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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

**EQUITY TRANSFER AGREEMENT IN RELATION TO THE
ACQUISITION OF 70% OF THE EQUITY INTERESTS
IN XINZHENG XINKANG WATER CO., LTD.***

This announcement is made by the Company to keep the shareholders and potential investors of the Company informed of the latest business developments of the Group.

**ACQUISITION OF 70% OF THE EQUITY INTERESTS IN THE TARGET
COMPANY**

The Board is pleased to announce that on 31 December 2015, Kangda Group and the Vendor entered into the Equity Transfer Agreement, pursuant to which, the Vendor conditionally agreed to transfer, and Kangda Group conditionally agreed to acquire, 70% of the equity interests in Xinzheng Xinkang Water Co., Ltd.* (新鄭新康水務有限公司), the Target Company, at a consideration of RMB42,000,000.

EQUITY TRANSFER AGREEMENT

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

Date

31 December 2015

Parties

- (1) Purchaser: Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司); and
- (2) Vendor: Xinzheng Municipal Xinyuan Sewage Treatment Co., Ltd.* (新鄭市新源污水處理有限責任公司).

To the best of the Directors' knowledge, information and belief, 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 persons.

Subject matter

The Vendor conditionally agreed to transfer, and Kangda Group conditionally agreed to acquire, 70% of the equity interests in the Target Company, subject to and upon the terms and conditions of the Equity Transfer Agreement.

The Vendor had obtained the written approval issued by Xinzheng Municipal Government or the Housing and Urban Bureau of Xinzheng Municipal (新鄭市住房和城鄉建設局) on 29 December 2015, which approves the establishment of the Target Company by the Vendor. Accordingly, the Vendor will then set up the Target Company with the Target Assets as its registered capital and transfer 70% of the equity interests in the Target Company to Kangda Group.

Consideration

The consideration under the Equity Transfer Agreement is RMB42,000,000, which was determined with reference to the daily treatment capacity of the Phase I project of the Target Assets and after arm's length negotiation between the parties.

Payment terms

The consideration shall be paid in three installments as follows:

- (a) RMB37,800,000 (being 90% of the total consideration) shall be payable by Kangda Group to the Vendor once the Vendor completes, and Kangda Group confirms in writing, the followings:
 - (i) the Vendor obtains the written approval for Kangda Group to become a shareholder of the Target Company from the relevant government or governmental authorised departments; and
 - (ii) Kangda Group completes the necessary industrial and commercial registrations and filings of the 70% of the equity interests in the Target Company with the cooperation of the Vendor.
- (b) RMB2,100,000 (being 5% of the total consideration) shall be payable by Kangda Group within 5 business days from the date that Kangda Group confirms in writing, the followings:
 - (i) the Vendor hands over all the construction documents of the Target Assets to Kangda Group;

(ii) the Vendor finishes rectification work on defective equipment as agreed between the parties under the Equity Transfer Agreement; and

(iii) the Vendor obtains the environmental acceptance approval for the Target Assets;

and the Vendor shall complete the above within 90 days from the date of the Equity Transfer Agreement being effective.

(c) RMB2,100,000 (being 5% of the total consideration) shall be payable by Kangda Group within 5 business days from the date when the Vendor completes and accepts the inspection of the Target Assets.

Conditions precedent

The transfer of the 70% equity interests in the Target Company from the Vendor to Kangda Group is conditional upon the Vendor successfully obtaining the written approval issued by Xinzheng Municipal Government or its authorised department for the establishment of the Target Company.

As disclosed aforesaid, the Vendor had obtained the written approval issued by the Housing and Urban Bureau of Xinzheng Municipal on 29 December 2015.

INFORMATION ABOUT THE TARGET ASSETS

The details of the Target Assets, which will be transferred from the Vendor to the Target Company under the Equity Transfer Agreement, are set out below:

Plant name	Location	Daily treatment capacity of Phase I <i>(tonnes/day)</i>	Designed daily treatment capacity of Phase II <i>(tonnes/day) (note)</i>
Xinzheng Municipal Xuedian Sewage Treatment Plant* (新鄭市薛店污水處理廠)	Northeast to Caodian Village, Xuedian, Xinzheng Municipal	30,000	30,000 - 50,000

Note: As at the date of this announcement, Phase II of the Target Assets has not been constructed and put into operation. It is currently expected that Phase II of the Target Assets will begin construction in August 2016 at the earliest.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

It is the Group's strategy to identify suitable investment opportunities to acquire companies owning sewage treatment plants with good prospects and potential for stable returns. The entering into of the Equity Transfer Agreement and the transactions contemplated thereunder between the Vendor and Kangda Group will benefit the Group by expanding its sewage treatment business in the PRC and enlarging its sources of revenue and profits.

The Directors consider that the acquisition of the 70% equity interests in the Target Company and the terms under the Equity Transfer Agreement and the transactions contemplated thereunder are fair, reasonable, on normal commercial terms, and are in the best interests of the Company and its shareholders as a whole.

DEFINITIONS

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

“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 the Cayman Islands with limited liability, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Vendor and Kangda Group in relation to the transfer of 70% equity interests in the Target Company on 31 December 2015
“Group”	the Company and its subsidiaries
“Kangda Group”	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

“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 only and unless the context suggest otherwise, excludes Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Target Assets”	Xinzheng Municipal Xuedian Sewage Treatment Plant* (新鄭市薛店污水處理廠), consists of the built Phase I project and the to-be-built Phase II project and will be transferred from the Vendor to the Target Company under the Equity Transfer Agreement
“Target Company”	Xinzheng Xinkang Water Co., Ltd.* (新鄭新康水務有限公司), a company to be established by the Vendor under the Equity Transfer Agreement
“Vendor”	Xinzheng Municipal Xinyuan Sewage Treatment Co., Ltd.* (新鄭市新源污水處理有限責任公司), a limited liability company established in the PRC on 17 December 2003

By order of the Board
KANGDA INTERNATIONAL
ENVIRONMENTAL COMPANY LIMITED
ZHAO Juanxian (alias, ZHAO Junxian)
Chairman

Hong Kong, 31 December 2015

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 a non-executive Director; and Mr. TSUI Yiu Wa Alec, Mr. YUAN Shaoli and Mr. PENG Yongzhen as independent non-executive Directors.

* *For identification purposes only.*