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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)**

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF 31% EQUITY INTERESTS IN  
ZHONGYUAN WATER GROUP CO., LTD.**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

**ADVENT**  
**宏智融資**

Advent Corporate Finance Limited

**THE DISPOSAL**

The Board would like to announce that on 16 November 2023 (after trading hours of the Stock Exchange), the Vendor, being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Capital, representing 31% equity interests in the Target Company for a total consideration of RMB144,884,503.80.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the entering into of the Equity Transfer Agreement constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholder's approval requirements thereunder.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) the Purchaser is an indirect non-wholly owned subsidiary of China Water Affairs, which in turn is a substantial shareholder of the Company, and an associated company of Shanghai Silver Dragon; and (ii) Shanghai Silver Dragon is one of the shareholders of the Target Company which is interested in 29% equity interest in the Target Company, and an indirect wholly-owned subsidiary of China Water Affairs as at the date of this announcement. Hence, the Disposal constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

As at the date of this announcement, each of Mr. Li Zhong, Mr. Duan Jerry Linnan and Ms. Liu Yujie, each being an executive Director, and Mr. Chau Kam Wing, being an independent non-executive Director, is also a director of China Water Affairs. Hence, each of Mr. Li Zhong, Mr. Duan Jerry Linnan, Ms. Liu Yujie and Mr. Chau Kam Wing, being the common directors of both the Company and China Water Affairs, has abstained from voting on the relevant resolution(s) of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder.

Save as disclosed, none of the Directors has material interest in the Disposal and hence no other Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder.

## **GENERAL**

An Independent Board Committee comprising all the independent non-executive Directors (except for Mr. Chau Kam Wing) has been formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. Advent Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

The voting in respect of the Disposal at the EGM will be conducted by way of poll. A circular containing, among other things, (i) further information on the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 7 December 2023.

**Completion is subject to the fulfillment of the conditions precedent set out in the Equity Transfer Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **THE DISPOSAL**

The Board would like to announce that on 16 November 2023 (after trading hours of the Stock Exchange), the Vendor, being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Capital, representing 31% equity interests in the Target Company for a total consideration of RMB144,884,503.80.

## **THE EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are set out as follows:

- Date:** 16 November 2023
- Parties:** (i) the Vendor; and  
(ii) the Purchaser

The Purchaser is a company established in the PRC with limited liability and is an investment holding company. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) the Purchaser is an indirect non-wholly owned subsidiary of China Water Affairs, which in turn is a substantial shareholder of the Company, and an associated company of Shanghai Silver Dragon; and (ii) Shanghai Silver Dragon is one of the shareholders of the Target Company which is interested in 29% equity interests in the Target Company, and an indirect wholly-owned subsidiary of China Water Affairs as at the date of this announcement. Hence, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules.

### **Assets to be disposed of**

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Capital, representing 31% equity interests in the Target Company.

As at the date of this announcement, the Target Company is owned as to 40% by Zhongyuan Equity, 31% by the Vendor and 29% by Shanghai Silver Dragon, respectively.

### **Consideration**

The Consideration payable for the Sale Capital is RMB144,884,503.80, which shall be satisfied by the Purchaser by way of cash or bank transfer within twenty (20) Business Days after the date of Completion.

## **Basis of the Consideration**

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms, after taking into account, among others, (i) the net asset value of the Target Company as at 31 December 2022; (ii) the preliminary draft valuation of 31% equity interest in the Target Company of approximately RMB142,100,000 as at 30 June 2023 based on the market value approach prepared by an independent valuer; and (iii) other factors as set out in the section headed "Reasons for and benefits of the Disposal" in this announcement.

## **Conditions Precedent**

Completion is subject to the following conditions having been fulfilled:

- (i) all necessary consents, permits and approvals required to be obtained on the part of the Target Company in connection with the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (ii) all necessary consents, permits and approvals required to be obtained on the part of the Purchaser in connection with the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iii) all necessary consents, permits and approvals required to be obtained on the part of the Vendor in connection with the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iv) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM approving the Equity Transfer Agreement and the transactions contemplated thereunder in compliance with the Listing Rules;
- (v) the representations and warranties given by the Vendor under the Equity Transfer Agreement are true and accurate in all respects from the date of execution of the Equity Transfer Agreement up to the date of Completion, and that the undertakings and obligations under the Equity Transfer Agreement to be performed by the Vendor on or before the date of Completion have been fulfilled; and
- (vi) without limitation of conditions (i) to (v) above, all necessary consent, approvals, permits and authorisation to be obtained from PRC governing authorities or other appropriate authorities in connection with the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained (if necessary).

All conditions precedent set out above are incapable of being waived by the parties to the Equity Transfer Agreement. In the event that the conditions precedent under the Equity Transfer Agreement have not been fully fulfilled on or before 31 December 2023 (or such later date as may be agreed between the parties thereto), the Equity Transfer Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the provisions thereof.

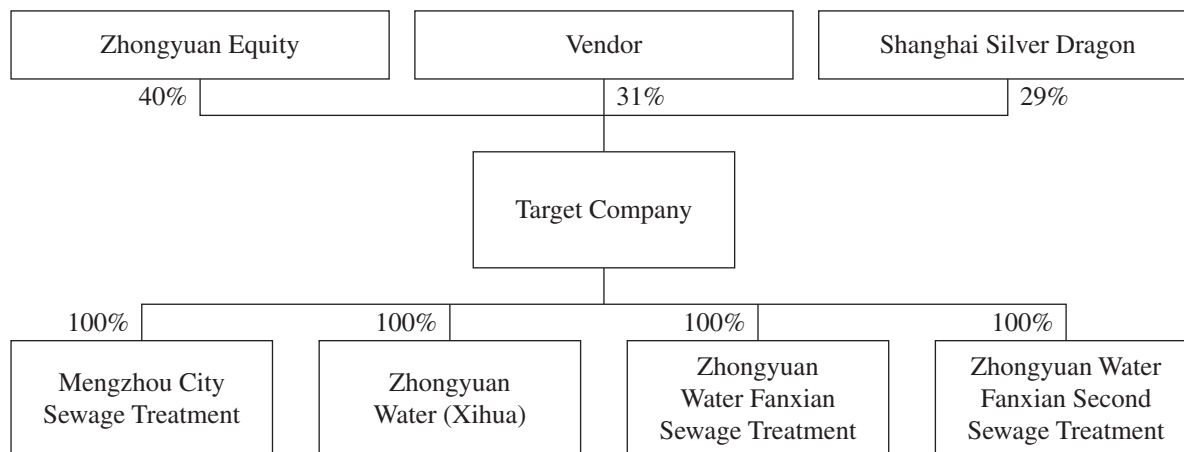
## Completion

Completion shall take place within ten (10) Business Days after the fulfilment of all the conditions precedent of Equity Transfer Agreement or such later date as the Purchaser and the Vendor may agree.

## INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the Target Company is owned as to 40% by Zhongyuan Equity, 31% by the Vendor and 29% by Shanghai Silver Dragon, respectively. It is principally engaged in the construction, operation and management of environment protection and infrastructure projects and is the holding company of a number of subsidiaries/associate companies established in the PRC with limited liability.

The following diagram illustrates the simplified shareholding structure of the Target Company and its operating subsidiaries as at the date of this announcement.



## Sewage Water Treatment Services

Mengzhou City Sewage Treatment is principally engaged in the provision of sewage treatment services and the sale of self-produced sludge.

Zhongyuan Water (Xihua) is principally engaged in the provision of sewage collection and treatment services, maintenance of sewage treatment facilities services, and the development and utilisation of water services.

Each of Zhongyuan Water Fanxian Sewage Treatment and Zhongyuan Water Fanxian Second Sewage Treatment is principally engaged in the provision of sewerage collection, sewage treatment and related technical services.

## Financial information of the Target Group

Set out below is the financial information of the Target Group based on the audited consolidated financial statements of the Target Group for the two years ended 31 December 2022 prepared according to the General Accepted Accounting Principles of the PRC:

	<b>For the year ended 31 December 2021 RMB'000</b>	<b>For the year ended 31 December 2022 RMB'000</b>
Revenue	54,637	55,613
Profit/(loss) before taxation	4,578	3,135
Profit/(loss) after taxation	4,864	3,435
	<b>As at 31 December 2021 RMB'000</b>	<b>As at 31 December 2022 RMB'000</b>
Total assets	657,264	649,123
Total liabilities	188,034	176,457
Net assets	469,230	472,666

According to the unaudited management accounts of the Target Group, the net assets of the Target Group as at 30 June 2023 is approximately RMB475,898,000.

## INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and is an investment holding company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is owned as to approximately 94.09% by China Water Affairs and approximately 5.91% by other independent third parties as at the date of this announcement.

## FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

The carrying amount of the investment in the Target Group at the date of this announcement is approximately RMB147,598,000, representing the Group's share of net assets of the Target Group under the equity method of accounting, less any impairment loss. Subject to further audit procedures to be performed by the auditor of the Company, the Group is expected to record (i) a loss from the Disposal of approximately RMB2,714,000, which is calculated with reference to the carrying amount of the investment in the Target Group and the Consideration; (ii) a decrease in total assets of the Group of approximately RMB3,598,000, being the difference between the estimated net proceeds from the Disposal and the carrying amount of the investment in the Target Group; and (iii) no impact on the total liabilities of the Group from the Disposal. The actual financial effect of the Disposal is subject to change upon actual Completion and review and final audit by the auditor of the Company.

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will amount to approximately RMB144,000,000. It is intended that the net proceeds will be used for general working capital of the Group.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in the design, construction, operation and maintenance of wastewater treatment plants, reclaimed water treatment plants, water distribution plants, sludge treatment plants and other municipal infrastructure in the PRC. The Vendor is an indirect wholly-owned subsidiary of the Group, and is principally engaged in investment in wastewater treatment plants and construction of municipal infrastructure in the PRC.

The Board believes that the Disposal would allow the Group to realise its non-controlling investment in the Target Group and to improve the Group's liquidity and better allocate its resources for the development of its existing business and/or investments in other business opportunities. Having regard to the aforementioned, the Directors (excluding Mr. Li Zhong, Mr. Duan Jerry Linnan, Ms. Liu Yujie and Mr. Chau Kam Wing, who have abstained from voting on the relevant resolution(s) of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder, and excluding the independent non-executive Directors whose view will be expressed after taking into consideration the advice from the Independent Financial Adviser) believe that the terms of the Disposal (including the Consideration) are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the entering into of the Equity Transfer Agreement constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholder's approval requirements thereunder.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) the Purchaser is an indirect non-wholly owned subsidiary of China Water Affairs, which in turn is a substantial shareholder of the Company, and an associated company of Shanghai Silver Dragon; and (ii) Shanghai Silver Dragon is one of the shareholders of the Target Company which is interested in 29% equity interest in the Target Company, and an indirect wholly-owned subsidiary of China Water Affairs as at the date of this announcement. Hence, the Disposal constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

As at the date of this announcement, each of Mr. Li Zhong, Mr. Duan Jerry Linnan and Ms. Liu Yujie, each being an executive Director, and Mr. Chau Kam Wing, being an independent non-executive Director, is also a director of China Water Affairs. Hence, each of Mr. Li Zhong, Mr. Duan Jerry Linnan, Ms. Liu Yujie and Mr. Chau Kam Wing, being a common director of both the Company and China Water Affairs, has abstained from voting on the relevant resolution(s) of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder.



Save as disclosed, none of the Directors has material interest in the Disposal and hence no other Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder.

## **GENERAL**

An Independent Board Committee comprising all the independent non-executive Directors (except for Mr. Chau Kam Wing) has been formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. Advent Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

The voting in respect of the Disposal at the EGM will be conducted by way of poll. A circular containing, among other things, (i) further information on the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 7 December 2023.

**Completion is subject to the fulfillment of the conditions precedent set out in the Equity Transfer Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or statutory holidays stipulated by the government of the PRC
“China Water Affairs”	China Water Affairs Group Limited, a company incorporated in Cayman Islands and continued in Bermuda with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 855)
“Company”	Kangda International Environmental Company Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 6136)



“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	a sum of RMB144,884,503.80, being the consideration for the Sale Capital
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Capital by the Vendor to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 16 November 2023 entered into between the Vendor and the Purchaser in respect of the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors (except for Mr. Chau Kam Wing) to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Advent Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than: (i) China Water Affairs and its associates; (ii) Mr. Li Zhong, Mr. Duan Jerry Linnan, Ms. Liu Yujie and Mr. Chau Kam Wing and their associates (if any); and (iii) those who have a material interest in the Disposal or any other person who is required by the Listing Rules to abstain from voting on the resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder

“Menzhou City Sewage Treatment”	孟州市城市污水處理有限公司 (Mengzhou City Sewage Treatment Limited*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	深圳金達環境控股有限公司 (Shenzhen Goldtact Environment Holdings Limited*), a company established in the PRC with limited liability
“Sale Capital”	31% registered capital of the Target Company, which is beneficially owned by the Vendor as at the date of this announcement
“Shanghai Silver Dragon”	上海銀龍股權投資有限公司 (Shanghai Silver Dragon Equity Investment Limited*), a company established in the PRC with limited liability, and a shareholder which is interested in 29% equity interest in the Target Company as at the date of this announcement
“Share(s)”	share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	holder(s) of issued Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	中原水務集團有限公司 (Zhongyuan Water Group Co., Ltd.*), a company established in the PRC with limited liability, which is owned as to 40% by Zhongyuan Equity, 31% by the Vendor and 29% by Shanghai Silver Dragon, respectively as at the date of this announcement
“Target Group”	Target Company and its subsidiaries
“Vendor”	重慶康達環保產業(集團)有限公司 (Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Zhongyuan Equity”	中原股權投資管理有限公司 (Zhongyuan Equity Investment Management Co., Ltd.*), a company established in the PRC with limited liability, and a shareholder which is interested in 40% equity interest in the Target Company as at the date of this announcement
“Zhongyuan Water Fanxian Second Sewage Treatment”	中原水務范縣第二污水處理有限公司 (Zhongyuan Water Fanxian Second Sewage Treatment Limited*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
“Zhongyuan Water Fanxian Sewage Treatment”	中原水務范縣污水處理有限公司 (Zhongyuan Water Fanxian Sewage Treatment Limited*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
“Zhongyuan Water (Xihua)”	中原水務(西華)污水處理有限公司 (Zhongyuan Water (Xihua) Sewage Treatment Limited*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

\* For identification purpose only

By order of the Board  
**Kangda International Environmental Company Limited**  
**Mr. Li Zhong**  
*Co-Chairman*

Hong Kong, 16 November 2023

*As at the date of this announcement, the Board comprises 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.*