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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 TRANSACTIONS**

**THE ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANIES**

On 1 December 2015 (after trading hours), 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 90% equity interests held by the Vendor in each of the Target Companies for an aggregate consideration of RMB257,400,000 (RMB115,200,000 under the Dong'e Agreement, RMB70,200,000 under the Jiaming Agreement and RMB72,000,000 under the Linqing Agreement). The Target Companies own the concession right of the Sewage Treatment Plants for an aggregate daily treatment capacity of 130,000 tonnes. As at the date of this announcement, the Sewage Treatment Plants have an aggregate daily treatment capacity of 35,000 tonnes in operation and 40,000 tonnes under construction.

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.

## **THE AGREEMENTS**

**Date:** 1 December 2015

### **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).

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 a third party independent of the Company and its connected persons.

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

The Purchaser has agreed to acquire and the Vendor has agreed to sell 90% equity interests held by the Vendor in each of the Target Companies. Upon the completion of the Transactions, the equity interests in each of the Target Companies will be held by the Vendor as to 10% and the Purchaser as to 90%.

### **Consideration, Basis of Consideration and Payment Manner**

The consideration under the Dong'e Agreement, Jiaming Agreement and Linqing Agreement is RMB115,200,000, RMB70,200,000 and RMB72,000,000, respectively, which was negotiated by the Purchaser and the Vendor on arm's length basis and determined by taking into consideration of the daily treatment capacity of the Sewage Treatment Plants.

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

- (a) Payment of consideration under the Dong'e Agreement:
  - 1) 40% of the total consideration (after deducting RMB4,000,000 of the pre-paid deposit), i.e. RMB42,080,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the paid-in capital of Dong'e Company has been fully contributed and all debts have been settled and all relevant approvals from relevant governmental authorities have been obtained;

- 2) 42.23% of the total consideration (after deducting RMB4,000,000 of the pre-paid deposit), i.e. RMB44,648,960, shall be paid by the Purchaser to the Vendor within five (5) business days after the completion of the filing with Administration of Industry and Commerce in the PRC and the of assets delivery;
- 3) 3% of the total consideration, i.e. RMB3,456,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the completion of the maintenance of defects in the project confirmed by the Vendor and the Purchaser, and the completion of relevant legal procedures required under the PRC laws and regulations, including the acceptance inspection of the project;
- 4) 12.77% of the total consideration, i.e. RMB14,711,040, shall be paid by the Purchaser to the Vendor within five (5) business days after the Vendor completes the construction of the extension project under the Dong'e Agreement and the completion of project assets delivery; and
- 5) 2% of the total consideration, i.e. RMB2,304,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the expiration of the one-year construction warranty period of the extension project.

(b) Payment of consideration under the Jiaming Agreement:

- 1) 40% of the total consideration (after deducting RMB3,000,000 of the pre-paid deposit), i.e. RMB25,080,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the paid-in capital of Jiaming Company has been contributed and all debts have been settled and all relevant approvals from relevant governmental authorities have been obtained;
- 2) 39.29% of the total consideration (after deducting RMB3,000,000 of the pre-paid deposit), i.e. RMB24,581,580, shall be paid by the Purchaser to the Vendor within five (5) business days after the completion of the filing with Administration of Industry and Commerce in the PRC and the completion of assets delivery;
- 3) 3% of the total consideration, i.e. RMB2,106,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the completion of the maintenance of defects in the project confirmed by the Vendor and the Purchaser, the completion of relevant legal procedures required under the PRC laws and regulations, including the acceptance inspection of the project, and the execution of a supplementary concession agreement between the Vendor and competent governmental authority;

- 4) 15.71% of the total consideration, i.e. RMB11,028,420, shall be paid by the Purchaser to the Vendor within five (5) business days after the Vendor completes the construction of the extension project under the Jiaming Agreement and the completion of project assets delivery; and
- 5) 2% of the total consideration, i.e. RMB1,404,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the expiration of the one-year construction warranty period of the extension project.

(c) Payment of consideration under the Linqing Agreement:

- 1) 40% of the total consideration (after deducting RMB3,000,000 of the pre-paid deposit), i.e. RMB25,800,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the paid-in capital of Linqing Company has been contributed and all debts have been settled and all relevant approvals from relevant governmental authorities have been obtained;
- 2) 55% of the total consideration (after deducting RMB3,000,000 of the pre-paid deposit), i.e. RMB36,600,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the completion of the filing with Administration of Industry and Commerce in the PRC and the completion of assets delivery;
- 3) 3% of the total consideration, i.e. RMB2,160,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the completion of the maintenance of defects in the project confirmed by the Vendor and the Purchaser, and the completion of relevant legal procedures required under the PRC laws and regulations, including the acceptance inspection of the project; and
- 4) 2% of the total consideration, i.e. RMB1,440,000, shall be paid by the Purchaser to the Vendor within five (5) business days after the expiration of the one-year construction warranty period of the extension project.

## **INFORMATION ABOUT THE TARGET COMPANIES**

The Target Companies are Dong'e Company, Jiaming Company and Linqing Company.

As at 30 June 2015, the unaudited total assets of the Target Companies (on an aggregation basis) was approximately RMB78,199,448 and the unaudited total net assets of the Target Companies (on an aggregation basis) was approximately RMB5,956,618.

The unaudited net profit before and after taxation of the Target Companies (on an aggregation basis) for the year ended 31 December 2014 and for the six months ended 30 June 2015 were as follows:

	<b>Unaudited net profit before taxation (RMB)</b>	<b>Unaudited net profit after taxation (RMB)</b>
Since establishment to 31 December 2014	approximately -94,587	approximately -94,587
For the six months ended 30 June 2015	approximately 1,051,205	approximately 1,051,205

Details of the Sewage Treatment Plants of the Target Companies are set out below:

<b>Name of the Target Companies</b>	<b>Location</b>	<b>Name of the Sewage Treatment Plants</b>	<b>Project model</b>	<b>Daily treatment capacity in operation / aggregate daily treatment capacity under the concession right (tonnes)</b>	<b>Concession period (years)</b>
Dong'e Company	Dong'e County, Liaocheng City, Shandong Province	Xing'e Sewage Treatment Plant* (興阿污水處理廠)	TOT	20,000/40,000	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	15,000/50,000	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	0/40,000	30 (starting from the expected operation of the plant in 2016)

## **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.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS**

The Company is a leading privately-owned company for investing in and operating wastewater treatment facilities in the PRC. It is the Company's strategy to identify suitable investment opportunity to acquire the sewage plants with good prospects and potential for stable returns. The Transactions will benefit the Company by expanding its wastewater treatment business in the PRC and enlarging the sources of revenue and profits. Accordingly, the Directors consider that the terms of the Agreements 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.

## **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios in respect of the Transactions under the Agreements (on an aggregation basis) is greater than 5% and less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Transactions under the Agreements constitute discloseable transactions for the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Agreements”	the 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 90% equity interests held by the Vendor in each of Dong'e Company, Jiaming Company and Linqing Company
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“Board”	the board of Directors
“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 the Cayman Islands with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dong’e Agreement”	the share purchase agreement dated 1 December 2015 entered into between the Vendor and the Purchaser in relation to the acquisition by the Purchaser of the 90% 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 share purchase agreement dated 1 December 2015 entered into between the Vendor and the Purchaser in relation to the acquisition by the Purchaser of the 90% 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

“Linqing Agreement”	the share purchase agreement dated 1 December 2015 entered into between the Vendor and the Purchaser in relation to the acquisition by the Purchaser of the 90% 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)”	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”	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 acquisition of 90% 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

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

Hong Kong, 1 December 2015

*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 non-executive Director; and Mr. TSUI Yiu Wa Alec, Mr. YUAN Shaoli and Mr. PENG Yongzhen as independent non-executive Directors.*

*\* For identification purposes only.*