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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 GENERAL CONTRACTING CONSTRUCTION AGREEMENT IN RELATION TO LEPING SOUTH INLAND RIVER COMPREHENSIVE TREATMENT PPP PROJECT

The Board is pleased to announce that on 7 February 2018, Chongqing Kangda and the Project Company entered into the General Contracting Construction Agreement in respect of the construction of the PPP Project in Leping City, Jiangxi 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 21 December 2017 in relation to the successful competitive negotiation and entering into public notice period of the PPP Project.

On 7 February 2018, the Construction Bureau of Leping City* (樂平市建設局) and the Project Company entered into the PPP Project Agreement, pursuant to which, the Project Company, during a 15-year cooperation period, is entitled to be responsible for the design, financing, investment, construction and maintenance of the PPP Project and to charge service fees. The Board is pleased to announce that on the same date, Chongqing Kangda and the Project Company entered into the General Contracting Construction Agreement in respect of the construction of the PPP Project.

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 GENERAL CONTRACTING CONSTRUCTION AGREEMENT

Date

7 February 2018

Parties

- (1) Leping City He Hu Ecological Environmental Treatment Co., Ltd.* (樂平市河湖生態環境治理有限公司); 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 General Contracting Construction Agreement, Chongqing Kangda, as the contractor, shall be responsible for the construction of the PPP Project, which comprises of seven sub-projects with an estimated contracting price of approximately RMB679 million in total, and shall be entitled to receive the progress payment monthly according to the construction progress.

The construction period of the PPP Project shall be approximately five years commencing on the actual construction commencement date and terminating on the inspection and acceptance date of the PPP Project.

INFORMATION ABOUT THE PPP PROJECT

The PPP Project, which is located in Leping City, Jiangxi Province, the PRC, comprises of (i) the six diversion and water quality management sub-projects, including branch water supply project, source pollution control project, internal cause treatment project, ecological restoration project, sponge city renewal project and flood prevention and drainage project, which cover the river channel of the south inland river starting from East Lake Dam to the gate section of Zhang Jia Qiao, with the total length of approximately 5.5 km; and (ii) the greening landscape sub-project, which aims at formulating the landscape structure of the south inland river area with reference to the local history and features.

INFORMATION ABOUT THE PROJECT COMPANY AND THE GROUP

The Project Company is a limited liability company principally engaged in the investment in relation to the ecological protection and comprehensive treatment of rivers, and the investment, construction and operation management of the environmental protection and comprehensive treatment projects. Chongqing Kangda and JWCI hold as to 44.0% and 50.9%, respectively, of its equity interest, and other two shareholders hold as to 5.1%. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, JWCI and other two shareholders of the Project Company and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons(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 GENERAL CONTRACTING CONSTRUCTION AGREEMENT

The Directors believe that entering into the General Contracting Construction Agreement is consistent with the business strategy of the Company to continue to use the brand influence of its existing projects in nearby areas to further expand additional projects, which would enhance the Group's familiarity with the region and the participants in the local market and the Company's brand recognition. 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 General Contracting Construction 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
“General Contracting Construction Agreement”	the general contracting construction agreement entered into between the Project Company and Chongqing Kangda on 7 February 2018
“Group”	the Company and its subsidiaries
“JWCI”	Jiangxi Water Conservancy Investment Group Co., Ltd.* (江西省水利投資集團有限公司), a limited liability company established in the PRC on 29 February 2008 and 100% owned by the Water Conservancy Office of Jiangxi Province* (江西省水利廳)
“PPP Project”	the south inland river comprehensive treatment PPP project in Leping City (樂平市南內河綜合治理工程PPP項目), which is located in Jiangxi Province, the PRC, and comprises of seven sub-projects
“PPP Project Agreement”	the public-private partnership project agreement entered into between the Construction Bureau of Leping City* (樂平市建設局) and the Project Company on 7 February 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”	Leping City He Hu Ecological Environment Treatment Co., Ltd.* (樂平市河湖生態環境治理有限公司), established in the PRC on 25 December 2017 and held as to 44.0% by Chongqing Kangda, as to 50.9% by JWCI, and as to 5.1% by other two shareholders, for the purpose to carry out the design, financing, investment, construction, operation and maintenance of the PPP Project

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

Hong Kong, 7 February 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*