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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
TRANSFER OF ASSETS INCLUDING WASTEWATER TREATMENT PLANT
CONCESSION RIGHT, WASTEWATER TREATMENT PLANT AND
ANCILLARY FACILITIES**

BACKGROUND

In September 2012, Chongqing Kangda and the Wugang Government entered into the Concession Agreement, pursuant to which Chongqing Kangda agreed to invest an amount of RMB30.3 million into Pingdingshan Kangda, a project company established for taking over, operating and maintaining the Wastewater Treatment Plant for a concession period of 30 years.

TRANSFER OF ASSETS

The Board would like to announce that on 18 November 2024 (after trading hours of the Stock Exchange), Chongqing Kangda and Pingdingshan Kangda, as the Transferors, Wugang City Jieyuan, as transferee, and the Wugang Government entered into the Assets Transfer Agreement, pursuant to which the Transferors have agreed to sell, and Wugang City Jieyuan has agreed to acquire, the Subject Assets for the Consideration of RMB57.0 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Assets Transfer, is/are more than 5% but less than 25%, the entering into of the Assets Transfer Agreement constitutes a discloseable transaction on the part of the Company and is thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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THE ASSETS TRANSFER AGREEMENT

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

- Date:** 18 November 2024 (after trading hours of the Stock Exchange)
- Parties:** (i) Chongqing Kangda and Pingdingshan Kangda, as the Transferors;
- (ii) Wugang City Jieyuan, as transferee; and
- (iii) The Wugang Government, as witness.

Wugang City Jieyuan is a company established in the PRC with limited liability, which is principally engaged in, among others, wastewater treatment and reclaimed water utilization, water pollution control and prevention, solid waste management, municipal facilities management, environmental sanitation management, and is wholly and beneficially owned by the State-owned Assets Supervision and Administration Bureau of Wugang City* (舞鋼市國有資產監督管理局). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Wugang City Jieyuan and its ultimate beneficial owner are Independent Third Parties.

Assets to be transferred

Pursuant to the terms and conditions of the Assets Transfer Agreement, the Transferors, have agreed to sell, and Wugang City Jieyuan, as transferee, has agreed to acquire, among others, (i) the concession right in relation to the Wastewater Treatment Plant; (ii) the Wastewater Treatment Plant and its ancillary facilities; (iii) the outstanding wastewater treatment fee (including overdue interests and charges) owed by the Wugang Government to Pingdingshan Kangda; and (iv) all rights and obligations of the Transferors under the Concession Agreement (collectively, the "**Subject Assets**").

Consideration

The Consideration for the transfer of the Subject Assets is RMB57.0 million, which shall be satisfied by Wugang City Jieyuan by way of bank transfer in the following manner:

- (i) as to RMB30.0 million (the “**First Instalment**”) shall be payable by Wugang City Jieyuan within one (1) month after the signing and execution of the Assets Transfer Agreement;
- (ii) as to RMB9.0 million shall be payable by Wugang City Jieyuan after the settlement of the First Instalment and before 25 January 2025;
- (iii) as to RMB9.0 million shall be payable by Wugang City Jieyuan before 30 June 2025; and
- (iv) as to RMB9.0 million shall be payable by Wugang City Jieyuan before 31 October 2025.

In the event that Wugang City Jieyuan fails to pay any of the above instalments to the Transferors when due in the manner above, interests shall accrue at the rate of 2 times the loan prime rate (the “**LPR**”) as announced by the People’s Bank of China on the overdue amount until the principal amount and interests are fully repaid.

Basis of Consideration

The Consideration was arrived at after arm’s length negotiations between the Transferors and Wugang City Jieyuan on normal commercial terms, after taking into account, among others, (i) the unaudited net book value of the Subject Assets as at 30 September 2024 of approximately RMB66.9 million; (ii) the aging of the outstanding wastewater treatment fee owed by the Wugang Government; (iii) the future prospects of the Wastewater Treatment Plant; and (iv) other factors as set out in the section headed “Reasons for and benefits of the Assets Transfer” in this announcement.

Assets Transfer Procedure and Transitional Period

Within seven (7) days after the payment of the First Instalment by Wugang City Jieyuan, parties to the Assets Transfer Agreement shall ascertain the assets in connection with the Wastewater Treatment Plant and determine the assets and personnel to be transferred.

Each of the parties to the Assets Transfer Agreement agreed that each of Wugang City Jieyuan and the Wugang Government shall be entitled to appoint their respective representative to manage the Wastewater Treatment Plant during the two (2) months after the signing of the Assets Transfer Agreement (the “**Transitional Period**”). The Transferors shall, under the supervision of the relevant representative(s), (i) provide and complete the personnel training in relation to the Wastewater Treatment Plant pursuant to the terms and conditions of the Concession Agreement; and (ii) complete the maintenance of the Wastewater Treatment Plant’s facilities to be transferred.

During the Transitional Period, the wastewater treatment fee shall be received by Wugang City Jieyuan, and the operation costs incurred, such as wages, electricity fees and chemicals costs, shall be borne by Wugang City Jieyuan.

Completion

Completion shall take place on the date of expiry of the Transitional Period, on which the Transferors shall transfer to Wugang City Jieyuan, among others, the concession right in relation to the Wastewater Treatment Plant, the Wastewater Treatment Plant and its ancillary facilities free from encumbrance and disputes.

Financial information attributable to the Subject Assets

The net book value of the Subject Assets as shown in the unaudited financial statements of Pingdingshan Kangda as at 30 September 2024 was approximately RMB66.9 million.

For the year ended 31 December 2022, the net losses before and after taxation attributable to the Subject Assets were approximately RMB0.1 million and approximately RMB0.4 million respectively; while for the year ended 31 December 2023, the net profits before and after taxation attributable to the Subject Assets were approximately RMB1.2 million and approximately RMB0.9 million respectively.

INFORMATION ON THE PARTIES

Chongqing Kangda

Chongqing Kangda is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment in wastewater treatment plants and construction of municipal infrastructure in the PRC.

Pingdingshan Kangda

Pingdingshan Kangda is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the operation of the Wastewater Treatment Plant.

Wugang City Jieyuan

Wugang City Jieyuan is a company established in the PRC with limited liability and principally engaged in, among others, wastewater treatment and reclaimed water utilization, water pollution control and prevention, solid waste management, municipal facilities management, environmental sanitation management. As at the date of this announcement, it is wholly and beneficially owned by the State-owned Assets Supervision and Administration Bureau of Wugang City* (舞鋼市國有資產監督管理局).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Wugang City Jieyuan and its ultimate beneficial owner are Independent Third Parties.

Wugang Government

Wugang Government is the People's Government of Wugang City, which is situated in Henan Province, the PRC.

REASONS FOR AND BENEFITS OF THE ASSETS TRANSFER

The Group is principally engaged in the design, construction, operation and maintenance of wastewater treatment plants, water distribution plant, sludge treatment plants and other municipal infrastructure in the PRC.

According to the Wugang City "14th Five-Year Plan" for Ecological Environmental Protection and Ecological Economic Development* (舞鋼市「十四五」生態環境保護與生態經濟發展規劃) (the "**Development Plan**") as announced by the Wugang Government in April 2024, it is anticipated that the Wugang Government may require continuing upgrading of environmental protection facilities, including the Wastewater Treatment Plant, to meet the development targets up to 2035.

Taking into account (i) the current operating condition and future operating costs of the Wastewater Treatment Plant; (ii) the potential capital expenditure to be incurred in connection with the upgrading and modification of facilities and equipment in the Wastewater Treatment Plant in the long run; and (iii) the aging of the outstanding wastewater treatment fee owed by the Wugang Government, the Board is of the view that the Assets Transfer will enable the Group to save significant amount of operating expenses and potential capital expenditure in connection with the Wastewater Treatment Plant, obtain immediate cash inflow by realising the Subject Assets and allocate its time and resources to other concession projects which are more profitable.

Further, the Assets Transfer is made in cooperation with the Wugang Government, which is in the course of acquiring municipal assets, including the Subject Assets. The transferee of the Assets Transfer is an enterprise designated by the Wugang Government and wholly-owned by the State-owned Assets Supervision and Administration Bureau of Wugang City* (舞鋼市國有資產監督管理局). Although the Consideration is lower than the net book value of the Subject Assets, considering the financial and capital requirement for the continuing operation of the Wastewater Treatment Plant, and the aging of the wastewater treatment fee owed by the Wugang Government, the Board considers the Consideration to be fair and reasonable.

The Board is of the opinion that the Assets Transfer will not have a material adverse effect on other core operations and financial position of the Group after Completion.

By reasons of the above, the Directors (including the independent non-executive Directors) believe that the terms of the Assets Transfer Agreement (including the Consideration) are on normal commercial terms, fair and reasonable, and the Assets Transfer is in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE ASSETS TRANSFER AND USE OF PROCEED

Subject to further audit procedures to be performed by the auditor of the Company, the Group is expected to record a loss from the Assets Transfer of approximately RMB10.0 million, which is estimated based on the Consideration of RMB57.0 million less (i) the unaudited net book value of the Subject Assets as at 30 September 2024 of approximately RMB66.9 million; and (ii) the expenses directly attributable to the Assets Transfer of approximately RMB0.1 million. The actual amount of gain or loss as a result of the Assets Transfer to be recorded by the Group will be subject to review and final audit by the auditor of the Company.

The net proceeds from the Assets Transfer, after deducting the expenses directly attributable to the Assets Transfer of approximately RMB0.1 million, will amount to approximately RMB56.9 million. It is intended that the net proceeds will be used for the general working capital of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Assets Transfer, is/are more than 5% but less than 25%, the entering into of the Assets Transfer Agreement constitutes a discloseable transaction on the part of the Company and is thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms have the following meanings:

“Assets Transfer”	the proposed transfer of the Subject Assets from Chongqing Kangda to Wugang City Jieyuan pursuant to the terms and conditions of the Assets Transfer Agreement
“Assets Transfer Agreement”	the transfer agreement dated 18 November 2024 and entered into among Chongqing Kangda, as transferor, Wugang City Jieyuan, as transferee, and the Wugang Government in relation to the Assets Transfer
“Board”	board of Directors

“Chongqing Kanda”	Chongqing Kangda Environmental Protection Industry (Group) Company Limited* (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
“Company”	Kangda International Environmental Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange
“Completion”	completion of the Assets Transfer
“Concession Agreement”	the concession agreement in September 2012 and entered into between Chongqing Kangda and the Wugang Government in relation to the development, operation and maintenance of the Wastewater Treatment Plant for a concession period of 30 years
“Consideration”	a total sum of RMB57.0 million, being the consideration for the Subject Assets
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) (as defined under the Listing Rules) of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Pingdingshan Kangda”	Pingdingshan Kangda Environmental Protection Water Company Limited* (平頂山康達環保水務有限公司), a company established in the PRC 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, exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Shareholders”	holders of the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Assets”	has the meaning ascribed thereto under the paragraph headed “The Assets Transfer Agreement — Assets to be transferred” in this announcement
“Transferors”	collectively, Chongqing Kangda and Pingdingshan Kangda
“Transitional Period”	has the meaning ascribed thereto under the paragraph headed “The Assets Transfer Agreement — Assets Transfer Procedure and Transitional Period” in this announcement
“Wastewater Treatment Plant”	Wugang Zhulan Wastewater Treatment Plant (舞鋼市朱蘭污水處理廠) situated at Wugang City of Henan Province, the PRC
“Wugang City Jieyuan”	Wugang City Jieyuan Environmental Technology Company Limited* (舞鋼市潔源環保科技有限責任公司), a company established in the PRC with limited liability and wholly-owned by the State-owned Assets Supervision and Administration Bureau of Wugang City* (舞鋼市國有資產監督管理局) as at the date of this announcement
“Wugang Government”	the People’s Government of Wugang City, which is situated in Henan Province, the PRC
“HK\$”	Hong Kong dollars, 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
LI Zhong
Co-chairman

Hong Kong, 18 November 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.