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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 ACQUISITIONS OF EQUITY INTERESTS  
IN THE TARGET COMPANIES**

On 10 August 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 90% equity interests held by the Vendor in each of the Target Companies for an aggregate consideration of RMB270,900,000. The Target Companies own the concession right of the Sewage Treatment Plants which have a daily treatment capacity of 210,000 tonnes per day including 90,000 tonnes per day in operation and 50,000 tonnes per day under construction as at the date of this announcement.

As the highest of the applicable percentage ratios in respect of the Transactions (on an aggregation basis) under the Agreement is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Transactions under the Agreement constitute discloseable transactions for the Company and are subject to notification and publication requirements under Chapter 14 of the Listing Rules.

**THE AGREEMENT**

**Date:** 10 August 2014

**Parties:**

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

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

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

The Purchaser has agreed to acquire and the Vendor has agreed to sell 90% equity interests held by the Vendor in each of the Target Companies. Upon the completion of such acquisition, i.e. the completion of relevant filings in competent Administration of Industry and Commerce in the PRC, the equity interests in each of the Target Companies will be held by the Vendor as to 10% and the Purchaser as to 90%.

### **Consideration**

The total consideration (on an aggregation basis) for the Transactions was RMB270,900,000, which was negotiated by the Purchaser and the Vendor on arm's length basis and determined by taking into consideration of, among others, the daily treatment capacity in operation and under construction of the Sewage Treatment Plants and the expenses incurred for the construction, operation and maintenance of the Sewage Treatment Plants.

### **Payment of consideration**

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

- (1) 40% of the total consideration, i.e. RMB108,360,000, shall be paid within three (3) business days from the date upon the fulfillment of the conditions precedent and obtains all relevant approvals from relevant governmental authorities under the Agreement are obtained ;
- (2) 43% of the total consideration, i.e. RMB116,487,000, shall be paid within five (5) business days from the date of the completion of assets delivery pursuant to the Agreement;
- (3) 5% of the total consideration, i.e. RMB13,545,000, shall be paid within five (5) business days from the date when the Vendor completes the construction of phase II of Xin County Sewage Treatment Plant\* (莘縣污水處理廠) and the maintenance update work in relation to the equipment in the Sewage Treatment Plants under operation as required under the Agreement;
- (4) 1.75% of the total consideration, i.e. RMB4,740,700, shall be paid within five (5) business days from the completion of relevant legal procedures required under the PRC laws and regulations by the Vendor regarding the Sewage Treatment Plants of the Target Companies;

- (5) 9.5% of the total consideration, i.e. RMB 25,735,500, shall be paid within five (5) business days from the date when the Vendor completes the remaining construction work in relation to Liaocheng Municipal Southern Sewage Treatment Plant\* (聊城市城南污水處理廠) and Jiaxiang County Second Sewage Treatment Plant\* (嘉祥縣第二污水處理廠); and
- (6) 0.75% of the total consideration, i.e. RMB2,031,800, will be paid after the expiration of the one-year construction warranty period of the works as mentioned in the paragraph 3 and paragraph 5 above.

Pursuant to the Agreement, if the Vendor fails to conduct the relevant work in relation to Liaocheng Municipal Southern Sewage Treatment Plant\* (聊城市城南污水處理廠) and Jiaxiang County Second Sewage Treatment Plant\* (嘉祥縣第二污水處理廠) as mentioned in the paragraph 5 above, 10% of the total consideration shall not be paid to the Vendor by the Purchaser and the payments of consideration mentioned in the paragraph 5 and corresponding part of payment of consideration mentioned in paragraph 6 above will not be valid under such circumstance. It is expected that the relevant works to be carried out by the Vendor as mentioned in the paragraph 3 and paragraph 5 above will be completed in the second half of 2015.

## INFORMATION ABOUT THE TARGET COMPANIES

The Target Companies are Yanggu Company, Xin County Company, Liaocheng Company and Jiaxiang Company.

As at 31 December 2013, the unaudited total assets of the Target Companies (on an aggregation basis) was approximately RMB172,905,978 and the unaudited net assets of the Target Companies (on an aggregation basis) was approximately RMB75,135,723.

The unaudited net profit before taxation of the Target Companies (on an aggregation basis) 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	1,920,000
For the year ended 31 December 2013	2,213,627

Details of the Sewage Treatment Plants of the Target Companies are set out below:

Name of the Target Companies	Location	Name of the Sewage Treatment Plants	Project Model	Daily Treatment Capacity in Operation / Aggregate Daily Treatment Capacity (tonnes/day)	Concession Period (years)	
Yanggu Company	Yanggu County, Liaocheng City, Shandong Province	Yanggu County Sewage Treatment Plant* (陽穀縣污水處理廠)	Phase I	Transfer, operate and transfer (“TOT”)	40,000 / 40,000	30 (since 2012)
			Phase II	Build, operate and transfer (“BOT”)	0 / 40,000	
Xin County Company	Xin County, Liaocheng City, Shandong Province	Xin County Sewage Treatment Plant* (莘縣污水處理廠)	Phase I & II	TOT	20,000 / 40,000	30 (since 2013)
			Phase III	BOT	0 / 30,000	
Liaocheng Company	Liaocheng City, Shandong Province	Liaocheng Municipal Southern Sewage Treatment Plant* (聊城市城南污水處理廠)		BOT	15,000 / 30,000	30 (since 2011)
Jixiang Company	Jiaxiang County, Jining City, Shandong Province	Jiaxiang County Second Sewage Treatment Plant* (嘉祥縣第二污水處理廠)	BOT	15,000 / 30,000	30 (since 2010)	

## INFORMATION ABOUT THE VENDOR AND THE PURCHASER

The Vendor is a limited liability company established in the PRC on 14 May 2009. The Vendor and its subsidiaries primarily engaged in project construction of water treatment, waste gas treatment, municipal engineering and waste incineration power generation, and investment with its own funds.

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 primarily engaged in investment and operation of wastewater treatment facilities in the PRC.

## **REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS**

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 the sewage plants with good prospects and potential for stable returns. The Transactions 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 Transactions 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.

## **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios in respect of the Transactions under the Agreement (on an aggregation basis) is greater than 5% and less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Transactions under the Agreement constitute discloseable transactions for the Company and are subject to notification and publication requirements under Chapter 14 of the Listing Rules.

## **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 90% equity interests held by the Vendor in each of the Target Companies by the Purchaser
“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 Cayman Islands with limited liability
“Director(s)”	the director(s) of the Company

“Jiaxiang Company”	Jiaxiang County Guohuan Sewage Treatment Co., Ltd.* (嘉祥縣國環污水處理有限公司), a limited liability company established in the PRC on 15 December 2010, which was wholly-owned by the Vendor immediately before the Transactions
“Liaocheng Company”	Liaocheng Municipal Guohuan Sewage Treatment Co., Ltd.* (聊城市國環污水處理有限公司), a limited liability company established in the PRC on 19 April 2012, which was wholly-owned by the Vendor immediately before the Transactions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Sewage Treatment Plant(s)”	Yanggu County Sewage Treatment Plant* (陽穀縣污水處理廠), Xin County Sewage Treatment Plant* (莘縣污水處理廠), Liaocheng Municipal Southern Sewage Treatment Plant* (聊城市城南污水處理廠) and Jiaxiang County Second Sewage Treatment Plant* (嘉祥縣第二污水處理廠)
“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 Companies”	Yanggu Company, Xin County Company, Liaocheng Company and Jiaxiang Company
“Transactions”	the transactions of the acquisition of the 90% equity interests by the Purchaser from the Vendor under the Agreement

“Vendor”	Shandong Guohuan Industrial Investment Co., Ltd.* (山東國環產業投資有限公司), a limited liability company established in the PRC on 14 May 2009
“Xin County Company”	Xin County Guohuan Sewage Treatment Co., Ltd.* (莘縣國環污水處理有限公司), a limited liability company established in the PRC on 23 August 2013, which was wholly-owned by the Vendor immediately before the Transactions
“Yanggu Company”	Yanggu County Guohuan Sewage Treatment Co., Ltd.* (陽穀縣國環污水處理有限公司), a limited liability company established in the PRC on 17 July 2012, which was wholly-owned by the Vendor immediately before the Transactions

By Order of the Board  
**KANGDA INTERNATIONAL**  
**ENVIRONMENTAL COMPANY LIMITED**  
**Zhao Juanxian (alias, Zhao Junxian)**  
*Chairman*

Hong Kong, 10 August 2014

*As at the date of this announcement, the executive Directors are Mr. Zhao Juanxian (alias, Zhao Junxian), Mr. Zhang Weizhong, Ms. Liu Zhiwei, Mr. Gu Weiping and Mr. Wang Litong, the non-executive Director is Mr. Zhuang Ping and the independent non-executive Directors are Mr. Tsui Yiu Wa Alec, Mr. Yuan Shaoli and Mr. Song Qianwu.*

*\* For identification purposes only.*