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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 JIULONG PAPER INDUSTRY WASTEWATER COMPREHENSIVE UTILIZATION SYSTEM PROJECT

The Board is pleased to announce that on 15 August 2018, Tianjin Ninghe Water Authority* (天津市寧河區水務局) and Chongqing Kangda entered into the PPP Agreement in respect of the PPP Project in Ninghe District, Tianjin City, 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 15 August 2018, Tianjin Ninghe Water Authority* (天津市寧河區水務局) and Chongqing Kangda entered into the PPP Agreement in respect of the PPP Project in Ninghe District, Tianjin City, 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:

15 August 2018

Parties:

- (1) Tianjin Ninghe Water Authority* (天津市寧河區水務局); 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 Agreement, Chongqing Kangda shall establish the Project Company in Ninghe District, Tianjin City, the PRC within 30 days after the execution of the PPP Agreement. The Project Company will take over all rights and obligations of Chongqing Kangda under the PPP Agreement. The Project Company shall, within the Operation Period, be responsible for, among other things, the construction, investment, operation and maintenance of the PPP Project, and will be entitled to reasonable compensation from the district government or its designated paying entity according to the investment-return mechanism under the PPP Agreement.

After the Operation Period, the Project Company shall transfer the facilities and the operation rights of the PPP Project to the district government or its designated institute for nil consideration.

INFORMATION ABOUT THE PPP PROJECT

The PPP Project, with an estimated total investment amount of approximately RMB79.93 million, is located at the north side of the phase I and phase II projects of the Ninghe District Urban Wastewater Treatment Plant* (寧河區城市污水處理廠) which has a daily treatment capacity of 25,000 tonnes. The land of the PPP Project is the municipal land for utilities, with a total area of approximately 13,698.39 square meters.

The PPP Project will be carried out by using the project model of BOT.

INFORMATION ABOUT TIANJIN NINGHE WATER AUTHORITY* (天津市寧河區水務局) AND THE GROUP

Tianjin Ninghe Water Authority* (天津市寧河區水務局) is a local government authority in the PRC, which is authorised by the People's Government of Ninghe District* (寧河區人民政府) to implement the PPP Project.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Tianjin Ninghe Water Authority* (天津市寧河區水務局) 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 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
“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, 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

“Operation Period”	the operation period of 30 years (including the construction period of 1 year), commencing on the effective date of the PPP Agreement
“PPP Agreement”	the PPP agreement entered into between Tianjin Ninghe Water Authority* (天津市寧河區水務局) and Chongqing Kangda on 15 August 2018 in respect of the PPP Project
“PPP Project”	the Jiulong paper industry wastewater comprehensive utilization system project* (玖龍紙業污水綜合利用系統工程項目) located in Ninghe District, Tianjin City, 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”	a project company to be established by Chongqing Kangda within 30 days after the execution of the PPP Agreement

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

Hong Kong, 15 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*