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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)

CONNECTED TRANSACTION IN RELATION TO ENTERING INTO CONSTRUCTION CONTRACT

CONSTRUCTION CONTRACT

The Board is pleased to announce that on 28 February 2020, Suihua Kangda, a wholly-owned subsidiary of the Company (as the principal), entered into the Construction Contract with Jiangxi Silver Dragon (as the contractor), pursuant to which Jiangxi Silver Dragon agreed to undertake the civil works, construction and installation works under the Suihua Upgrading Project.

LISTING RULES IMPLICATIONS

Jiangxi Silver Dragon is a subsidiary of China Water Affairs Group Limited, a substantial shareholder of the Company. Therefore, Jiangxi Silver Dragon is an associate of China Water Affairs Group Limited and a connected person of the Company. Accordingly, the transaction contemplated under the Construction Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are less than 5%, the transactions contemplated under the Construction Contract are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

CONSTRUCTION CONTRACT

Date:	28 February 2020
Parties:	Suihua Kangda, as the principal; and Jiangxi Silver Dragon, as the contractor
Project scope:	Pursuant to the requirements under the Construction Contract, Jiangxi Silver Dragon is responsible for the civil works, construction and installation works under the Suihua Upgrading Project
Contract period:	270 days
Construction contract price:	<p>The Group invited public tender for the construction works under the Construction Contract, and selected Jiangxi Silver Dragon as the tender winner after conducting relevant evaluation procedures and taking consideration of various factors, including technical experience, professional qualifications, business reputation, project management abilities of all the tenderers, total expenses and other relevant factors.</p> <p>The total contract price under the Construction Contract was approximately RMB71,000,000, which was determined on arm's length basis after considering (i) all services required by Suihua Kangda in respect of the Suihua Upgrading Project and (ii) relevant design, procurement and prevailing market conditions of each construction project.</p> <p>The total contract price will be funded by internal resources of the Group.</p>
Payment terms:	The total contract price shall be payable on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by Suihua Kangda to Jiangxi Silver Dragon shall not exceed 97% of the total settlement amount, and the remaining 3%, as the quality guarantee deposit, shall be paid upon expiry of the defect liability period.

REASONS FOR AND BENEFITS OF THE CONSTRUCTION CONTRACT

It is within the normal business course of the Group to undertake the Suihua Upgrading Project and to develop wastewater treatment business in Heilongjiang Province, the PRC. As a subsidiary of China Water Affairs Group Limited, Jiangxi Silver Dragon is specialized in construction of city water supply and water environmental renovation infrastructure. After due and careful consideration and comprehensive evaluation of the tenderers in terms of project quotation, qualification, experience and project quality, the Group selected Jiangxi Silver Dragon as the contractor of the Suihua Upgrading Project in accordance with relevant

laws. The Group is of the view that entering into of the Construction Contract is vital to the advancement of the Suihua Upgrading Project and enables the Company to benefit from the development of its principal business.

The Directors, including independent non-executive Directors, considered that the terms of the Construction Contract are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole. Mr. Li Zhong, Ms. Liu Yu Jie, Mr. Duan Jerry Linnan and Mr. Chau Kam Wing, all being directors of China Water Affairs Group Limited, are materially interested in the Construction Contract and have abstained from voting on the board resolution approving the Construction Contract.

INFORMATION ON SUIHUA KANGDA AND THE GROUP

Suihua Kangda is a limited liability company established in the PRC, which is indirectly wholly owned by the Company. It is primarily engaged in operation of wastewater treatment facilities in Heilongjiang Province, the PRC. The Group is mainly engaged in investing in and operating wastewater treatment facilities in the PRC.

INFORMATION ON JIANGXI SILVER DRAGON

Jiangxi Silver Dragon is a limited liability company established in the PRC. Its principal business includes municipal, water supply related and environmental renovation infrastructure construction.

LISTING RULES IMPLICATIONS

Suihua Kangda is a wholly owned subsidiary of the Company, and Jiangxi Silver Dragon is a subsidiary of China Water Affairs Group Limited, a substantial shareholder of the Company. Therefore, Jiangxi Silver Dragon is an associate of China Water Affairs Group Limited and a connected person of the Company. Accordingly, the transaction contemplated under the Construction Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are less than 5%, the transactions contemplated under the Construction Contract are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Construction Contract”	the construction contract entered into between Suihua Kangda and Jiangxi Silver Dragon on 28 February 2020 in respect of the construction of the Suihua Upgrading Project, the details of which are set out in the section headed “Construction Contract” in this announcement
“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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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, a subsidiary of China Water Affairs Group Limited
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suihua Kangda”	Suihua Kangda Environmental Protection Water Co., Ltd.* (綏化康達環保水務有限公司), a limited liability company established in the PRC, an indirectly wholly-owned subsidiary of the Company

* For identification purposes only

“Suihua Upgrading Project” the upgrading and reconstruction project of the wastewater treatment plant at Suihua, Heilongjiang Province

“%” percentage

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

Hong Kong, 28 February 2020

As at the date of this announcement, the Board comprises seven Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. LI Zhong, Ms. LIU Yu Jie 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.