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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 AGREEMENT IN RESPECT OF WHOLE COUNTY CONSTRUCTION PROMOTION PPP PROJECT OF THE COMPREHENSIVE IMPROVEMENT OF RURAL ENVIRONMENT IN XISHUI COUNTY**

The Board is pleased to announce that on 5 September 2018, the Environmental Protection Bureau of Xishui County\* (習水縣環境保護局) and the Project Company entered into the PPP Agreement in respect of the PPP Project in Xishui County, Zunyi City, Guizhou 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**

Reference is made to the announcement of the Company dated 8 January 2018 in relation to the preliminary bidding results and entering into public notice period of the PPP Project.

The Board is pleased to announce that on 5 September 2018, the Environmental Protection Bureau of Xishui County\* (習水縣環境保護局) and the Project Company entered into the PPP Agreement in respect of the PPP Project in Xishui County, Zunyi City, Guizhou 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 AGREEMENT**

### **Date:**

5 September 2018

### **Parties:**

- (1) Environmental Protection Bureau of Xishui County\* (習水縣環境保護局); and
- (2) Xishui Kangda Environment Treatment Co., Ltd.\* (習水康達環境治理有限公司).

### **Principal Terms**

Pursuant to the PPP Agreement, the Project Company shall be responsible for, among other things, the investment and construction of the PPP Project and shall provide the wastewater treatment service, drainage service and the operation and maintenance of the rural drinking water source protection project and the landscape project during the cooperation period of 20 years commencing on the effective date of the PPP Agreement. The cooperation period shall include 2 years of construction period and 18 years of operation period. The Project Company shall be entitled to charge the usability service fee, the wastewater treatment service fee and the operation maintenance service fee during the cooperation period. After the cooperation period, the Project Company shall transfer the PPP Project to Environmental Protection Bureau of Xishui County\* (習水縣環境保護局) or its designated entity for nil consideration.

### **INFORMATION ABOUT THE PPP PROJECT**

The PPP Project comprises of constructed sub-projects and to-be-constructed sub-projects. The constructed sub-projects comprise of 42 wastewater treatment stations and drainage pipelines which have already been constructed by Environmental Protection Bureau of Xishui County\* (習水縣環境保護局). The to-be-constructed sub-projects comprise of the environmental protection sub-projects, including the construction of rural wastewater treatment facilities for 123 administrative villages and the protection of 50 non-river drinking water sources in rural areas, and the landscape sub-projects, including the town renewal project and the landscape renewal project. The estimated governmental total investment for the PPP Project will be approximately RMB610.93 million.

### **INFORMATION ABOUT ENVIRONMENTAL PROTECTION BUREAU OF XI COUNTY\* (習水縣環境保護局), THE PROJECT COMPANY AND THE GROUP**

Environmental Protection Bureau of Xishui County\* (習水縣環境保護局) is a local government authority in the PRC authorised by the People's Government of Xishui County\* (習水縣人民政府), and is responsible for the implementation of the PPP Project.

The Project Company is a company established in the PRC on 1 August 2018, and is held by Kangda Group as to 90% and by Xishui State-owned Asset, as the governmental funding representative, as to 10%, for the purpose of the execution of PPP Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Environmental Protection Bureau of Xishui County\* (習水縣環境保護局) and Xishui State-owned Asset and their ultimate beneficial owner(s) 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 AGREEMENT**

The Directors believe that entering into the PPP 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 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 Agreement”	the PPP agreement entered into between the Environmental Protection Bureau of Xishui County* (習水縣環境保護局) and the Project Company on 5 September 2018 in respect of the PPP Project
“PPP Project”	the whole county construction promotion PPP project of the comprehensive improvement of rural environment in Xishui County* (習水縣農村環境綜合整治整縣推進建設PPP項目) in Xishui County, Zunyi City, Guizhou Province, the PRC
“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”	Xishui Kangda Environment Treatment Co., Ltd.* (習水康達環境治理有限公司), the project company established in the PRC on 1 August 2018 for the purpose of the execution of the PPP Agreement, which is held as to 90% by Kangda Group and as to 10% by Xishui State-owned Asset
“Xishui State-owned Asset”	Xishui County State-owned Asset Investment and Operation Co., Ltd.* (習水縣國有資產投資經營有限責任公司), a limited liability company established in the PRC on 29 January 2002 and the governmental funding representative of the PPP Project

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

Hong Kong, 5 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