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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% EQUITY INTEREST IN SHANDONG FENGMIN WATER

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.

ACQUISITION OF 100% EQUITY INTEREST IN SHANDONG FENGMIN WATER

The Board is pleased to announce that on 21 March 2017, Kangda Group and Mr. Wang entered into the Equity Transfer Agreement, pursuant to which, Mr. Wang conditionally agreed to transfer and Kangda Group conditionally agreed to acquire the 100% equity interest in Shandong Fengmin Water.

EQUITY TRANSFER AGREEMENT

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

Date:

21 March 2017

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 : Mr. Wang.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Mr. Wang is a third party independent of the Company and its connected persons.

Subject Matter

Mr. Wang conditionally agreed to transfer and Kangda Group conditionally agreed to acquire the 100% equity interest in Shandong Fengmin Water, subject to and upon the terms and conditions of the Equity Transfer Agreement.

Consideration and Payment Terms

The total consideration for the acquisition of Shandong Fengmin Water is not more than RMB32,300,000, comprising (i) the consideration for acquisition of 100% equity interest in Shandong Fengmin Water, amounted to RMB31,000,000; and (ii) the land contracting fee and compensation for demolition in relation to the BOO Project (as defined below) that is to be prepaid by Mr. Wang, amounted to not more than RMB1,300,000, which shall be reimbursed by Kangda Group to Mr. Wang together with the payment in step (1) below.

The total consideration of RMB31,000,000 shall be paid by Kangda Group to Mr. Wang in the following manners:

- (1) RMB6,200,000 (being 20% of the consideration) shall be paid, as a deposit, within five (5) business days from the completion of the conditions precedent, and such deposit shall become first payment upon completion of conditions in step (2) below;
- (2) RMB15,500,000 (being 50% of the consideration) shall be paid within three (3) business days from completion of registration at competent industrial and commercial administration and receipt of new business license by Kangda Group; and
- (3) RMB9,300,000 (being 30% of the consideration) shall be paid within three (3) business days from completion of required procedures by Mr. Wang under the terms and conditions of the Equity Transfer Agreement, including obtaining relevant permits, titlement of the assets and relevant legal and financial documentary in relation to the BOO Project (as defined below).

Conditions Precedent

The transfer of the 100% equity interest in Shandong Fengmin Water from Mr. Wang to Kangda Group is conditional upon the execution of a land contract within 15 business days from the execution of the Equity Transfer Agreement. Pursuant to the said land contract, Shandong Fengmin Water shall be entitled to use the contracted land for the purposes of operation of the BOO Project (as defined below).

INFORMATION ABOUT THE GROUP AND SHANDONG FENGMIN WATER

The Group is mainly engaged in investment and operation of wastewater treatment facilities in the PRC.

Shandong Fengmin Water is mainly engaged in investment, construction and operation of projects related to untreated water, tap water, industrial water, agricultural water, as well as pipe network. Shandong Fengmin Water has been granted a concession right to the investment, construction, operation and maintenance of a project located in Zhanhua Economic Development Zone in Shandong Province, using a build-own-operate project

model (the “**BOO Project**”). With an estimated total investment amount of RMB300,000,000, the BOO Project comprises of investment and construction of (i) a reservoir with a total storage capacity of 9,990,000 cubic meters; (ii) a water supply and purifying center with daily water supply capacity of 150,000 tonnes as to industrial water; and (iii) relevant industrial and household water pipe network of 20 kilometers, and a project with a agricultural water supply capacity of 10,000,000 tonnes/year.

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 water supply projects with good prospects and potential for stable returns. The entering into of the Equity Transfer Agreement and the transactions contemplated thereunder between Mr. Wang and Kangda Group will enhance its market position by enlarging its operation scale in Shandong Province, benefit the Group by expanding its water supply business in the PRC and increase its sources of revenue and profits.

The Directors consider that the acquisition of the 100% equity interest in the Shandong Fengmin Water 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
“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 Mr. Wang and Kangda Group in relation to the transfer of 100% equity interest in Shandong Fengmin Water on 21 March 2017
“Group”	the Company and its subsidiaries
“Mr. Wang”	Mr. Wang Chuntian (王春田), who holds 100% equity interest in Shandong Fengmin Water immediately prior to the completion of the acquisition of Shandong Fengmin Water by Kangda Group

“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
“Shandong Fengmin Water”	Shandong Fengmin Water Co., Ltd.* (山東豐民水務有限公司), a limited liability company established in the PRC on 28 October 2016, the target company under the Equity Transfer Agreement

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

Hong Kong, 21 March 2017

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