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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 THE DISPOSAL OF
100% EQUITY INTERESTS IN ZHONGSHAN KANGDA WATER CO., LTD**

BACKGROUND

In August 2017, the Vendor and the Housing and Urban-Rural Development Bureau of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) entered into the Concession Agreement, pursuant to which the Vendor established the Target Company to take over, operate and maintain the Wastewater Treatment Plant for a concession period of 30 years.

THE DISPOSAL

The Board would like to announce that on 23 December 2024 (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 agreed to sell, and the Purchaser has agreed to acquire, the Sale Capital, representing 100% equity interests in the Target Company for a total consideration of RMB96,050,900.

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/are more than 5% but less than 25%, the entering into of the Equity 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 EQUITY TRANSFER AGREEMENT

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

- Date:** 23 December 2024
- Parties:** (i) the Vendor; and
(ii) the Purchaser

The Purchaser is a company established in the PRC with limited liability, which is principally engaged in, among others, water supply and wastewater treatment, and is ultimately and beneficially owned by the Publicly-owned Assets Affairs Center of Xiaolan Town, Zhongshan City* (中山市小欖鎮公有資產事務中心), which is responsible for, among others, acquiring, managing and monitoring of publicly-owned assets on behalf of the Xiaolan Government. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Assets to be disposed of

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the Sale Capital, representing 100% equity interests in the Target Company.

Consideration

The Consideration for the Sale Capital is RMB96,050,900, which shall be satisfied by the Purchaser in the following manner:

- (i) as to RMB19,210,180 (equivalent to 20% of the Consideration) shall be paid by the Purchaser within five (5) Business Days after the signing of the Equity Transfer Agreement;

- (ii) within thirty (30) days after the signing of the Equity Transfer Agreement, the Purchaser shall deposit RMB67,235,630 (equivalent to 70% of the Consideration) to an escrow account monitored by a bank recognised by the Vendor and the Purchaser (the “**Recognised Bank**”). Upon the completion of registration of the transfer of the Sale Capital to the Purchaser, the Recognised Bank shall transfer the deposited amount to the Vendor; and
- (iii) in the event that the Vendor does not breach any term of the Equity Transfer Agreement within six (6) months after the completion of registration of the transfer of the Sale Capital to the Purchaser (the “**Secure Period**”), the Purchaser shall pay the remaining RMB9,605,090 (equivalent to 10% of the Consideration) to the Vendor within five (5) days upon the expiry of the Secure Period.

In the event that the Purchaser fails to pay any of the above instalments to the Vendor when due in the manner above, all payables under the Equity Transfer Agreement shall be deemed to have become due, and the Purchaser shall settle all the outstanding principal amount and interests by a one-off payment, and interests shall accrue at the rate of four (4) times the loan prime rate (the “**LPR**”) as announced by the People’s Bank of China on the total outstanding amount until the outstanding principal and interests are fully repaid. In the event of any delay in payment of any of the above instalments by the Purchaser for more than thirty (30) days, it will be considered as fundamental breach of the Equity Transfer Agreement by the Purchaser and the Vendor may request either (i) the transfer of the Sale Capital and assets of the Target Company back to the Vendor, or (ii) settlement of all the outstanding principal amount with all interests accrued at the manner stated above until the outstanding principal and interests are fully repaid.

Basis of 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 unaudited net asset value of the Target Company as at 30 September 2024 of approximately RMB140.78 million; (ii) the aging of the outstanding wastewater treatment fee owed by the Xiaolan Government; (iii) the operating performance and 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 Disposal” in this announcement.

Assets Transfer Procedure and Transitional Period

Within five (5) Business Days after the registration of the transfer of the Sale Capital, parties to the Equity Transfer Agreement shall ascertain the assets of the Target Company and determine the assets and personnel to be transferred and sign the asset transfer confirmation (the “**Asset Transfer Confirmation**”) upon the Purchaser accepts the assets and personnel being transferred.

During the transitional period from 31 December 2023 to the date of signing the Asset Transfer Confirmation (the “**Transitional Period**”), the Vendor shall procure the normal operation of the Wastewater Treatment Plant. The Purchaser is entitled to the profit or loss of the Target Company during the Transitional Period.

Completion

Completion of the transfer of the Sale Capital shall take place upon the completion of registration of the transfer of the Sale Capital to the Purchaser.

Completion of the transfer of the assets and personnel of the Target Company shall take place on the date of expiry of the Transitional Period, upon which the Asset Transfer Confirmation shall be signed by the Purchaser.

Financial information of the Target Company

The net asset value of the Target Company as shown in the unaudited financial statements of the Target Company as at 30 September 2024 is approximately RMB140.78 million.

For the year ended 31 December 2022, the net profits before and after taxation of the Target Company were approximately RMB10.15 million and approximately RMB8.69 million respectively; while for the year ended 31 December 2023, the net losses before and after taxation of the Target Company were approximately RMB3.90 million and approximately RMB4.78 million respectively.

INFORMATION ON THE PARTIES

The Vendor

The Vendor 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.

The Target Company

The Target Company 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.

Purchaser

The Purchaser is a company established in the PRC with limited liability and principally engaged in, water supply and wastewater treatment. As at the date of this announcement, the Purchaser is ultimately beneficially owned by the Publicly-owned Assets Affairs Center of Xiaolan Town, Zhongshan City* (中山市小欖鎮公有資產事務中心), which is responsible for, among others, acquiring, managing and monitoring of publicly-owned assets on behalf of the Xiaolan Government.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 Zhongshan City Environmental Protection Plan (2020–2035)* (中山市環境保護規劃(2020–2035年)) as announced by the Zhongshan City Ecology and Environment Bureau in January 2024, it is anticipated that the environmental protection facilities of Zhongshan City, including the Wastewater Treatment Plant, may require further and continuing upgrading and expansion to meet the 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, expansion 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 Xiaolan Government, the Board is of the view that the Disposal will enable the Group to save significant amount of operating expenses and probable capital expenditures in connection with the Wastewater Treatment Plant, obtain immediate cash inflow and reduce liabilities by the Disposal and allocate its time and resources to other concession projects which are more profitable.

Further, the Purchaser is an enterprise ultimately owned by the Publicly-owned Assets Affairs Center of Xiaolan Town, Zhongshan City* (中山市小欖鎮公有資產事務中心), and any transfer of the Sale Capital shall be agreed and recognised by the Xiaolan Government. Although the Consideration is lower than the net asset value of the Target Company, considering it is time consuming to locate willing party to acquire the Sale Capital, 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 Xiaolan Government, the Board considers the Consideration to be fair and reasonable.

The Board is of the opinion that the Disposal 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 Equity Transfer Agreement (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.

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

Subject to further audit procedures to be performed by the auditor of the Company, the Group is expected to record a loss from the Disposal of approximately RMB44.83 million, which is estimated based on the Consideration of RMB96.05 million less the net amount of (i) the unaudited net asset value of the Target Company as at 30 September 2024 of approximately RMB140.78 million; and (ii) the expenses directly attributable to the Disposal of approximately RMB0.1 million. The actual amount of gain or loss as a result of the Disposal 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 Disposal, after deducting the expenses and taxes directly attributable thereto of approximately RMB0.1 million, will amount to approximately RMB95.95 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 Disposal, is/are more than 5% but less than 25%, the entering into of the Equity 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:

“Board”	board of Directors
“Business Day”	a day other than a Saturday, Sunday or statutory holidays stipulated by the government of the PRC
“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 Main Board of the Stock Exchange (stock code: 6136)
“Completion”	completion of the Disposal
“Concession Agreement”	the concession agreement entered into between Vendor and the Housing and Urban-Rural Development Bureau of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) in August 2017 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 RMB96,050,900, being the consideration for the Sale Capital
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed transfer of the Sale Capital from the Vendor to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 23 December 2024 and entered into between the Vendor and the Purchaser in relation to the Disposal
“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
“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
“Purchaser”	Zhongshan City Xiaolan Water Company Limited* (中山市小欖水務有限公司), a company established in the PRC with limited liability and ultimately beneficially owned by Publicly-owned Assets Affairs Center of Xiaolan Town, Zhongshan City* (中山市小欖鎮公有資產事務中心) as at the date of this announcement
“Sale Capital”	100% registered capital of the Target Company, which is beneficially owned by the Vendor as at the date of this announcement
“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
“Target Company”	Zhongshan Kangda Water Company Limited* (中山康達水務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Transitional Period”	has the meaning ascribed thereto under the paragraph headed “The Equity Transfer Agreement — Assets Transfer Procedure and Transitional Period” in this announcement
“Vendor”	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
“Wastewater Treatment Plant”	Zhongshan City Dongsheng Town Wastewater Treatment Plant (中山市東升鎮污水處理廠) situated at Zhongshan City of Guangdong Province, the PRC

“Xialan Government”	the People’s Government of Xiaolan Town, Zhongshan City, which is situated in Guangdong Province, the PRC
“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
LI Zhong
Co-chairman

Hong Kong, 23 December 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.