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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 TRANSACTIONS THE ACQUISITION OF THE TARGET COMPANY AND THE PROVISION OF FINANCIAL ASSISTANCE

THE EQUITY TRANSFER AGREEMENT

On 16 December 2016, 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 RMB377,250,000 and the Purchaser shall assume the Target Company's liabilities of RMB166,050,000.

THE PROVISION OF FINANCIAL ASSISTANCE

On the same date, in order to facilitate the Acquisition, the Lender, an indirectly wholly-owned subsidiary of the Company, agreed to provide to the Borrower a secured loan in the principal amount of RMB166,050,000 for a term of nine months.

LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios in respect of the Acquisition and the provision of the financial assistance is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition and the provision of the financial assistance constitute disclosable transactions for the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 16 December 2016, 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 RMB377,250,000 and the Purchaser shall assume the Target Company's liabilities of RMB166,050,000.

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THE EQUITY TRANSFER AGREEMENT

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

Date

16 December 2016

Parties

- (i) Vendor: China Meiling Environment Holdings Pte. Ltd.; and
- (ii) Purchaser: Kangda Investment (Hong Kong) Company Limited (康達投資(香港)有限公司).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) 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 equity interests in several companies (together as the "**Target Equity Interests**"), the target projects (the "**Target Projects**") and target assets (the "**Target Assets**") as listed out below:

Target Equity Interests

The Target Equity Interests comprise of 100% equity interest in the Target Company and its two wholly-owned subsidiaries engaging in sewage purification business, and 49% equity interest in Zibo Tianqiyan. Upon completion of the Acquisition, the financials attributable to the Target Equity Interests will be consolidated into those of the Company.

Target Projects

The Target Projects comprise of (i) five sewage treatment plants with an aggregate designed daily treatment capacity of 220,000 tonnes (of which, construction of daily treatment capacity of 195,000 tonnes has been constructed and the remaining 25,000 tonnes is under construction), and (ii) a water supply project with a constructed designed daily operation capacity of 93,000 tonnes, located in Shandong Province, the PRC.

Target Assets

The Target Assets comprise of the assets in relation to the operation of the Target Projects, including the relevant land, buildings, water supply and distribution pipeline networks and pump station system.

Consideration

The total consideration for the Acquisition was RMB543,300,000, including (i) the consideration for the acquisition of Target Equity Interests, the Target Projects and the Target Assets, amounted to RMB377,250,000, and (ii) the liabilities of the Target Company to be assumed by the Purchaser, amounted to RMB166,050,000 (the “**Debts**”) (for the detailed arrangement, please refer to the section named Provision of Financial Assistance below).

Such consideration was determined after arm’s length negotiation of the Vendor and the Purchaser, taking into consideration of the commercial value of the relevant plants and facilities to be acquired.

The consideration shall be determined in RMB but shall be paid in USD, and the exchange rate of RMB to USD to be adopted shall be the middle exchange rate as announced by the Public’s Bank of China on the execution date of the Equity Transfer Agreement, i.e. USD1=RMB6.9508. The Purchaser shall pay for the consideration for the acquisition of Target Equity Interests, the Target Projects and the Target Assets amounted to RMB377,250,000 to the bank account designated by the Vendor in the following manners:

- (1) approximately USD30,825,230 (equivalent to RMB214,260,000, including the deposit of RMB30,000,000) shall be paid by the Purchaser to the Vendor within fifteen (15) business days upon the completion of the filing with Administration of Industry and Commerce subject to and upon the terms and conditions of the Equity Transfer Agreement;
- (2) approximately USD20,571,730 (equivalent to RMB142,990,000) shall be paid by the Purchaser to the Vendor within fifteen (15) business days from the date on which the Target Projects and the Target Assets have been transferred to the Purchaser from the Vendor;
- (3) approximately USD1,150,950 (equivalent to RMB8,000,000) shall be paid by the Purchaser to the Vendor within five (5) business days upon the completion of the construction and equipment installation of the Target Projects (excluding Phase II of Linzi Qicheng Sewage Treatment Plant) along with the delivery of relevant acceptance inspection;

- (4) approximately USD1,438,680 (equivalent to RMB10,000,000) shall be paid by the Purchaser to the Vendor within five (5) business days upon the completion of the construction and equipment installation of the Phase II of Linzi Qicheng Sewage Treatment Plant along with the delivery of relevant acceptance inspection, which shall be obtained within 12 months from the completion of the Phase II Project of Linzi Qicheng Sewage Treatment Plant; and
- (5) approximately USD287,740 (equivalent to RMB2,000,000) shall be paid by the Purchaser to the Vendor within five (5) business days after the expiration of a three-month warranty period commencing from the date on which the Target Projects and the Target Assets have been transferred to the Purchaser from the Vendor.

Disposal of Certain Assets before the Acquisition

The Vendor shall dispose (the “**Disposal**”) the assets set out below (the “**Disposed Assets**”) from Meiling Environmental before the Acquisition and bear the taxation cost accrued from the Disposal:

- (1) 100% equity interests of Shandong Meiling Zhonglian Environment Engineering Co., Ltd. (山東美陵中聯環境工程有限公司);
- (2) 51% equity interests of Zibo Tianqiyuan;
- (3) interests in Tianqiyuan Mineral Water Branch of Meiling Environmental Technology (Zibo) Co., Ltd.* (美陵環境科技(淄博)有限公司天齊淵礦泉水分公司, including all of the assets and liabilities); and
- (4) all relevant assets of Meiling Environmental other than the Target Assets.

Conditions Precedent

The completion of the Acquisition shall be subject to the fulfilment of the following conditions precedent:

- (1) the Vendor and the Target Company shall complete all necessary filing or application with competent commerce department in the PRC in relation to the Acquisition;
- (2) the Vendor and the Target Company shall complete all necessary filing or application with competent taxation department in the PRC in relation to the Acquisition; and
- (3) the Vendor and the Target Company shall obtain the confirmation from the competent authority in relation to the concession right of a sewage treatment plant.

Closing

The closing of the Acquisition includes:

- (1) the execution of all the application documents for the industrial and commercial registration of changes within five (5) business days upon the completion of the Disposal subject to and upon the terms and conditions in the Equity Transfer Agreement; and

- (2) the transfer of the Target Projects and the Target Assets on the next day after the completion of the industrial and commercial registration of changes of the equity interests in the Target Company.

PROVISION OF FINANCIAL ASSISTANCE

Date

16 December 2016

Parties

- (i) Lender: Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司); and
- (ii) Borrower: Meiling Environmental Science and Technology (Zibo) Co., Ltd.* (美陵環境科技(淄博)有限公司).

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

Principal amount

RMB166,050,000 (among which, RMB30,000,000 has been paid to the Borrower and the remaining RMB136,050,000 shall be paid to the Borrower within 5 business days after the execution of the loan agreement).

Interest rate

The benchmark interests rate for loans announced by the People's Bank of China for the same period, i.e. 4.35% per annum.

Term

Nine months commencing from 16 December 2016.

Security

The Loan is secured by the pledge of the equity interests in three companies held by the Borrower, including 100% equity interests in two wholly-owned subsidiaries and 49% equity interest in Zibo Tianqiyuan.

Repayment

The Borrower shall repay the interests and the principal amount on the next day after the term of the Loan. Pursuant to the supplemental agreement to the Equity Transfer Agreement, the Purchaser shall assume the responsibility to repay the interests and the principal amount to the Lender upon the completion of the Acquisition.

Use of the Loan

The Loan shall be used by the Borrower solely for the purpose to pay the Debts.

Source of funding

The Loan will be financed by the Group's internal resources.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 19 April 2006. The Target Company is principally engaged in the design and manufacture of energy conservation and environmental protection equipment, consulting, design, construction and operation of environmental engineering, urban water supply, production and sales of mineral water, etc.

According to the management accounts, as of 30 November 2016, the total assets of the Target Company was approximately RMB177,072,000; the net assets was approximately RMB10,000,000; the total liabilities was approximately RMB167,072,000.

INFORMATION ABOUT THE VENDOR AND THE GROUP

The principal activity of the Vendor is investment holding.

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 and the provision of financial assistance for the purpose to facilitate the Equity Transfer Agreement are 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 Acquisition 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.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios in respect of the Acquisition and the provision of financial assistance is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition and the provision of financial assistance constitute disclosable transactions for the Company and are subject to reporting and announcement 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.

“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) (stock code: 6136), a company incorporated in Cayman Islands with limited liability
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 16 December 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region
“Lender”	Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司), an indirectly wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the principal amount of RMB166,050,000, being the financial assistance to be provided by the Lender to the Borrower
“Meiling Environmental” or “Borrower”	Meiling Environmental Science and Technology (Zibo) Co., Ltd.* (美陵環境科技(淄博)有限公司), a limited liability company established in the PRC on 19 April 2006

“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”	Kangda Investment (Hong Kong) Company Limited (康達投資(香港)有限公司), a limited company incorporated in Hong Kong on 2 September 2011, an indirectly wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Target Company”	Meiling Environmental without the Disposed Assets
“USD”	United States dollar, the lawful currency of the United States of America
“Vendor”	China Meiling Environment Holdings Pte. Ltd., a private trading enterprise established in Singapore on 23 July 2007
“Zibo Tianqiyuan”	Zibo Tianqiyuan Water Supply Co., Ltd.* (淄博市天齊淵供水有限公司), a limited company incorporated in the PRC on 2 December 2003 and a wholly-owned subsidiary of the Target Company

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

Hong Kong, 16 December 2016

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 and Mr. WANG Litong as executive Directors; Mr. ZHUANG Ping as a non-executive Director; and Mr. TSUI Yiu Wa Alec, Mr. PENG Yongzhen and Mr. CHANG Qing as independent non-executive Directors.

* *For identification purposes only.*