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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 100% OF THE EQUITY INTEREST IN QITAIHE WANXINGLONG WATER CO., LTD.

The Board is pleased to announce that on 15 October 2016, the Vendor and Kangda Group entered into the Equity Transfer Agreement, pursuant to which, the Vendor agreed to transfer, and Kangda Group agreed to acquire, 100% of the equity interest in Qitaihe Wanxinglong Water Co., Ltd.* (七台河萬興隆水務有限責任公司), the Target Company, at a consideration of RMB150,000,000.

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

EQUITY TRANSFER AGREEMENT

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

Date:

15 October 2016

Parties:

- (1) Vendor: Harbin Wanxinglong Industrial Development Co., Ltd.* (哈爾濱萬興隆實業發展有限公司); and
- (2) Purchaser: Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司).

Subject matter

The Vendor agreed to transfer, and Kangda Group agreed to acquire, 100% of the equity interest in the Target Company, subject to and upon the terms and conditions of the Equity Transfer Agreement.

As at the date of this announcement, the Target Company was held as to 44% by the Vendor and 56% by CITIC Envirotech. CITIC Envirotech has issued a commitment letter to the Vendor to promise to transfer 56% of the equity interest in the Target Company to the Vendor, for the purpose of completing the equity transfer from the Vendor to Kangda Group. Upon the completion of such transfer from CITIC Envirotech to the Vendor and before the completion of the equity transfer under the Equity Transfer Agreement, the Vendor will held 100% of the equity interest in the Target Company.

Consideration

The consideration under the Equity Transfer Agreement is RMB150,000,000, including (i) the consideration for 100% of the equity interest in the Target Company, amounted to approximately RMB116,241,000 and (ii) the liabilities of the Target Company to be assumed by Kangda Group, amounted to approximately RMB33,759,000. The liabilities of the Target Company aforementioned comprise of (i) the outstanding loan from Asian Development Bank amounted to approximately RMB29,905,000 and (ii) part of account payable and other payables amounted to approximately RMB3,854,000.

Such consideration was determined after arm's length negotiation of the Vendor and Kangda Group, taking into consideration of the commercial value determined by the registered capital, liabilities and relevant plants and facilities of the Target Company.

INFORMATION ABOUT THE VENDOR AND THE TARGET COMPANY

The business scope of the Vendor is researching and developing environmental protection technical briquette, environmental protection technology development, briquette technology development; sales of hardware and electrical material, automobile accessories, daily necessities, light textile, artifact, asphalt (factory direct); lease of self-owned properties and warehousing storage services (excluding dangerous chemical and toxic substance).

The business scope of the Target Company is sewage treatment and recycling, environmental protection engineering consultancy and sludge processing. As of the date of this announcement, the Target Company owns the concession rights of and operate the Qitaihe City No. 1 Wastewater Treatment Plant with a daily treatment capacity of 50,000 tonnes and recycling water daily generation capacity of 40,000 tonnes.

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 an independent third party of the Company and its connected person(s) (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

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 wastewater treatment plants with good prospects and potential for stable returns. Entering into the Equity Transfer Agreement will benefit the Group by expanding its wastewater treatment business in the PRC and enlarging its sources of revenue and profits.

The Directors consider that the acquisition of 100% of the equity interest 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, unless the context otherwise requires, the following words and phrases have the following meanings:

“Board”	the board of Directors
“CITIC Envirotech”	CITIC Envirotech (Guangzhou) Co., Ltd.* (中信環境技術(廣州)有限公司), a limited liability company established in the PRC on 25 September 2003
“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
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Vendor and Kangda Group on 15 October 2016 in relation to the acquisition of 100% of the equity interest in the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region
“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 and an indirectly wholly-owned subsidiary of the Company
“PRC”	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

“Target Company” Qitaihe Wanxinglong Water Co., Ltd.* (七台河萬興隆水務有限責任公司), a limited liability company established in the PRC on 11 November 2008

“Vendor” Harbin Wanxinglong Industrial Development Co., Ltd.* (哈爾濱萬興隆實業發展有限公司), a limited liability company established in the PRC on 28 March 2000

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

Hong Kong, 16 October 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*