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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 SUPPLEMENTAL CONCESSION AGREEMENT IN RELATION TO JIANGSU PROVINCE FENG COUNTY ECONOMIC DEVELOPMENT ZONE WASTEWATER TREATMENT PLANT BOT PROJECT PHASE II EXPANSION PROJECT

The Board is pleased to announce that on 25 December 2017, the Management Committee of Jiangsu Province Feng County Economic Development Zone* (江蘇豐縣經濟開發區管理委員會) and Fengxian Kangda, entered into the Supplemental Concession Agreement in respect of the Target Project in Feng County, Jiangsu 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 Management Committee of Jiangsu Province Feng County Economic Development Zone* (江蘇豐縣經濟開發區管理委員會) and Kangda Group entered into the Concession Agreement and the Amended Concession Agreement in respect of the BOT Project in Feng County, Jiangsu Province, the PRC on 30 March 2009 and 23 March 2010, respectively. In accordance with the Concession Agreement and the Amended Concession Agreement, Fengxian Kangda has later assumed all the rights and obligations of Kangda Group under the Concession Agreement and the Amended Concession Agreement, including but not limited to the concession rights of the BOT Project. The construction of the phase I of the BOT Project has been completed and it has been put into commercial operation in 2012.

The Board is pleased to announce that on 25 December 2017, the Management Committee of Jiangsu Province Feng County Economic Development Zone* (江蘇豐縣經濟開發區管理委員會) and Fengxian Kangda, entered into the Supplemental Concession Agreement, which is a supplemental agreement to the Concession Agreement and the Amended Concession Agreement, in respect of the Target Project in Feng County, Jiangsu Province, the PRC.

SUPPLEMENTAL CONCESSION AGREEMENT

Date:

25 December 2017

Parties

- (1) Management Committee of Jiangsu Province Feng County Economic Development Zone* (江蘇豐縣經濟開發區管理委員會); and
- (2) Fengxian Kangda Environmental Protection Second Sewage Treatment Co., Ltd.* (豐縣康達環保第二污水處理有限公司)

Principal Terms

Pursuant to the Supplemental Concession Agreement, Fengxian Kangda shall be exclusively responsible for the investment, financing, construction, operation, management and transfer of the Target Project with an estimated total investment of approximately RMB58.9391 million. Fengxian Kangda shall provide wastewater treatment service by operating the Target Project according to the treatment process and the water output quality standard as set out in the Supplemental Concession Agreement and be entitled to charge wastewater treatment service fee according to the fee standard agreed in the Supplemental Concession Agreement within a concession period of 29 years (excluding the construction period of two years) commencing from the completion and acceptance date of the Target Project.

INFORMATION ABOUT THE TARGET PROJECT

The details of the Target Project are set out below:

Plant Name	Location	Project Model	Daily Treatment Capacity (tonnes)	Concession Period
Jiangsu Province Feng County Economic Development Zone Wastewater Treatment Plant Phase II* (江蘇省豐縣經濟開發區污水處理廠二期)	Economic Development Zone, Feng County, Jiangsu Province, the PRC	BOT	20,000 ⁽¹⁾	29 years (excluding the construction period of two years and commencing from the completion and acceptance date of the Target Project)

Note:

- (1) The daily treatment capacity of phase I of the BOT Project is 20,000 tonnes.

INFORMATION ABOUT MANAGEMENT COMMITTEE OF JIANGSU PROVINCE FENG COUNTY ECONOMIC DEVELOPMENT ZONE* (江蘇豐縣經濟開發區管理委員會)

Management Committee of Jiangsu Province Feng County Economic Development Zone* (江蘇豐縣經濟開發區管理委員會) is the local governmental authority authorised by the People's Government of Feng County to enter into the Supplemental Concession Agreement with Fengxian Kangda.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Management Committee of Jiangsu Province Feng County Economic Development Zone* (江蘇豐縣經濟開發區管理委員會) 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).

REASONS AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL CONCESSION AGREEMENT

The Directors believe that entering into the Supplemental Concession Agreement is consistent with the business strategy of the Company to explore business opportunities in the area of ecological environmental protection and comprehensive treatment and to enhance its financial performance so as to consolidate the Group's leading position in the industry.

Accordingly, the Directors consider that the terms of the Supplemental Concession 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:

“Amended Concession Agreement”	the amended concession agreement entered into between the Management Committee of Jiangsu Province Feng County Economic Development Zone* (江蘇豐縣經濟開發區管理委員會) and Kangda Group on 23 March 2010 in respect of the BOT Project
“Board”	the board of Directors

“BOT”	Build, Operate and 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, which 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
“BOT Project”	the wastewater treatment plant BOT project in the Economic Development Zone of Feng County, Jiangsu Province, the PRC
“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
“Concession Agreement”	the concession agreement entered into between the Management Committee of Jiangsu Province Feng County Economic Development Zone* (江蘇豐縣經濟開發區管理委員會) and Kangda Group on 30 March 2009 in respect of the BOT Project
“Directors”	the directors of the Company
“Fengxian Kangda”	Fengxian Kangda Environmental Protection Second Sewage Treatment Co., Ltd.* (豐縣康達環保第二污水處理有限公司), a limited liability company established in the PRC on 26 August 2009 for the purpose of the execution of the Concession Agreement, which is an indirectly wholly-owned subsidiary 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 and an indirectly wholly-owned subsidiary of the Company
“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
“RMB”	Renminbi, the lawful currency of the PRC

“Supplemental Concession Agreement” the supplemental agreement to the Concession Agreement and the Amended Concession Agreement entered into between the Management Committee of Jiangsu Province Feng County Economic Development Zone* (江蘇豐縣經濟開發區管理委員會) and Fengxian Kangda on 25 December 2017 in respect the Target Project

“Target Project” the phase II expansion project of the BOT Project

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

Hong Kong, 27 December 2017

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*