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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

ACQUISITION OF HATLEN INVESTMENT AND SUBSCRIPTION OF SHARES OF PROTECTION WATER

ACQUISITION OF HATLEN INVESTMENT

The Board is pleased to announce that on 13 January 2017, the Vendor and Kangda Investment, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which, the Vendor agreed to transfer, and Kangda Investment agreed to acquire, all shares allotted and issued by Hatlen Investment, at a consideration of RMB39,595,000.

SUBSCRIPTION OF SHARES OF PROTECTION WATER

The Board is also pleased to announce that on 13 January 2017, Kangda Investment subscribed for 110 shares issued by Protection Water at a total consideration of HK\$270,000, and Kangda Investment, the Other Shareholders of Protection Water and Protection Water entered into the Shareholders' Agreement to regulate the shareholders' rights and obligations in respect of Protection Water.

After the completion of the Sale and Purchase Agreement and the Shareholders' Agreement, Kangda Investment will hold Protection Water as to approximately 1.09%, hold Hatlen Investment as to 100% and control Putian Company as to 50.30%.

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 HATLEN INVESTMENT

Principal terms of the Sale and Purchase Agreement are set forth as below:

Date:

13 January 2017

Parties:

- (1) Vendor: Tang Mei (湯梅); and
- (2) 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, the Vendor is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter

The Vendor agreed to transfer, and Kangda Investment agreed to acquire, all shares allotted and issued by Hatlen Investment, subject to and upon the terms and conditions of the Sale and Purchase Agreement.

As at the date of the Sale and Purchase Agreement, Hatlen Investment held as to 50% of the equity interest of Putian Company. After the completion of the Sale and Purchase Agreement, Hatlen Investment will be indirectly wholly owned by the Company and Putian Company will be indirectly held as to 50% by the Company.

Consideration

The consideration under the Sale and Purchase Agreement is RMB39,595,000, which was determined after arm's length negotiation of the Vendor and Kangda Investment, taking into consideration of the commercial value determined by the registered capital, liabilities and relevant plants and facilities of Hatlen Investment and Putian Company.

The consideration is determined in RMB but shall be paid in HK\$ at the exchange of HK\$1 = RMB0.894. Kang Investment shall pay for the consideration to the bank account designated by the Vendor in the following manners:

- (1) such amount of HK\$ equivalent to RMB3,960,000 shall be paid by Kangda Investment to the Vendor within two business days after the execution of the Sale and Purchase Agreement;
- (2) such amount of HK\$ equivalent to approximately RMB15,838,000 shall be paid by Kangda Investment to the Vendor within three business days after Kangda Investment completes the formalities of becoming the registered shareholder and the beneficial owner of Hatlen Investment and the lawyer jointly appointed by Kangda Investment and the Vendor issues the written confirmation to both parties;

- (3) such amount of HK\$ equivalent to approximately RMB11,878,000 shall be paid by Kangda Investment to the Vendor within three business days after (a) the target assets and relevant materials are transferred to Kangda Investment, and Kangda Investment and the Vendor sign the assets transfer memorandum (“**Assets Transfer Memo**”); (b) the Vendor pays off the debts of Putian Company other than those agreed by Kangda Investment and the Vendor; and (c) Putian Company is actually controlled by Kangda Investment and Kangda Investment’s representative is appointed as the general manager of Putian Company by its board of directors;
- (4) such amount of HK\$ equivalent to approximately RMB6,731,150 shall be paid by Kangda Investment to the Vendor within three business days after the Vendor completes the rectifications required by the Assets Transfer Memo (if any); and
- (5) such amount of HK\$ equivalent to approximately RMB1,187,850 shall be paid by Kangda Investment to the Vendor within three business days after Kangda Investment completes the industry and commercial registration formalities regarding the 50.3% equity interests of Putian Company.

Conditions Precedent

The completion of the Sale and Purchase Agreement shall be subject to the fulfilment of the following conditions precedent:

- (1) the execution of the Shareholders’ Agreement by, among others, Kangda Investment and the Vendor;
- (2) Kangda Investment shall complete the primary due diligence of Hatlen Investment and Putian Company;
- (3) there is no material adverse change on the financial situation, legal, business or operation of Hatlen Investment and Putian Company;
- (4) there is no untrue, incorrect or misleading information at the time of closing of the Sale and Purchase Agreement;
- (5) Kangda Investment and the Vendor shall obtain all the required approval, permission and authority, no matter based on any laws, regulations, listing rules or other rules;
- (6) Kangda Investment shall provide all the required material for the Vendor to change the shareholding structure of Hatlen Investment within 15 business days after the execution of the Sale and Purchase Agreement and the Vendor shall complete the change of the owner of 100% equity interest of and the beneficial owner of Hatlen Investment within 30 business days after the execution of the Sale and Purchase Agreement;
- (7) Kangda Investment finds no other debts of Hatlen Investment except for those agreed by Kangda Investment and the Vendor during the transfer of the target assets and relevant material; and
- (8) the Vendor shall complete the rectification required by the Assets Transfer Memo within 90 business days after the execution of the Assets Transfer Memo.

SUBSCRIPTION OF SHARES OF PROTECTION WATER

Kangda Investment subscribed for and Protection Water allotted and issued 110 shares, which constitutes approximately 1.09% of the total enlarged shares allotted and issued by Protection Water, to Kangda Investment. Kangda Investment, the Other Shareholders of Protection Water and Protection Water then entered into the Shareholders' Agreement, the principal terms of which are set forth as below:

Date:

13 January 2017

Parties:

- (1) Hatlen Import & Export Limited;
- (2) Shen Yibin (沈毅斌 together with Hatlen Import & Export Limited, collectively referred to as "**Other Shareholders of Protection Water**");
- (3) Kangda Investment (Hong Kong) Company Limited (康達投資(香港)有限公司); and
- (4) Protection (Asia) Water Treatment Holding Limited (普羅達克森(亞洲)水務控股有限公司).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of Other Shareholders of Protection Water and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter

Business of Protection Water

The business of the Protection Water shall be conducted in its best interest and on sound commercial profit making principles so as to generate the maximum achievable maintainable profits available for distribution.

Appointment of directors of Protection Water

Each of the shareholders of Protection Water is entitled to nominate one (1) person to be appointed as a director of Protection Water from time to time.

Transfer and allotment of shares of Protection Water

Subject to below conditions, no shareholder of Protection Water may sell, transfer or otherwise part with the legal or beneficial ownership of or any other interest in any shares of Protection Water without the written consent of all the other shareholders of Protection Water from time to time:

- (i) in the event of a shareholder wishing to sell, transfer or otherwise dispose of any shares in Protection Water, other shareholders shall have the preemptive right; and

- (ii) in the event that Protection Water proposes to allot or issue further shares, the existing shareholders of Protection Water shall have the preemptive right.

Dividend/Distribution

Any profit or loss incurred by Protection Water shall be shared by the shareholders of Protection Water in proportion to their respective shareholdings.

As at the date of the Shareholders' Agreement, Protection Water held as to 30% of the equity interest of Putian Company. After the completion of the Shareholders' Agreement and the Sale and Purchase Agreement as mentioned above, Kangda Investment will ultimately acquire 50.3% controlling interest in Putian Company in aggregate and the financial results of Hatlen Investment and Putian Company will be consolidated into the Group.

INFORMATION ABOUT THE GROUP

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

INFORMATION ABOUT THE HATLEN INVESTMENT, PROTECTION WATER AND PUTIAN COMPANY

Both Hatlen Investment and Protection Water are mainly engaged in investment holding.

Putian Company is mainly engaged in operation of wastewater treatment facilities in Putian City, Fujian Province, with an aggregated daily treatment capacity of 160,000 tonnes.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT AND SHAREHOLDERS' AGREEMENT

It is the Group's strategy to identify suitable investment opportunities to acquire, directly or indirectly, companies owning wastewater treatment plants with good prospects and potential for stable returns. Entering into the Sale and Purchase Agreement and Shareholders' 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 subscription of shares of Protection Water and the acquisition of Hatlen Investment and Putian Company, the terms under the Sale and Purchase Agreement and the Shareholders' 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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hatlen Investment”	Hatlen Investment (Aus.) Pty Ltd, a company incorporated in Australia on 22 April 2002
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Kangda Investment”	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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Protection Water”	Protection (Asia) Water Treatment Holding Limited (普羅達克森(亞洲)水務控股有限公司), a private company incorporated under the laws of Hong Kong with limited liability on 14 December 2007
“Putian Company”	Protection (Putian) Water Treatment Co., Ltd.* (普羅達克森(莆田)水處理有限公司), a Chinese foreign equity joint venture incorporated in the PRC on 4 September 2008
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between Tang Mei and Kangda Investment on 13 January 2017 in relation to the acquisition of 100% of the equity interest in Hatlen Investment

“Shareholders’ Agreement”	The shareholders’ agreement entered into among Other Shareholders of Protection Water, Kangda Investment and Protection Water on 13 January 2017 to regulate their respective rights and obligations in respect of Protection Water
“Vendor”	Tang Mei (湯梅), an individual, being the sole shareholder of Hatlen Investment as of 13 January 2017
“%”	per cent

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

Hong Kong, 16 January 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*