the annual caps for the continuing connected transactions under the Existing Construction Services Agreement;
- (b) the estimated construction costs to be incurred by the Group for the financial years ending 31 December 2023, 2024 and 2025, based on the overall planning, construction schedules and/or expected construction, upgrading or expansion works of the Group's existing and/or new projects in relation to wastewater treatment facilities for the relevant periods;

- (c) the total construction costs arising, or expected to arise, from construction contracts entered into, or expected to be entered into, with Jiangxi Silver Dragon Group for the three financial years ending 31 December 2025 and with reference to the construction schedules and/or expected construction work of the relevant projects in relation to wastewater treatment facilities for the relevant periods; and
- (d) the estimated increase in the average market rates charged for similar services due to inflation and anticipated increase in cost,

and on the principal assumptions that, for the duration of the term of the Construction Services Agreement, there will not be any material change or disruption in market conditions, operation and business environment, regulations or government policies which may materially and adversely affect the operations and businesses of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is mainly engaged in investing in and operating wastewater treatment facilities in the PRC. It is within the normal course of business of the Group to undertake the construction, upgrading, reconstruction and expansion of wastewater treatment facilities in the PRC. The Group conducts tenders for the construction works and services required in its operations in accordance with its tender policies and the Bidding Law and the selection of bidders follow due tendering process and procedures. The entering into of the Construction Services Agreement will provide the framework agreement needed for the Group to enter into continuing connected transactions with Jiangxi Silver Dragon, a connected person of the Company, in the event that Jiangxi Silver Dragon is selected as the successful bidder in the tender process to provide construction services to the Group.

Under the Existing Construction Services Agreement and construction contracts, the Jiangxi Silver Dragon Group provided quality construction services and demonstrated its ability to effectively communicate with the Group and to meet the operational requirements of the Group. It has acquired experience and familiarity in handling the requirements and requests of the Group's construction projects during the term of the Existing Construction Services Agreement which will be beneficial for improving operational efficiency for the Group. As a subsidiary of China Water, Jiangxi Silver Dragon is specialized in construction of city water supply and water environmental renovation infrastructure. Jiangxi Silver Dragon possesses the necessary technical experience, qualifications and has obtained all relevant licences in relation to the provision of construction works and services for the wastewater treatment facilities of the Group. In particular, Jiangxi Silver Dragon has obtained the Grade I qualification in general contracting for municipal public projects from the Ministry of Housing and Urban-Rural Development of the PRC, which allows Jiangxi Silver Dragon to undertake all scale of municipal public construction projects. Jiangxi Silver Dragon also obtained certification of ISO 9001:2015 Quality management systems, ISO 14001:2015 Environment management systems and ISO 45001:2018 Occupational health and safety management systems in respect of its Grade I Qualification for General Contractor of Municipal Public Construction Services. The Group is expected to benefit from Jiangxi Silver Dragon's qualification, experience and project quality.

On the basis of the foregoing, the Group considers it beneficial and in the interest of the Company to renew the continuing connected transactions in relation to the constructions services to be provided Jiangxi Silver Dragon Group on the terms of the Construction Services Agreement.

Save for Mr. Li Zhong and Ms. Liu Yujie, Mr. Duan, Jerry Linnan, and Mr. Chau Kam Wing, all being directors of the Company and of China Water (collectively, the “**Abstained Directors**”), who have abstained from voting on the relevant Board resolution(s), no other Director is materially interested in the transactions under the Construction Services Agreement nor is required to abstain from voting on the relevant Board resolution(s).

Under the Construction Services Agreement, construction fees will be payable by the Kangda Investment (Hong Kong) Group pursuant to the construction contracts to be entered into with the relevant members of the Jiangxi Silver Dragon Group, in the event that Jiangxi Silver Dragon Group is the selected bidder in the tender process, which shall be the bidding price submitted in the tender process. The construction fees are generally payable in accordance with the progress and delivery of the construction services and equipment by the contractor selected under the tender. As the bid winner is determined in accordance with the standard and systematic tender procedures mentioned above (which apply to tenders submitted by the Jiangxi Silver Dragon Group and also Independent Third Parties) after conducting bidder evaluation procedures and taking into consideration of various factors, including bidding prices submitted in the tender process, technical experience and qualifications, business reputation, project management abilities of all the bidders, total expenses and other relevant factors and separate construction contracts will only be granted to Jiangxi Silver Dragon Group if it is selected through the tender process, the construction fees payable by the Group to Jiangxi Silver Dragon, if it is selected in the tender process, would be in line with the prevailing market prices and terms available from time to time, and accordingly, based on the foregoing, the Directors (including the independent non-executive Directors but excluding the Abstained Directors) consider that the Construction Services Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the Construction Services Agreement and the annual caps set out above in relation to the Construction Services Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL

The Group will adopt the following internal control procedures to monitor the continuing connected transactions under the Construction Services Agreement:

- (1) There are a number of procedural steps which the Group will go through for all of its tender processes for the construction works to ensure that such transactions would be conducted on normal commercial terms and would not be prejudicial to the interests of the Company and the Shareholders taken as a whole.

- (2) In addition, to ensure that the Construction Services Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Company will adopt the following measures:
- (i) the finance department of the Company will be primarily responsible for reviewing and monitoring the continuing connected transactions to ensure that the annual caps have not been and would not be exceeded;
 - (ii) the general manager of each relevant subsidiary of Kangda Investment (Hong Kong) will be responsible for the implementation of the continuing connected transactions, and will conduct regular checks to assess whether such transactions have been conducted in accordance with the terms of the Construction Services Agreement and the individual construction contracts;
 - (iii) the auditors of the Company will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually to check and confirm (among others) whether the terms of the Construction Services Agreement and the individual construction contracts have been complied with and whether the annual caps have not been exceeded, and report its findings to the audit committee of the Company (the “**Audit Committee**”);
 - (iv) the Audit Committee will consider the findings of the external auditors and make evaluation on the continuing connected transactions to ensure that they are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Audit Committee will then report to the Board on an annual basis; and
 - (v) the independent non-executive Directors will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the Listing Rules) annually to confirm whether they are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the requirements of the Listing Rules.

INFORMATION ON THE GROUP

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

Kangda Investment (Hong Kong)

Kangda Investment (Hong Kong) is a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company. It is primarily engaged in investment holding.

INFORMATION ON JIANGXI SILVER DRAGON

Jiangxi Silver Dragon is a limited liability company established in the PRC and a non-wholly owned subsidiary of China Water. Its principal business includes municipal, water supply related and environmental renovation infrastructure construction. To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the ultimate beneficial owners of Jiangxi Silver Dragon is China Water, which shares are listed on the Stock Exchange and which beneficially owns 76.725% interests in Jiangxi Silver Dragon. China Water is a substantial shareholder of the Company and listed on the Main Board of the Stock Exchange (stock code: 855), and is principally engaged in city water supply operation and construction. To the best of the Directors' information and belief, all other beneficial owners of Jiangxi Silver Dragon of the remaining 23.275% interests are Independent Third Parties, except for Mr. Li Zhong and Ms. Liu Yujie who are directors of the Company and who are indirectly interested in less than 0.5% interests in Jiangxi Silver Dragon.

LISTING RULES IMPLICATIONS

Kangda Investment (Hong Kong) is an indirectly wholly-owned subsidiary of the Company, and Jiangxi Silver Dragon is a subsidiary of China Water, a substantial shareholder of the Company. Therefore, Jiangxi Silver Dragon is a connected person of the Company by virtue of being an associate of China Water. Accordingly, the transactions contemplated under the Construction Services Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps under the Construction Services Agreement exceed 0.1% but are all less than 5%, transactions contemplated under the Construction Services Agreement are subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bidding Law”	the Bidding Law of the People’s Republic of China (中華人民共和國招標投標法)
“Board”	the board of directors of the Company
“China Water”	China Water Affairs Group Limited (stock code: 855), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, being a substantial shareholder of the Company
“Company”	Kangda International Environmental Company Limited (stock code: 6136), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Services Agreement”	the framework construction services agreement dated 8 November 2022 entered into between Kangda Investment (Hong Kong) (for itself and its subsidiaries) and Jiangxi Silver Dragon (for itself and its subsidiaries) in relation to the provision of construction works and services for wastewater treatment facilities through tender process by Jiangxi Silver Dragon Group for the period commencing from 1 January 2023 and ending on 31 December 2025
“Director(s)”	the director(s) of the Company
“Existing Construction Services Agreement”	the framework construction services agreement dated 25 September 2020 between Kangda Investment (Hong Kong) and Jiangxi Silver Dragon in relation to the provision of construction works and services for wastewater treatment facilities through tender process by Jiangxi Silver Dragon Group for the period commencing from 25 September 2020 and ending on 31 December 2022
“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

“Independent Third Parties”	persons or companies which are independent of and not connected with the Company and the connected person(s) of the Company
“Jiangxi Silver Dragon”	Jiangxi Silver Dragon Water Environment Construction Co., Ltd.* (江西銀龍水環境建設有限責任公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of China Water
“Jiangxi Silver Dragon Group”	Jiangxi Silver Dragon and its subsidiaries
“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
“Kangda Investment (Hong Kong) Group”	Kangda Investment (Hong Kong) and its subsidiaries
“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
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

* *English transliteration of the Chinese name(s) is for identification purpose only and should not be regarded as the official English name(s) of such Chinese name(s)*

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

Hong Kong, 8 November 2022

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.