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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

ENTERING INTO THE PPP PROJECT AGREEMENT IN RESPECT OF LONGKOU CITY YONGWEN RIVER WASTEWATER TREATMENT PLANT PROJECT

The Board is pleased to announce that on 28 September 2018, the Water Affairs Bureau of Longkou City* (龍口市水務局) and Kangda Group entered into the PPP Project Agreement in respect of the PPP Project in Longkou City, Shandong Province, the PRC.

This announcement is made by the Company to keep the shareholders and potential investors of the Company informed of the latest business development of the Group.

INTRODUCTION

The Board is pleased to announce that on 28 September 2018, the Water Affairs Bureau of Longkou City* (龍口市水務局) and Kangda Group entered into the PPP Agreement in respect of the PPP Project in Longkou City, Shandong Province, the PRC.

The PPP Project will be carried out through the public-private-partnership (commonly known as “PPP”) model, which is an emerging cooperation model, supported by national policies, for the public and private sectors to work together under the leadership of the relevant PRC local government. While the PPP model typically involves the use of private sector capital in public sector works, there is no fixed cooperation model, as the extent and nature of the private sector’s involvements are driven by the requirements of the local government concerned.

THE PPP PROJECT AGREEMENT

Date:

28 September 2018

Parties:

- (1) Water Affairs Bureau of Longkou City* (龍口市水務局); and
- (2) Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司).

Principal Terms

Pursuant to the PPP Project Agreement, Kangda Group and the government's designated company shall establish the Project Company in Longkou City, Shandong Province, the PRC within 30 days after the execution of the PPP Project Agreement. The Project Company and the Water Affairs Bureau of Longkou City* (龍口市水務局) shall enter into a project agreement in accordance with the PPP Project Agreement or a supplementary agreement succeeding the relevant rights and obligations in the PPP Project within 15 days after the establishment of the Project Company.

During the cooperation period as set out in the PPP Project Agreement, Kangda Group will be responsible for, among other things, preliminary works, investment, financing, investigation, design, construction, operation maintenance, upgrade and management of the PPP Project to satisfy the standards and requirements stipulated under the PPP Project Agreement and maintain good operation status, and will be entitled to the wastewater treatment service fees from the Water Affairs Bureau of Longkou City* (龍口市水務局) according to the payment mechanism under the PPP Project Agreement.

The cooperation period shall be 26 years commencing on the effective date of the PPP Project Agreement, including one year of construction period and 25 years of operation period. After the cooperation period, Kangda Group shall transfer the PPP Project to the Water Affairs Bureau of Longkou City* (龍口市水務局) or its designated entity at nil consideration.

INFORMATION ABOUT THE PPP PROJECT

The PPP Project comprises of the construction of a wastewater treatment plant and relevant facilities located at the right side of Yongwen River and the South side of Binhai Avenue, Longkou City, Shandong Province, the PRC, with the planned daily treatment capacity of 60,000 tonnes, of which, the planned daily treatment capacity for phase I is 40,000 tonnes. The estimated total investment for phase I of the PPP Project will be approximately RMB125 million.

INFORMATION ABOUT THE WATER AFFAIRS BUREAU OF LONGKOU CITY* (龍口市水務局) AND THE GROUP

Water Affairs Bureau of Longkou City* (龍口市水務局) is a local government authority in the PRC authorized by the People's Government of Longkou City* (龍口市人民政府), and is responsible for the authorization and implementation of the PPP Project.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Water Affairs Bureau of Longkou City* (龍口市水務局) is a third party independent of the Company and its connected person(s) (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

The Group is principally engaged in design, construction and engineering of wastewater treatment plants and municipal infrastructures, and operation of wastewater treatment plants in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PPP PROJECT AGREEMENT

The Directors believe that entering into the PPP Project Agreement is in line with the strategy of the Company to continue to secure additional BOT and PPP projects in cities nearby where the Group has existing projects, leveraging the Group's familiarity with the region, the participants in the local market and the Company's brand recognition. The PPP Project will further expand the asset base of the Company and consolidate the Company's leading position in the industry.

Accordingly, the Directors consider that the terms of the PPP Project Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interest of the Company and the shareholders of the Company 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
“BOT”	build — operate — 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, and the enterprise can charge a fee during the concession period to cover its costs of investment, operations 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), a company incorporated in 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
“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, an indirectly wholly-owned subsidiary of the Company
“PPP Project”	the Longkou City Yongwen River Wastewater Treatment Plant Project* (龍口市泳汶河污水處理廠工程) in Longkou City, Shandong Province, the PRC
“PPP Project Agreement”	the PPP project agreement entered into between the Water Affairs Bureau of Longkou City* (龍口市水務局) and Kangda Group on 28 September 2018 in respect of the PPP Project
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

“Project Company”

a project company to be established by Kangda Group and the government’s designated company within 30 days after the execution of the PPP Project Agreement, of which Kangda Group and the government’s designated company shall respectively hold as to 80% and 20% equity interest

By order of the Board

Kangda International Environmental Company Limited

ZHAO Juanxian (alias, ZHAO Junxian)

Chairman

Hong Kong, 28 September 2018

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, Mr. WANG Litong and Mr. WANG Tianci as executive Directors; and Mr. TSUI Yiu Wa Alec, Mr. PENG Yongzhen and Mr. CHANG Qing as independent non-executive Directors.

* *For identification purposes only*