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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**

**THE ACQUISITION OF EQUITY INTERESTS  
IN THE TARGET COMPANY**

On 30 December 2014, the Vendor and the Purchaser entered into the Agreement, pursuant to which the Purchaser, an indirectly wholly-owned subsidiary of the Company, agreed to acquire the 80% equity interests held by the Vendor in the Target Company for an aggregate consideration of RMB229,800,000. The Target Company owns Pingdingshan Wastewater Treatment Plant Phase II, which has obtained concession right of wastewater treatment from competent governmental authority in Pingdingshan City and has a constructed daily treatment capacity of 130,000 tonnes.

As the highest of the applicable percentage ratios in respect of the Transaction under the Agreement is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Transaction under the Agreement constitutes a discloseable transaction for the Company and is subject to notification and publication requirements under Chapter 14 of the Listing Rules.

**THE AGREEMENT**

**Date:** 30 December 2014

**Parties:**

- (i) the Vendor; and
- (ii) the Purchaser.

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

### **Acquisition of equity interests in the Target Company**

The Purchaser has agreed to acquire and the Vendor has agreed to sell 80% equity interests held by the Vendor in the Target Company. Upon the completion of such acquisition, the equity interests in the Target Company will be held by the Vendor as to 20% and by the Purchaser as to 80%.

### **Consideration**

The total consideration for the Transaction was RMB229,800,000, which was negotiated by the Purchaser and the Vendor on arm's length basis and determined by taking into consideration of, among others, the business value of wastewater treatment plant and recycled water facilities, and debts of Target Company.

As agreed upon by the Vendor and the Purchaser, the business value of wastewater treatment plant is RMB364,000,000 based on the pre-condition that wastewater treatment fee from 1 June 2015 would be no lower than RMB1.25/tonne (excluding sludge disposal fee), failing which the consideration shall reduce by RMB5,200,000 per shortfall of RMB0.01 in wastewater treatment fee (i.e. RMB1.25/tonne).

## Payment of consideration

Pursuant to the Agreement, the Purchaser shall pay the consideration after the execution of the Agreement in the following manner:

(a) Payment for wastewater treatment plant (deposit deducted):

No.	Amount to be Paid (RMB'000)	Conditions Precedent	Time of Payment
1.	30,000	<p>a) The Target Equity Interests have been transferred to the Purchaser and the filing for such change with competent Administration of Industry and Commerce in the PRC has been completed.</p> <p>b) a share charge agreement has been entered into by the Purchaser and the Vendor, pursuant to which the 20% of equity interests held by the Vendor are charged in favor of the Purchaser.</p> <p>All of the above conditions shall be fulfilled within 25 business days after the Agreement comes into force.</p> <p>c) assets and files of the Target Company have been checked and delivered.</p>	Within five (5) business days after the fulfillment of the corresponding conditions precedent.
2.	12,180	<p>d) the Vendor has made all payments payable except for what was set out in the Agreement.</p> <p>e) delivery of financial files.</p> <p>The above conditions shall be fulfilled by the Vendor within 25 business days after the Agreement comes into force.</p>	Within five (5) business days after the fulfillment of corresponding conditions precedent.

No.	Amount to be Paid (RMB'000)	Conditions Precedent	Time of Payment
3.	65,360 (subject to adjustments according to ultimate liabilities agreed upon in the Agreement)	<p data-bbox="464 376 1062 584">f) The Vendor has procured the Target Company to enter into a supplementary concession agreement with competent government authority according to the Agreement.</p> <p data-bbox="464 629 1134 1211">Condition precedent f shall be fulfilled within 180 days after the Agreement comes into force, failing which the Purchaser shall be entitled to receive returns on equity interests held by the Vendor (Vendor's performance overdue by over 30 days), to acquire 10% of equity interests held by the Vendor at nil consideration (Vendor's performance overdue by over 60 days), or to acquire all remaining equity interests held by the Vendor at nil consideration (Vendor's performance overdue by over 90 days), and the Agreement shall be deemed fully performed. No further payments shall be made by the Purchaser to the Vendor under such circumstances.</p> <p data-bbox="464 1249 1134 1413">If the overdue performance mentioned above is due to untimely provision of necessary information by the Purchaser, the time limits set out above can be postponed.</p> <p data-bbox="464 1458 1134 1576">g) The Vendor has completed the environmental acceptance inspection of expansion project at its own cost.</p> <p data-bbox="464 1621 1134 1783">h) The Target Company has disclosed publicly that it has no contingent credits or debts, and bears no contingent debts or repayment obligation thereof.</p>	Within five (5) business days after the fulfillment of the corresponding conditions precedent.

No.	Amount to be Paid (RMB'000)	Conditions Precedent	Time of Payment
4.	10,560	i) the Vendor has completed legal procedures regarding the wastewater treatment plant project (original capacity: 100,000 tonnes/day) and expansion project, and has achieved certificates thereof or supporting documents demonstrating that the requisite certificates are in process.	Within five (5) business days after the fulfillment of the corresponding condition precedent and the conditions precedent of the previous three payments.
	9,700	j) the Vendor has completed the acceptance inspection of expansion project at its own cost.	Within five (5) business days after the fulfillment of the corresponding condition precedent and the conditions precedent of the previous three payments.

No.	Amount to be Paid (RMB'000)	Conditions Precedent	Time of Payment
5.	4,000	k) Within 90 days after the delivery of Target Assets, the Vendor and the Purchaser shall jointly determine on the matter of equipment renovation, which shall be completed by the Target Company at the Vendor's cost (no more than RMB3,000,000).  l) Within 180 days after the delivery, the Target Assets has passed the performance test, during which the Target Assets function stably. Normal maintenance and replacement cost (if any) confirmed by both the Vendor and the Purchaser shall be born by the Vendor, failing which the Target Company shall conduct the maintenance or replacement on its initiative, with the cost thereof deducted from the consideration to be paid by the Purchaser to the Vendor.	Within five (5) business days after the fulfillment of the corresponding conditions precedent.

The payment for wastewater treatment plant is subject to adjustments set out in supplementary agreement to be entered into by the Vendor and the Purchaser which will be of the same binding force as the Agreement.

(b) Payment for recycled water facilities:

A payment should be made upon the execution of water sales agreement according to the Agreement calculated as follows:

$$\text{Amount to be paid} = A \times 0.8 \times \frac{B}{C} \times 100\%$$

Investment, using the money from consideration paid for recycled water facilities, shall be made by the Target Company in pipe networks for the sale of water according to water sales agreement, the cap of which shall be calculated as follows:

$$\text{Investment cap} = (\text{RMB}85,000,000 - A) \times 0.8 \times \frac{B}{C} \times 100\%$$

(A = the accounts price of recycled water treatment facilities project (i.e. parts relevant to the project of recycled water utilization in “the promoting and remolding project of Pingdingshan Wastewater Treatment Plant Phase II”, the investment of which was approximately RMB31,167,200);

B = the minimum daily guaranteed water volume to be set out in the water sales agreement;

C = constructed daily recycled water treatment capacity of 50,000 tonnes/day).

The said payment made by the Purchaser shall be a part of consideration paid for recycled water facilities under the Agreement. If the investment in pipe networks is below the cap, the residual part will be paid by the Purchaser to the Vendor according to the accounts price of the pipe networks investment providing that water charge is collected by the Target Company according to the water sales agreement. If the investment in pipe networks is higher than the cap, the shortfall shall be paid by the Target Company.

#### **Other material terms**

The Vendor shall submit notification letter regarding the Transaction recognized by the Purchaser to local competent governmental authority within five (5) business days after the Agreement comes into force. Within three (3) business days after governmental receipt has been received, the Purchaser shall pay to the Vendor RMB30,000,000 as deposit securing performance of the Agreement, which will automatically set off the same amount when the conditions precedent of the first payment for wastewater treatment plant have been fulfilled.

#### **INFORMATION ABOUT THE TARGET COMPANY**

The Target Company is a limited liability company established in the PRC on 9 October 2004. It is primarily engaged in treatment of wastewater, treatment and sale of recycled water, development and sale of environmental protecting facilities and water supply and drainage equipment, research and develop the comprehensive utilization and sale of sludge, and sale of photovoltaic products.

As at 31 December 2013, the unaudited total assets of the Target Company was approximately RMB162,905,000 and the unaudited net assets of the Target Company was approximately RMB62,775,000.

The unaudited net profit before taxation of the Target Company for the year ended 31 December 2012 and 31 December 2013 were as follows:

	<b>Net profit before taxation (RMB)</b>
For the year ended 31 December 2012	3,284,900
For the year ended 31 December 2013	-5,593,700

Details of Pingdingshan Wastewater Treatment Plant of the Target Company are set out below:

<b>Names of the Plants</b>	<b>Location</b>	<b>Constructed Daily Treatment Capacity (tonnes/day)</b>
Pingdingshan Wastewater Treatment Plant* (平頂山污水處理廠) Phase II	Pingdingshan City, Henan Province	130,000

#### **INFORMATION ABOUT THE VENDOR AND THE PURCHASER**

The Vendor is a limited liability company established in the PRC on 29 April 2009. The Vendor is primarily engaged in investment and operational administration of environmental industry, development, consult and design of environmental protection projects, and sale and after-sale service of environmental protecting facilities.

The Purchaser is a limited liability company established in the PRC on 19 July 1996, which is indirectly held as to 100% by the Company. It is primarily engaged in investment and operation of wastewater treatment facilities in the PRC.



## REASONS FOR ENTERING INTO THE AGREEMENT

The Company is a leading privately-owned company for investing in and operating wastewater treatment facilities in the PRC. It is the Company's strategy to identify suitable investment opportunity to acquire equity interests in Companies owning wastewater treatment plants with good prospects and potential for stable returns. The Transaction will benefit the Company by expanding its wastewater treatment business in the PRC and enlarging the sources of revenue and profits. Accordingly, the Directors consider that the terms of, and the Transaction under the Agreement 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.

“Agreement”	the share purchase agreement entered into between the Vendor and the Purchaser in relation to the acquisition of the 80% equity interests held by the Vendor in the Target Company
“Board”	the board of directors of the Company
“Company”	Kangda International Environmental Company Limited (康達國際環保有限公司) (Stock Code: 6136), a company incorporated in the Cayman Islands with limited liability
“Director(s)”	the director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People's Republic of China
“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, which is indirectly held as to 100% by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company

“Target Assets”	Material assets including all office occupancy, office equipment, buildings, structures, wastewater treatment facilities, recycled water facilities, auxiliary facilities and spare parts, and rights including concession rights and land use rights, of Pingdingshan Wastewater Treatment Plant* (平頂山污水處理廠) Phase II
“Target Company”	Pingdingshan City Bay Water Treatment Co., Ltd.* (平頂山市海灣水務有限公司), a limited liability company established in the PRC on 9 October 2004, which was wholly-owned by the Vendor immediately before the acquisition
“Target Equity Interests”	the 80% equity interests in Target Company to be purchased by the Purchaser under the Agreement
“Transaction”	the transaction of the acquisition of the Target Equity Interests by the Purchaser from the Vendor under the Agreement
“Vendor”	Henan Xindi Environmental Protection Investment Co., Ltd.* (河南鑫迪環保投資有限公司), a limited liability company established in the PRC on 29 April 2009

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

Hong Kong, 30 December 2014

*As at the date of this announcement, the Board comprises 9 Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. ZHANG Weizhong, Ms. LIU Zhiwei, Mr. GU Weiping and Mr. WANG Litong as executive Directors; Mr. ZHUANG Ping as non-executive Director; and Mr. TSUI Yiu Wa Alec, Mr. YUAN Shaoli and Mr. SONG Qianwu as independent non-executive Directors.*

*\* For identification purposes only.*