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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 AND CONNECTED TRANSACTION THE ACQUISITION OF 15% EQUITY INTERESTS IN THE TARGET COMPANY**

#### **THE ACQUISITION**

On 1 September 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 the 15% equity interests held by the Vendor in the Target Company for a consideration of RMB450,000,000.

As at the date of this announcement, the Target Company was held as to 15% by the Vendor, 20% by the Department of Finance of Henan Province\* (河南省財政廳) and 65% by other six companies which are independent third parties to the Group. Upon completion of the Acquisition, the Target Company will be held as to 15% by the Purchaser, 20% by the Department of Finance of Henan Province\* (河南省財政廳) and 65% by other six companies.

#### **LISTING RULES IMPLICATION**

As the highest of the applicable percentage ratios in respect of the Acquisition is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser is an indirectly wholly-owned subsidiary of the Company and the Vendor, a company indirectly controlled by Mr. Zhao Juanxian (alias, Zhao Junxian) (趙雋賢先生) (“**Mr. Zhao**”), a director and a substantial shareholder of the Company. Therefore, the Vendor is an associate of Mr. Zhao and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition are more than 5%, the Acquisition is subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

## **GENERAL**

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder. Mr. Zhao and his associates will be required to abstain from voting on the Shareholders’ resolutions in relation to the Acquisition. Save as aforementioned, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition and therefore no other Shareholder is required to abstain from voting at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, who have no direct or indirect interest in the Equity Transfer Agreement and the transaction contemplated thereunder, has been established to advise the Independent Shareholders on the terms of such transaction. First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreement and the transaction contemplated thereunder.

A circular containing, among other things, (i) further information on the Equity Transfer Agreement; (ii) a letter from the Independent Board Committee containing its recommendation in respect of the Equity Transfer Agreement; (iii) a letter from the Independent Financial Adviser containing its advice in respect of the Equity Transfer Agreement; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 23 September 2016.

## **INTRODUCTION**

On 1 September 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 the 15% equity interests held by the Vendor in the Target Company for a consideration of RMB450,000,000.

As at the date of this announcement, the Target Company was held as to 15% by the Vendor, as to 20% by the Department of Finance of Henan Province\* (河南省財政廳) and as to 65% by other six companies. Upon completion of the Acquisition, the Target Company will be held as to 15% by the Purchaser, as to 20% by the Department of Finance of Henan Province\* (河南省財政廳) and as to 65% by other six companies. Save for their interest in the Target Company, the Department of Finance of Henan Province\* (河南省財政廳) and other six companies are independent third parties (as defined in the Listing Rules) to the Group.

## **THE EQUITY TRANSFER AGREEMENT**

**Date:** 1 September 2016

**Parties:**

- (i) Vendor: Chongqing Kangda Investment Co., Ltd.\* (重慶康達投資有限公司); and
- (ii) Purchaser: Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.\* (重慶康達環保產業(集團)有限公司).

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

The Purchaser has agreed to acquire and the Vendor has agreed to sell 15% equity interests held by the Vendor in the Target Company. Based on the financial statement of the Target Company, the book value of 15% equity interests held by the Vendor in the Target Company as at 31 July 2016 was approximately RMB453,510,000. The original cost of investment of the 15% equity interest in the Target Company to the Vendor is RMB450,000,000, being the capital contribution made by the Vendor. Upon the completion of the Acquisition, i.e. the completion of relevant filings in competent Administration of Industry and Commerce in the PRC, the equity interests in the Target Company will be held by the Purchaser as to 15%.

### **Consideration**

The consideration for the Acquisition was RMB450,000,000, which was negotiated by the Purchaser and the Vendor on arm's length basis and equivalent to the capital contribution made by the Vendor amounted to RMB450,000,000. As at the date of this announcement, the paid-up registered capital of the Target Company was RMB3,000,000,000.

The Purchaser shall pay such consideration to the bank account designated by the Vendor within ten (10) business days after the execution of the Equity Transfer Agreement and the approval by the Independent Shareholders at the EGM.

### **Conditions Precedent**

The Equity Transfer Agreement shall become effective subject to the following conditions precedent:

- (i) the execution of the Equity Transfer Agreement with common seal by the legal representatives or authorized representatives of the Vendor and the Purchaser;

- (ii) the approval of the Acquisition from the shareholders of the Target Company; and
- (iii) the approval of the Acquisition from both the Board meeting and general meeting of the Company.

### **Completion**

Upon the execution of the Equity Transfer Agreement and the payment of the consideration for the Acquisition, the Vendor, the Purchaser and the Target Company shall complete the execution of all the application documents as required by Industry and Commerce in relation to the registration of the Acquisition, and apply to the competent Administration of Industry and Commerce in Henan Province for registration of the Acquisition within ten (10) business days after the Purchaser's written notice of the registration of the Acquisition.

### **INFORMATION ABOUT THE TARGET COMPANY**

The Target Company is a limited liability company established in the PRC on 31 August 2015. The business scope of the Target Company includes disposal of non-performing assets, fund management, financial assets transactions, aviation financial leasing, management of assets and fortune, and commercial factoring.

According to the financial statement of the Target Company, as at 31 July 2016, the unaudited net assets of the Target Company amounted to approximately RMB3,023,403,000.

### **INFORMATION ABOUT THE VENDOR AND THE PURCHASER**

The Vendor is a limited liability company established in the PRC on 19 April 2010. The Vendor is primarily engaged in investment by using its own funds.

The Purchaser is a limited liability company established in the PRC on 19 July 1996, which is indirectly held by the Company as to 100%. It is primarily engaged in investment and operation of wastewater treatment facilities in the PRC.

### **BENEFIT OF AND REASONS FOR ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

The Company is a leading privately-owned company for investing in and operating wastewater treatment facilities in the PRC. The benefits of and reasons for entering into the Equity Transfer Agreement are as follows:

- (i) the Target Company has entered into strategic cooperation agreements with certain governments at city and county level in Henan Province (such as Xinxiang City, Hebi City and Jiaozuo City) in relation to financial and ecological environmental protection industries, which is expected to bring more potential environmental-related business opportunities to the Group;

- (ii) upon the completion of the Acquisition, by leveraging on the effective combination of the Group's industrial expertise and operation management experience advantages and the regional resources advantages of the Target Company, the Group will obtain advantages for developing environmental projects and other environmental-related contractor business opportunities in Henan Province, which will help strengthen the future operation results of the Group;
- (iii) other than assets management business, the Target Company is actively participating in real economic industries including environmental protection industry. The Group expects to enhance its relationship with the Target company by way of establishing joint venture, etc, to obtain the environmental protection business opportunities in Henan Province; and
- (iv) as the Target Company is the only financial assets management company invested by the Department of Finance of Henan Province, which has the qualification for conducting the business in relation to financial non-performing assets in Henan Province and has good prospects of financial performance, it is expected that the Group will benefit from the future increase in the value of the 15% equity interests of the Target Company and receive good investment return.

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. Mr. Zhao did not attend the Board meeting and did not vote on the Equity Transfer Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors has any material interest in the Acquisition.

## **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios in respect of the Acquisition under the Equity Transfer Agreement is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser is an indirectly wholly-owned subsidiary of the Company and the Vendor, a company indirectly controlled by Mr. Zhao, a director and a substantial shareholder of the Company. Therefore, the Vendor is an associate of Mr. Zhao and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition are more than 5%, the Acquisition is subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A 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 15% equity interests in the Target Company by the Purchaser from the Vendor pursuant to the Equity Transfer Agreement
“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
“Equity Transfer Agreement”	the equity transfer agreement dated 1 September 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	First Shanghai Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who have a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder
“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 and unless the context suggests 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

“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, an indirectly wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Zhongyuan Asset Management Co., Ltd.* (中原資產管理有限公司), a limited liability company established in the PRC on 31 August 2015, which was held as to 20% by the Department of Finance of Henan Province* (河南省財政廳), 15% by the Purchaser, 15% by Shenzhen Huaqiang Hongjia Investment Co., Ltd.* (深圳華強弘嘉投資有限公司), 15% by Zhengzhou Development Investment Group Co., Ltd.* (鄭州發展投資集團有限公司), 15% by Henan Province Agriculture Comprehensive Development Co.* (河南省農業綜合開發公司), 10% by Bairui Trust Co., Ltd.* (百瑞信託有限責任公司), 6.67% by Henan Province Yuzi Urban and Rural Investment Development Co., Ltd.* (河南省豫資城鄉投資發展有限公司) and 3.33% by Cinda Investment Co., Ltd.* (信達投資有限公司) upon the completion of the Acquisition
“Vendor”	Chongqing Kangda Investment Co., Ltd.* (重慶康達投資有限公司), a limited liability company established in the PRC on 19 April 2010

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

Hong Kong, 1 September 2016

*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. PENG Yongzhen and Mr. CHANG Qing as independent non-executive directors.*

\* For identification purposes only.