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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 TRANSACTIONS
FURTHER ACQUISITION OF 9% EQUITY INTERESTS
IN EACH OF THE TARGET COMPANIES**

THE ACQUISITION

On 30 June 2016, the Vendor and the Purchaser entered into the Agreements, pursuant to which the Purchaser, an indirectly wholly-owned subsidiary of the Company, agreed to acquire the 9% equity interests held by the Vendor in each of the Target Companies for an aggregate consideration of RMB52,830,000 (RMB5,805,000 under the Liaocheng Agreement, RMB5,805,000 under the Jiaxiang Agreement, RMB7,740,000 under the Xin County Agreement, RMB7,740,000 under the Yanggu Agreement, RMB11,520,000 under the Dong'e Agreement, RMB7,020,000 under the Jiaming Agreement and RMB7,200,000 under the Linqing Agreement). The Target Companies own the concession right of the Sewage Treatment Plants for an aggregate daily design treatment capacity of 340,000 tonnes. As at the date of this announcement, the Sewage Treatment Plants have an aggregate daily treatment capacity of 250,000 tonnes in operation, 40,000 tonnes under construction and 50,000 tonnes to be constructed.

LISTING RULES IMPLICATION

As the transactions under the 2015 Agreements were completed within the past 12 months from the date of the Agreements, the transactions under the 2015 Agreements and the Transactions are aggregated in computing the applicable percentage ratios pursuant to Rule 14.22 of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Transactions under the Agreements

(on an aggregation basis) is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Transactions constitute disclosable transactions for the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, each of the Target Companies is a subsidiary held by the Company as to 90%, and the remaining 10% equity interests in each of the Target Companies are held by the Vendor. As the Vendor is a substantial shareholder of the Target Companies, the Vendor is a connected person of the Company at the subsidiary level, and the Transactions constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The Board has approved the Transactions and the independent non-executive Directors have confirmed that (i) the terms of the Transactions are fair and reasonable, (ii) the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Company and its subsidiaries and (iii) the Transactions are in the interest of the Company and its Shareholders as a whole. Accordingly, the Transactions are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. No Director has a material interest in the Transactions and none of them is required to abstain from voting on the Board resolution for approving the Transactions.

INTRODUCTION

Reference is made to the announcements of the Company dated 10 August 2014 and 1 December 2015 in relation to the acquisition of the 90% equity interests in each of the Target Companies by the Purchaser from the Vendor pursuant to the 2014 Agreement and 2015 Agreements, respectively. After the transactions as stated in such announcements and as of the date of this announcement, each of the Target Companies is held by the Purchaser as to 90% and a subsidiary of the Company.

On 30 June 2016, the Vendor and the Purchaser entered into the Agreements, pursuant to which the Purchaser, an indirectly wholly-owned subsidiary of the Company, agreed to acquire the 9% equity interests held by the Vendor in each of the Target Companies for an aggregate consideration of RMB52,830,000 (RMB5,805,000 under the Liaocheng Agreement, RMB5,805,000 under the Jiexiang Agreement, RMB7,740,000 under the Xin County Agreement, RMB7,740,000 under the Yanggu Agreement, RMB11,520,000 under the Dong'e Agreement, RMB7,020,000 under the Jiaming Agreement and RMB7,200,000 under the Linqing Agreement). The Target Companies own the concession right of the Sewage Treatment Plants for an aggregate daily design treatment capacity of 340,000 tonnes.

THE AGREEMENTS

Date: 30 June 2016

Parties:

- (i) Vendor: Shandong Guohuan Industrial Investment Co., Ltd.* (山東國環產業投資有限公司); 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 Companies

The Purchaser has agreed to acquire and the Vendor has agreed to sell 9% equity interests held by the Vendor in each of the Target Companies. Upon the completion of the Transactions, i.e. the completion of relevant filings in competent Administration of Industry and Commerce in the PRC, the equity interests in each of the Target Companies will be held by the Vendor as to 1% and the Purchaser as to 99%.

Consideration, Basis of Consideration and Payment Manner

The total consideration (on an aggregation basis) for the Transactions was RMB52,830,000 (RMB5,805,000 under the Liaocheng Agreement, RMB5,805,000 under the Jiexiang Agreement, RMB7,740,000 under the Xin County Agreement, RMB7,740,000 under the Yanggu Agreement, RMB11,520,000 under the Dong'e Agreement, RMB7,020,000 under the Jiaming Agreement and RMB7,200,000 under the Linqing Agreement), which was negotiated by the Purchaser and the Vendor on arm's length basis.

Pursuant to the Agreements, the Purchaser shall pay the consideration in the following manner:

- (a) Payment of consideration under the Liaocheng Agreement:
 - 1) 89.75% of the total consideration, i.e. RMB5,210,000, shall be paid within five (5) business days upon the execution of the Liaocheng Agreement after the Vendor returns the profit distribution fund in amount of approximately RMB363,000 to Liaocheng Company;

- 2) 9.5% of the total consideration, i.e. RMB551,500, shall be paid within five (5) business days after the Vendor completes construction of the extension project under the 2014 Agreement; and
 - 3) 0.75% of the total consideration, i.e. RMB43,500, shall be paid within five (5) business days after the expiration of the defect liability period of the extension project under the 2014 Agreement.
- (b) Payment of consideration under the Jiaxiang Agreement:
- 1) 89.75% of the total consideration, i.e. RMB5,210,000, shall be paid within five (5) business days upon the execution of the Jiaxiang Agreement after the Vendor returns the profit distribution fund in amount of approximately RMB164,000 to Jiaxiang Company;
 - 2) 9.5% of the total consideration, i.e. RMB551,500, shall be paid within five (5) business days after the Vendor completes the construction of the extension project under the 2014 Agreement; and
 - 3) 0.75% of the total consideration, i.e. RMB43,500, shall be paid within five (5) business days after the expiration of the defect liability period of the extension project under the 2014 Agreement.
- (c) Payment of consideration under the Xin County Agreement:
- 1) 89.75% of the total consideration, i.e. RMB6,946,700, shall be paid within five (5) business days upon the execution of the Xin County Agreement after the Vendor returns the profit distribution fund in amount of approximately RMB455,000 to Xin County Company;
 - 2) 9.5% of the total consideration, i.e. RMB735,300, shall be paid within five (5) business days after the Vendor completes the construction of the extension project under the 2014 Agreement; and
 - 3) 0.75% of the total consideration, i.e. RMB58,000, shall be paid within five (5) business days after the expiration of the defect liability period of the extension project under the 2014 Agreement.
- (d) Payment of consideration under the Yanggu Agreement:
- 1) 89.75% of the total consideration, i.e. RMB6,946,700, shall be paid within five (5) business days upon the execution of the Yanggu Agreement after the Vendor returns the profit distribution fund in amount of approximately RMB783,000 to Yanggu Company;

- 2) 9.5% of the total consideration, i.e. RMB735,300, shall be paid within five (5) business days after the Vendor completes the construction of the extension project under the 2014 Agreement; and
- 3) 0.75% of the total consideration, i.e. RMB58,000, shall be paid within five (5) business days after the expiration of the defect liability period of the extension project under the 2014 Agreement.

(e) Payment of consideration under the Dong'e Agreement:

- 1) 82.23% of the total consideration, i.e. RMB9,472,900, shall be paid within five (5) business days upon the execution of the Dong'e Agreement after the Vendor returns the profit distribution fund in the amount of approximately RMB87,000 to Dong'e Company;
- 2) 3% of the total consideration, i.e. RMB345,600, shall be paid within five (5) business days after the completion of payment of consideration pursuant to the relevant clause under the 2015 Agreements;
- 3) 12.77% of the total consideration, i.e. RMB1,471,100, shall be paid within five (5) business days upon the execution of the memorandum of project assets delivery after the Vendor completes the construction of the extension project pursuant to the relevant clause under the 2015 Agreements; and
- 4) 2% of the total consideration, i.e. RMB230,400, shall be paid within five (5) business days after the expiration of the defect liability period of the extension project pursuant to the relevant clause under the 2015 Agreements.

(f) Payment of consideration under the Jiaming Agreement:

- 1) 79.29% of the total consideration, i.e. RMB5,566,200, shall be paid within five (5) business days upon the execution of the Jiaming Agreement after the Vendor returns the profit distribution fund in the amount of approximately RMB160,000 to Jiaming Company;
- 2) 3% of the total consideration, i.e. RMB210,600, shall be paid within five (5) business days after the completion of payment of consideration pursuant to the relevant clause under the 2015 Agreements;
- 3) 15.71% of the total consideration, i.e. RMB1,102,800, shall be paid within five (5) business days upon the execution of the memorandum of project assets delivery after the Vendor completes the construction of the extension project pursuant to the relevant clause under the 2015 Agreements; and

- 4) 2% of the total consideration, i.e. RMB140,400, shall be paid within five (5) business days after the expiration of the defect liability period of the extension project pursuant to the relevant clause under the 2015 Agreements.

(g) Payment of consideration under the Linqing Agreement:

- 1) 95% of the total consideration, i.e. RMB6,840,000, shall be paid within five (5) business days upon the execution of the Linqing Agreement after the Vendor returns the profit distribution fund in the amount of approximately RMB168,000 to Linqing Company;
- 2) 3% of the total consideration, i.e. RMB216,000, shall be paid within five (5) business days after the completion of payment of consideration pursuant to the relevant clause under the 2015 Agreements;
- 3) 2% of the total consideration, i.e. RMB144,000, shall be paid within five (5) business days after the expiration of the defect liability period of the extension project pursuant to the relevant clause under the 2015 Agreements.

INFORMATION ABOUT THE TARGET COMPANIES

The Target Companies comprise Liaocheng Company, Jiaxiang Company, Xin County Company, Yanggu Company, Dong'e Company, Jiaming Company, and Linqing Company.

As at 31 December 2015, the approximate total assets and total net assets of the Target Companies are set out as follows:

Company name	As at 31 December 2015	
	Total assets (RMB)	Total net assets (RMB)
Liaocheng Company ⁽¹⁾	74,567,000	73,454,000
Jiaxiang Company ⁽¹⁾	83,555,000	80,052,000
Xin County Company ⁽¹⁾	118,558,000	113,012,000
Yanggu Company ⁽¹⁾	148,356,000	96,155,000
Dong'e Company ⁽²⁾	122,178,000	115,733,000
Jiaming Company ⁽²⁾	80,685,000	75,004,000
Linqing Company ⁽²⁾	<u>76,548,000</u>	<u>75,887,000</u>
Total	<u>704,447,000</u>	<u>629,297,000</u>

The approximate net profit before and after taxation of the Target Companies for the two years ended 31 December 2014 and 2015 are set out as follows:

Company name	For the year ended 31 December 2015		2014	
	Net profit before taxation (RMB)	Net profit after taxation (RMB)	Net profit before taxation (RMB)	Net profit after taxation (RMB)
Liaocheng Company ⁽¹⁾	5,034,000	4,240,000	3,837,000	3,689,000
Jiaxiang Company ⁽¹⁾	7,903,000	6,431,000	6,831,000	5,230,000
Xin County Company ⁽¹⁾	19,950,000	14,932,000	13,518,000	10,542,000
Yanggu Company ⁽¹⁾	21,495,000	16,107,000	641,000	2,093,000
Dong'e Company ⁽²⁾	5,886,000	4,450,000	—	—
Jiaming Company ⁽²⁾	7,128,000	6,317,000	185,000	116,000
Linqing Company ⁽²⁾	851,000	806,000	-7,000	-7,000
Total	<u>68,247,000</u>	<u>53,283,000</u>	<u>25,005,000</u>	<u>21,663,000</u>

Notes:

- (1) The approximate total assets and total net assets as at 31 December 2015, and the net profit before and after taxation for the two years ended 31 December 2014 and 2015 of Liaocheng Company, Jiaxiang Company, Xin County Company and Yanggu Company are audited financial figures.
- (2) The approximate total assets and total net assets as at 31 December 2015, and the net profit before and after taxation for the two years ended 31 December 2014 and 2015 of Dong'e Company, Jiaming Company and Linqing Company are unaudited financial figures.

Details of the Sewage Treatment Plants owned by the Target Companies are set out as follows:

Name of the Target Companies	Location	Name of the Sewage Treatment Plants	Project Model	Daily Treatment Capacity in Operation / Aggregate Daily Design Treatment Capacity (tons/day)	Concession Period (years)
Liaocheng Company	Liaocheng City, Shandong Province	Liaocheng Municipal Southern Sewage Treatment Plant* (聊城市城南污水處理廠)	BOT	30,000/30,000	30 (since 2012) ⁽¹⁾

Name of the Target Companies	Location	Name of the Sewage Treatment Plants	Project Model	Daily Treatment Capacity in Operation / Aggregate Daily Design Treatment Capacity (tons/day)	Concession Period (years)
Jiaxiang Copmpany	Jiaxiang County, Jining City, Shandong Province	Jiaxiang County Second Sewage Treatment Plant* (嘉祥縣第二污水處理廠)	BOT	30,000/30,000	30 (since 2013) ⁽¹⁾
Xin County Company	Xin County, Liaocheng City, Shandong Province	Xin County Sewage Treatment Plant* (莘縣污水處理廠)	Phase I & II TOT Phase III BOT	40,000/40,000 0/30,000	30 (since 2013)
Yanggu Company	Yanggu County, Liaocheng City, Shandong Province	Yanggu County Sewage Treatment Plant* (陽穀縣污水處理廠)	Phase I TOT Phase II BOT	40,000/40,000 0/40,000	30 (since 2012)
Dong'e Company	Dong'e County, Liaocheng City, Shandong Province	Xing'e Sewage Treatment Plant* (興阿污水處理廠)	TOT	40,000/40,000	30 (since 2015)
Jiaming Company	Liaocheng City, Shandong Province	Jiaming Economic Development District Sewage Treatment Plant* (嘉明經濟開發區污水處理廠)	BOT	30,000/50,000	30 (since 2015)
Linqing Company	Linqing City, Shandong Province	Phase II Expansion Project of Linqing Municipal Sewage Treatment Plant* (臨清市污水處理廠二期擴建項目)	BOT	40,000/40,000	30 (since 2015) ⁽¹⁾

Note:

(1) The relevant dates when the relevant concession periods commence have been adjusted according to the actual operation dates of relevant Sewage Treatment Plants.

INFORMATION ABOUT THE VENDOR AND THE PURCHASER

The Vendor is a limited liability company established in the PRC on 14 May 2009. The Vendor and its subsidiaries are primarily engaged in the project construction of water treatment, waste gas treatment, municipal engineering and waste incineration power generation, and investment with its own funds.

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

BENEFIT OF AND REASONS FOR ENTERING INTO THE AGREEMENTS

The Company is a leading privately-owned company for investing in and operating wastewater treatment facilities in the PRC. The Company believes that the Transactions will increase the ownership of the assets and expected return from the Target Companies and therefore strengthen the future financial performance of the Group by generating stable and sustainable returns.

Accordingly, the Directors (including independent non-executive Directors) consider that the terms of the Transactions are fair and reasonable, and the Transactions are on normal commercial terms or better and in the best interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the transactions under the 2015 Agreements were completed within the past 12 months from the date of the Agreements, the transactions under the 2015 Agreements and the Transactions are aggregated in computing the applicable percentage ratios pursuant to Rule 14.22 of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Transactions under the Agreements (on an aggregation basis) is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Transactions under the Agreements constitute disclosable transactions for the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, each of the Target Companies is a subsidiary held by the Company as to 90%, and the remaining 10% equity interests in each of the Target Companies are held by the Vendor. As the Vendor is a substantial shareholder of the Target Companies, the Vendor is a connected person of the Company at the subsidiary level, and the Transactions constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The Board has approved the Transactions and the independent non-executive Directors have

confirmed that (i) the terms of the Transactions are fair and reasonable, (ii) the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Company and its subsidiaries and (iii) the Transactions are in the interest of the Company and its Shareholders as a whole. Accordingly, the Transactions are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. No Director has a material interest in the Transactions and none of them is required to abstain from voting on the Board resolution for approving the Transactions.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“2014 Agreement”	the equity transfer agreement dated 10 August 2014 entered into between the Vendor and the Purchaser in relation to the acquisition of the 90% equity interests held by the Vendor in each of Liaocheng Company, Jiexiang Company, Xin County Company and Yanggu Company
“2015 Agreements”	the three equity transfer agreements dated 1 December 2015 entered into between the Vendor and the Purchaser in relation to the acquisition of the 90% equity interests held by the Vendor in each of Dong'e Company, Jiaming Company and Linqing Company
“Agreements”	the Liaocheng Agreement, Jiexiang Agreement, Xin County Agreement, Yanggu Agreement, Dong'e Agreement, Jiaming Agreement and Linqing Agreement entered into between the Vendor and the Purchaser in relation to the acquisition by the Purchaser of the 9% equity interests held by the Vendor in each of Liaocheng Company, Jiexiang Company, Xin County Company, Yanggu Company, Dong'e Company, Jiaming Company and Linqing Company
“Board”	the board of Directors of the Company

“BOT”	build, operate and transfer, a project model in which the proprietor grants to a contracted enterprise the rights to undertake the financing, design, construction, operation and maintenance of water or wastewater treatment facilities by concession agreement, which enterprise can charge a fee during the concession period to cover its costs of investment, operation and maintenance as well as reasonable returns, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
“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
“Dong’e Agreement”	the equity transfer agreements dated 30 June 2016 entered into between the Vendor and the Purchaser in relation to the acquisition of the 9% equity interests held by the Vendor in Dong’e Company
“Dong’e Company”	Liaocheng Municipal Dong’e County Guohuan Sewage Treatment Co., Ltd.* (聊城東阿縣國環污水處理有限公司), a limited liability company established in the PRC on 23 January 2015
“Jiaming Agreement”	the equity transfer agreements dated 30 June 2016 entered into between the Vendor and the Purchaser in relation to the acquisition of the 9% equity interests held by the Vendor in Jiaming Company
“Jiaming Company”	Liaocheng Municipal Jiaming Guohuan Sewage Treatment Co., Ltd.* (聊城嘉明國環污水處理有限公司), a limited liability company established in the PRC on 19 May 2014
“Jiaxiang Agreement”	the equity transfer agreements dated 30 June 2016 entered into between the Vendor and the Purchaser in relation to the acquisition of the 9% equity interests held by the Vendor in Jiaxiang Company

“Jiaxiang Company”	Jiaxiang County Guohuan Sewage Treatment Co., Ltd.* (嘉祥縣國環污水處理有限公司), a limited liability company established in the PRC on 15 December 2010
“Liaocheng Agreement”	the equity transfer agreements dated 30 June 2016 entered into between the Vendor and the Purchaser in relation to the acquisition of the 9% equity interests held by the Vendor in Liaocheng Company
“Liaocheng Company”	Liaocheng Municipal Guohuan Sewage Treatment Co., Ltd.* (聊城市國環污水處理有限公司), a limited liability company established in the PRC on 19 April 2012
“Linqing Agreement”	the equity transfer agreements dated 30 June 2016 entered into between the Vendor and the Purchaser in relation to the acquisition of the 9% equity interests held by the Vendor in Linqing Company
“Linqing Company”	Linqing Municipal Guohuan Sewage Treatment Co., Ltd.* (臨清市國環污水處理有限公司), a limited liability company established in the PRC on 11 October 2014
“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

“Sewage Treatment Plant(s)”	Liaocheng Municipal Southern Sewage Treatment Plant* (聊城市城南污水處理廠), Jiaxiang County Second Sewage Treatment Plant* (嘉祥縣第二污水處理廠), Xin County Sewage Treatment Plant* (莘縣污水處理廠), Yanggu County Sewage Treatment Plant* (陽穀縣污水處理廠), Xing’e Sewage Treatment Plant* (興阿污水處理廠), Jiaming Economic Development District Sewage Treatment Plant* (嘉明經濟開發區污水處理廠) and the Phase II Expansion Project of Linqing Municipal Sewage Treatment Plant* (臨清市污水處理廠二期擴建項目)
“Target Companies”	Liaocheng Company, Jiaxiang Company, Xin County Company, Yanggu Company, Dong’e Company, Jiaming Company, and Linqing Company.
“TOT”	transfer, operate and transfer, a project format in which the proprietor transfers the rights to operate a water or wastewater treatment facility to an enterprise for a consideration pursuant to a concession agreement, in return, the enterprise can charge users a fee during the concession period, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
“Transactions”	the further acquisition of 9% equity interests in each of the Target Companies by the Purchaser from the Vendor under the Agreements
“Vendor”	Shandong Guohuan Industrial Investment Co., Ltd.* (山東國環產業投資有限公司), a limited liability company established in the PRC on 14 May 2009
“Xin County Agreement”	the equity transfer agreements dated 30 June 2016 entered into between the Vendor and the Purchaser in relation to the acquisition of the 9% equity interests held by the Vendor in Xin County Company
“Xin County Company”	Xin County Guohuan Sewage Treatment Co., Ltd.* (莘縣國環污水處理有限公司), a limited liability company established in the PRC on 23 August 2013

“Yanggu Agreement”	the equity transfer agreements dated 30 June 2016 entered into between the Vendor and the Purchaser in relation to the acquisition of the 9% equity interests held by the Vendor in Yanggu Company
“Yanggu Company”	Yanggu County Guohuan Sewage Treatment Co., Ltd.* (陽穀縣國環污水處理有限公司), a limited liability company established in the PRC on 17 July 2012

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

Hong Kong, 30 June 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.*