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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 AGREEMENT IN RELATION TO TAIYUAN FENDONG WASTEWATER TREATMENT PLANT PHASE I PPP PROJECT

The Board is pleased to announce that on 31 August 2018, the Urban and Rural Management Committee of Taiyuan City* (太原市城鄉管理委員會) and the Project Company entered into the PPP Project Agreement in respect of the PPP Project after the completion of a public tender process.

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 29 December 2017 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 31 August 2018, the Urban and Rural Management Committee of Taiyuan City* (太原市城鄉管理委員會) and the Project Company entered into the PPP Project Agreement in respect of the PPP Project after the completion of a public tender process.

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:

31 August 2018

Parties:

- (1) Urban and Rural Management Committee of Taiyuan City* (太原市城鄉管理委員會);
and
- (2) Taiyuan Kangjin Water Co., Ltd* (太原康晉水務有限公司).

Principal Terms

Pursuant to the PPP Project Agreement, during the cooperation period set out therein, the Project Company shall be exclusively responsible for the investment, construction, operation, maintenance and management of the PPP Project. The Project Company shall provide wastewater treatment service by operating the PPP Project according to the wastewater treatment process and the water output quality standard as set out in the PPP Project Agreement and shall be entitled to charge the wastewater treatment service fee monthly according to the fee standard agreed in the PPP Project Agreement.

The cooperation period shall be not more than 30 years commencing from the effective date of the PPP Project Agreement, including a construction period of not more than 2 years and an operation period of 28 years. Upon the expiration of the cooperation period, the Project Company shall transfer the PPP Project to the Urban and Rural Management Committee of Taiyuan City* (太原市城鄉管理委員會) or its designated institution for nil consideration.

INFORMATION ABOUT THE PPP PROJECT

The PPP Project, which is located in Taiyuan City, Shanxi Province, the PRC, comprises of (i) the A/A/O+NCE+ advanced treatment process with a daily wastewater treatment capacity of 150,000 tonnes, which shall be constructed first, and (ii) the MBR treatment process with a daily wastewater treatment capacity of 200,000 tonnes, the construction commencement date of which shall be determined by the Urban and Rural Management Committee of Taiyuan City* (太原市城鄉管理委員會) according to the requirement of the People's Government of Taiyuan City* (太原市人民政府).

INFORMATION ABOUT THE URBAN AND RURAL MANAGEMENT COMMITTEE OF TAIYUAN CITY* (太原市城鄉管理委員會), THE PROJECT COMPANY AND THE GROUP

The Urban and Rural Management Committee of Taiyuan City* (太原市城鄉管理委員會) is a local governmental authority in the PRC authorised by the People's Government of Taiyuan City* (太原市人民政府), and is responsible for the authorisation and implementation of the PPP Project.

The Project Company is a company established in the PRC on 26 April 2018, and is held by Chongqing Kangda as to 99.44%, by Tianjin Secondary Municipal Highway Construction Co., Ltd.* (天津第二市政公路工程有限公司) as to 0.05% and by the Drainage Management

Office of Taiyuan City* (太原市排水管理處), as the governmental funding entity authorized by the People's Government of Taiyuan City* (太原市人民政府), as to 0.51%, to execute the PPP Project Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Urban and Rural Management Committee of Taiyuan City* (太原市城鄉管理委員會), Tianjin Secondary Municipal Highway Construction Co., Ltd.* (天津第二市政公路工程有限公司) and the Drainage Management Office of Taiyuan City* (太原市排水管理處) 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 PROJECT AGREEMENT

The Directors believe that entering into the PPP Project Agreement is consistent with the business strategy of the Company to continue to explore business opportunities in the area of water resource management and infrastructure development and to enhance its financial performance so as to consolidate the Group's leading position in the industry. The Group's investment in the PPP Project aligns with the national supportive policies issued by the Ministry of Finance of the PRC and the Group's participation in the PPP Project will enhance the Group's experience in PPP projects where the Group will continue to seek other PPP opportunities in the future.

The Directors consider that the terms of the PPP Project Agreement 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
“Chongqing Kangda”	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 and an indirectly wholly-owned subsidiary of the Company
“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
“PPP Project”	the Fendong wastewater treatment plant phase I PPP project in Taiyuan City, Shanxi Province, the PRC
“PPP Project Agreement”	the public-private-partnership project agreement entered into between the Urban and Rural Management Committee of Taiyuan City* (太原市城鄉管理委員會) and the Project Company on 31 August 2018
“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”	Taiyuan Kangjin Water Co., Ltd* (太原康晉水務有限公司), the project company established in the PRC on 26 April 2018 to execute the PPP Project Agreement, which is held by Chongqing Kangda as to 99.44%, by Tianjin Secondary Municipal Highway Construction Co., Ltd.* (天津第二市政公路工程有限公司) as to 0.05% and by the Drainage Management Office of Taiyuan City* (太原市排水管理處) as to 0.51%

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

Hong Kong, 31 August 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*