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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)**

### **SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of Kangda International Environmental Company Limited (the “**Company**”) dated 25 May 2017 in relation to the Equipment Purchase Framework Agreement entered into between the Vendor and the Purchaser (the “**Announcement**”). Unless otherwise stated, terms used in this announcement shall have the same meanings as defined in the Announcement.

In addition to the information disclosed in the Announcement, the Company wishes to provide the Shareholders and the investors of the Company with additional information in relation to the continuing connected transactions contemplated under the Equipment Purchase Framework Agreement.

#### **PRICING POLICY AND PAYMENT TERM**

As disclosed in the Announcement, the Purchaser or its subsidiaries and the Vendor will separately enter into specific sale and purchase agreements which will specify and stipulate the specific terms and the operative provisions, including but not limited to the standard, model number, unit price, quantity and delivery time of the wastewater treatment equipment.

The unit price under each specific sale and purchase agreement will be determined on a cost plus reasonable profits basis taking into account the model, standard and main material of the equipment to be provided by the Vendor, and in ordinary and usual course of business and on normal commercial terms, and such terms and conditions shall be negotiated on an arm’s length basis and will be no less favorable than those available from the Independent Third Parties.

Before determining the unit price for the equipment under the Equipment Purchase Framework Agreement and signing any specific sale and purchase agreements, the Group will ascertain the market price of the main material of such equipment and the price of relevant comparable or similar equipment available in the market, and ensure that the price for the Group will be fair and reasonable and no less favourable to the Group than those available from the Independent Third Parties.

The consideration under each specific sale and purchase agreements will normally be payable by the Group to the Vendor in three installments, being (i) five days after execution of such specific sale and purchase agreement, (ii) 30 days after delivery of the equipment, and (iii) seven days after the expiry of the warranty period.

## **INTERNAL CONTROL**

In order to ensure the terms of the Equipment Purchase Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable to the Company and the Shareholders and the unit prices of the equipment are no less favourable to the Group than those available from the Independent Third Parties, the Group has adopted the following measures:

- (i) the Small Town Business Division\* (小城镇事业部) of the Purchaser has been assigned to review and approve the terms of each specific sale and purchase agreement to be entered into in accordance with the Equipment Purchase Framework Agreement. Once approved, such sale and purchase agreement will be submitted to the Legal Department and the Financial Department of the Company to further assess whether the terms are on normal commercial terms, fair and reasonable to the Company and conducted in accordance with the terms of the Equipment Purchase Framework Agreement;
- (ii) the Small Town Business Division\* (小城镇事业部) of the Purchaser and the Financial Department of the Company will also periodically update the market price of the main material, which will affect the cost substantially (such as steel, membrane material, module, etc.), used for the equipment, and will compare the price offered by the Vendor with at least two relevant quotations obtained in the market before entering into any specific sale and purchase agreements;
- (iii) the Group will not purchase any equipment under the Equipment Purchase Framework Agreement if the terms of specific sale and purchase agreement to be entered into under the Equipment Purchase Framework Agreement (including but not limited to the price, the after-sales service, etc.) are less favourable than those offered by the Independent Third Parties;
- (iv) the Financial Department of the Company will monitor the annual caps under the Equipment Purchase Framework Agreement before entering into any specific sale and purchase agreements to ensure they will not be exceeded;
- (v) the auditors of the Company will conduct an annual review on the pricing and the annual caps of the continuing connected transactions contemplated under the Equipment Purchase Framework Agreement in accordance with the requirements of the Listing Rules; and

(vi) the independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions contemplated under the Equipment Purchase Framework Agreement in accordance with the requirements of the Listing Rules.

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

Hong Kong, 31 May 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*