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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)

BUSINESS UPDATE

THE ACQUISITION OF 100% EQUITY INTERESTS IN SICHUAN WEIYUAN HEFENG BIOENGINEERING CO., LTD.

This announcement is made by the Company to keep the Shareholders and potential investors of the Company informed of the latest information and business development of the Group.

INTRODUCTION

On 13 October 2017, the Vendor and the Purchaser entered into the Equity Transfer Agreement, pursuant to which, the Purchaser, an indirectly wholly-owned subsidiary of the Company, agreed to acquire 100% equity interest in the Target Company from the Vendor at a consideration of RMB100,264,838.70.

THE EQUITY TRANSFER AGREEMENT

Principal terms of the Equity Transfer Agreement are set forth as below:

Date

13 October 2017

Parties

- (i) Vendor: Jiang Shiming (蔣仕明); and
- (ii) Purchaser: Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected person(s) (as defined under the Listing Rules).

Subject Matter

The Purchaser agreed to acquire and the Vendor agreed to sell 100% equity interest in the Target Company held by the Vendor. By acquisition of 100% equity interest in the Target Company, the Purchaser will acquire the Target Assets and the concession rights of the Target Project.

Consideration

Pursuant to the Equity Transfer Agreement, the consideration for the Acquisition amounted to RMB100,264,838.70, which is determined after arm's length negotiation of the Vendor and the Purchaser, taking into consideration of, among others, the commercial value of the Target Project, the Target Company's bank balance of deposits as at the date of asset transfer and the net liability of the Target Company.

In addition, the Purchaser shall assume the Target Company's creditor's rights, which amounted to RMB6,488,750.65, and the liabilities, which amounted to RMB9,051,911.95, as of 31 August 2017.

Payment of Consideration

Pursuant to the Equity Transfer Agreement, the Purchaser shall pay for the consideration for the Acquisition to the Vendor in the following manners:

(i) Deposit

The Purchaser shall pay a deposit of RMB4,850,000.00 within three (3) business days after the execution date of the Equity Transfer Agreement; and

(ii) Subsequent Payments

- (1) RMB14,592,544.60 shall be paid within three (3) business days after fulfillment of all the conditions precedent as set out below;
- (2) RMB72,740,064.69 shall be paid within ten (10) business days after fulfillment of all the following conditions: (i) the Vendor obtains the written approval from the relevant competent authorities of the local government in respect of the Acquisition, (ii) the Vendor discloses the Acquisition on a newspaper of provincial level or city level, (iii) the completion of transfer of the Target Assets and all the files of the Target Company, (iv) the Vendor clears up all the creditor's rights and liabilities of the Target Company (excluding the creditor's rights and liabilities to be assumed by the Purchaser), (v) the Purchaser receives the written consent in respect of the obligor's equity transfer from the lending banks of the Target Company, (vi) the Target Company's bank balance of deposits reaches RMB19,350,000.00, and (vii) the completion of industrial and commercial registration of the changes in equity transfer of the Target Company;
- (3) RMB4,849,337.65 shall be paid within ten (10) business days after the completion of replacement and repair of the relevant equipment agreed by the Vendor and the Purchaser; and

- (4) RMB3,232,891.76 shall be paid within five (5) business days after fulfillment of the following conditions: (i) no other contingent liabilities of the Target Company has been found by the Purchaser within one (1) year after the completion of the industrial and commercial registration of changes in equity transfer of the Target Company; (ii) all the creditor's rights of the Target Company have been realized.

Conditions Precedent

The terms of the Equity Transfer Agreement shall be effective subject to the fulfilment of the following conditions precedent within forty (40) business days after the payment of the above deposit:

- (1) the Vendor obtains the written approval from the relevant competent authorities of the local government in respect of the Acquisition; and
- (2) the Vendor receives a repayment of RMB4,850,000.00 from a third party and deposits it in the bank account of the Target Company.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 28 September 2003 and is wholly owned by the Vendor. The Target Company is principally engaged in the application of biology engineering technology and wastewater treatment.

Details of the Target Project are set out below:

| Name of the Target Company | Location | Name of the Wastewater Treatment Plant | Project model | Daily treatment capacity (tonnes) | Concession Period |
|--|---|---|---------------|-----------------------------------|----------------------------|
| Sichuan Weiyuan Hefeng Bioengineering Co., Ltd.* (四川威遠禾豐生物工程有限公可) | Weiyuan County, Sichuan Province, the PRC | Sichuan Weiyuan County Town Wastewater Treatment Plant* (四川省威遠縣城污水處理廠) | BOT | 20,000 | Ending on 31 December 2038 |

INFORMATION ABOUT THE GROUP

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

BENEFITS OF AND REASONS FOR ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Directors believe that entering into the Equity Transfer Agreement is consistent with the strategy of the Company to continue to secure additional environmental treatment projects in cities where the Group has existing projects and in nearby cities, which would leverage the Group's familiarity with the region, the participants in the local market and the Company's brand recognition. The Target Company will further consolidate the Group's leading position in the industry.

Accordingly, the Directors consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms, and are in the best interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

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| “Acquisition” | the proposed acquisition of 100% of the equity interest in the Target Company by the Purchaser from the Vendor pursuant to the Equity Transfer Agreement |
| “Board” | the board of Directors |
| “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 of Hong Kong Limited |
| “Director(s)” | the director(s) of the Company |
| “Equity Transfer Agreement” | the equity transfer agreement dated 13 October 2017 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| “Group” | The Company and its subsidiaries |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | the People's Republic of China, which, for the purpose of this announcement and unless the context suggests otherwise, excludes Hong Kong, Macau Special Administrative Region and Taiwan |
| “Purchaser” | Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司), a limited liability company established in the PRC on 19 July 1996, and an indirectly wholly-owned subsidiary of the Company |

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| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholders” | the shareholders of the Company |
| “Target Assets” | all the assets owned by the Target Company |
| “Target Company” | Sichuan Weiyuan Hefeng Bioengineering Co., Ltd.* (四川威遠禾豐生物工程有限公同), a limited liability company established in the PRC on 28 September 2003, and wholly owned by the Vendor |
| “Target Project” | the county town wastewater treatment plant project located in Weiyuan County, Sichuan Province, the PRC |
| “Vendor” | Jiang Shiming (蔣仕明) |

By order of the Board
Kangda International Environmental Company Limited
ZHAO Juanxian (alias, ZHAO Junxian)
Chairman

Hong Kong, 13 October 2017

As at the date of this announcement, the Board comprises nine Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. ZHANG Weizhong, Ms. LIU Zhiwei, Mr. GU Weiping, Mr. WANG Litong and Mr. WANG Tianci as executive Directors; and Mr. TSUI Yiu Wa Alec, Mr. PENG Yongzhen and Mr. CHANG Qing as independent non-executive Directors.

* For identification purposes only.